



Rep. William Davis

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1 AMENDMENT TO HOUSE BILL 390

2 AMENDMENT NO. _____. Amend House Bill 390 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 203, 901, and 1501 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

9 (1) In general. In the case of an individual, base
10 income means an amount equal to the taxpayer's adjusted
11 gross income for the taxable year as modified by paragraph
12 (2).

13 (2) Modifications. The adjusted gross income referred
14 to in paragraph (1) shall be modified by adding thereto the
15 sum of the following amounts:

16 (A) An amount equal to all amounts paid or accrued

1 to the taxpayer as interest or dividends during the
2 taxable year to the extent excluded from gross income
3 in the computation of adjusted gross income, except
4 stock dividends of qualified public utilities
5 described in Section 305(e) of the Internal Revenue
6 Code;

7 (B) An amount equal to the amount of tax imposed by
8 this Act to the extent deducted from gross income in
9 the computation of adjusted gross income for the
10 taxable year;

11 (C) An amount equal to the amount received during
12 the taxable year as a recovery or refund of real
13 property taxes paid with respect to the taxpayer's
14 principal residence under the Revenue Act of 1939 and
15 for which a deduction was previously taken under
16 subparagraph (L) of this paragraph (2) prior to July 1,
17 1991, the retrospective application date of Article 4
18 of Public Act 87-17. In the case of multi-unit or
19 multi-use structures and farm dwellings, the taxes on
20 the taxpayer's principal residence shall be that
21 portion of the total taxes for the entire property
22 which is attributable to such principal residence;

23 (D) An amount equal to the amount of the capital
24 gain deduction allowable under the Internal Revenue
25 Code, to the extent deducted from gross income in the
26 computation of adjusted gross income;

1 (D-5) An amount, to the extent not included in
2 adjusted gross income, equal to the amount of money
3 withdrawn by the taxpayer in the taxable year from a
4 medical care savings account and the interest earned on
5 the account in the taxable year of a withdrawal
6 pursuant to subsection (b) of Section 20 of the Medical
7 Care Savings Account Act or subsection (b) of Section
8 20 of the Medical Care Savings Account Act of 2000;

9 (D-10) For taxable years ending after December 31,
10 1997, an amount equal to any eligible remediation costs
11 that the individual deducted in computing adjusted
12 gross income and for which the individual claims a
13 credit under subsection (l) of Section 201;

14 (D-15) For taxable years 2001 and thereafter, an
15 amount equal to the bonus depreciation deduction taken
16 on the taxpayer's federal income tax return for the
17 taxable year under subsection (k) of Section 168 of the
18 Internal Revenue Code;

19 (D-16) If the taxpayer sells, transfers, abandons,
20 or otherwise disposes of property for which the
21 taxpayer was required in any taxable year to make an
22 addition modification under subparagraph (D-15), then
23 an amount equal to the aggregate amount of the
24 deductions taken in all taxable years under
25 subparagraph (Z) with respect to that property.

26 If the taxpayer continues to own property through

1 the last day of the last tax year for which the
2 taxpayer may claim a depreciation deduction for
3 federal income tax purposes and for which the taxpayer
4 was allowed in any taxable year to make a subtraction
5 modification under subparagraph (Z), then an amount
6 equal to that subtraction modification.

7 The taxpayer is required to make the addition
8 modification under this subparagraph only once with
9 respect to any one piece of property;

10 (D-17) An amount equal to the amount otherwise
11 allowed as a deduction in computing base income for
12 interest paid, accrued, or incurred, directly or
13 indirectly, (i) for taxable years ending on or after
14 December 31, 2004, to a foreign person who would be a
15 member of the same unitary business group but for the
16 fact that foreign person's business activity outside
17 the United States is 80% or more of the foreign
18 person's total business activity and (ii) for taxable
19 years ending on or after December 31, 2008, to a person
20 who would be a member of the same unitary business
21 group but for the fact that the person is prohibited
22 under Section 1501(a)(27) from being included in the
23 unitary business group because he or she is ordinarily
24 required to apportion business income under different
25 subsections of Section 304. The addition modification
26 required by this subparagraph shall be reduced to the

1 extent that dividends were included in base income of
2 the unitary group for the same taxable year and
3 received by the taxpayer or by a member of the
4 taxpayer's unitary business group (including amounts
5 included in gross income under Sections 951 through 964
6 of the Internal Revenue Code and amounts included in
7 gross income under Section 78 of the Internal Revenue
8 Code) with respect to the stock of the same person to
9 whom the interest was paid, accrued, or incurred.

10 This paragraph shall not apply to the following:

11 (i) an item of interest paid, accrued, or
12 incurred, directly or indirectly, to a person who
13 is subject in a foreign country or state, other
14 than a state which requires mandatory unitary
15 reporting, to a tax on or measured by net income
16 with respect to such interest; or

17 (ii) an item of interest paid, accrued, or
18 incurred, directly or indirectly, to a person if
19 the taxpayer can establish, based on a
20 preponderance of the evidence, both of the
21 following:

22 (a) the person, during the same taxable
23 year, paid, accrued, or incurred, the interest
24 to a person that is not a related member, and

25 (b) the transaction giving rise to the
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the
2 avoidance of Illinois income tax, and is paid
3 pursuant to a contract or agreement that
4 reflects an arm's-length interest rate and
5 terms; or

6 (iii) the taxpayer can establish, based on
7 clear and convincing evidence, that the interest
8 paid, accrued, or incurred relates to a contract or
9 agreement entered into at arm's-length rates and
10 terms and the principal purpose for the payment is
11 not federal or Illinois tax avoidance; or

12 (iv) an item of interest paid, accrued, or
13 incurred, directly or indirectly, to a person if
14 the taxpayer establishes by clear and convincing
15 evidence that the adjustments are unreasonable; or
16 if the taxpayer and the Director agree in writing
17 to the application or use of an alternative method
18 of apportionment under Section 304(f).

19 Nothing in this subsection shall preclude the
20 Director from making any other adjustment
21 otherwise allowed under Section 404 of this Act for
22 any tax year beginning after the effective date of
23 this amendment provided such adjustment is made
24 pursuant to regulation adopted by the Department
25 and such regulations provide methods and standards
26 by which the Department will utilize its authority

1 under Section 404 of this Act;

2 (D-18) An amount equal to the amount of intangible
3 expenses and costs otherwise allowed as a deduction in
4 computing base income, and that were paid, accrued, or
5 incurred, directly or indirectly, (i) for taxable
6 years ending on or after December 31, 2004, to a
7 foreign person who would be a member of the same
8 unitary business group but for the fact that the
9 foreign person's business activity outside the United
10 States is 80% or more of that person's total business
11 activity and (ii) for taxable years ending on or after
12 December 31, 2008, to a person who would be a member of
13 the same unitary business group but for the fact that
14 the person is prohibited under Section 1501(a)(27)
15 from being included in the unitary business group
16 because he or she is ordinarily required to apportion
17 business income under different subsections of Section
18 304. The addition modification required by this
19 subparagraph shall be reduced to the extent that
20 dividends were included in base income of the unitary
21 group for the same taxable year and received by the
22 taxpayer or by a member of the taxpayer's unitary
23 business group (including amounts included in gross
24 income under Sections 951 through 964 of the Internal
25 Revenue Code and amounts included in gross income under
26 Section 78 of the Internal Revenue Code) with respect

1 to the stock of the same person to whom the intangible
2 expenses and costs were directly or indirectly paid,
3 incurred, or accrued. The preceding sentence does not
4 apply to the extent that the same dividends caused a
5 reduction to the addition modification required under
6 Section 203(a)(2)(D-17) of this Act. As used in this
7 subparagraph, the term "intangible expenses and costs"
8 includes (1) expenses, losses, and costs for, or
9 related to, the direct or indirect acquisition, use,
10 maintenance or management, ownership, sale, exchange,
11 or any other disposition of intangible property; (2)
12 losses incurred, directly or indirectly, from
13 factoring transactions or discounting transactions;
14 (3) royalty, patent, technical, and copyright fees;
15 (4) licensing fees; and (5) other similar expenses and
16 costs. For purposes of this subparagraph, "intangible
17 property" includes patents, patent applications, trade
18 names, trademarks, service marks, copyrights, mask
19 works, trade secrets, and similar types of intangible
20 assets.

21 This paragraph shall not apply to the following:

22 (i) any item of intangible expenses or costs
23 paid, accrued, or incurred, directly or
24 indirectly, from a transaction with a person who is
25 subject in a foreign country or state, other than a
26 state which requires mandatory unitary reporting,

1 to a tax on or measured by net income with respect
2 to such item; or

3 (ii) any item of intangible expense or cost
4 paid, accrued, or incurred, directly or
5 indirectly, if the taxpayer can establish, based
6 on a preponderance of the evidence, both of the
7 following:

8 (a) the person during the same taxable
9 year paid, accrued, or incurred, the
10 intangible expense or cost to a person that is
11 not a related member, and

12 (b) the transaction giving rise to the
13 intangible expense or cost between the
14 taxpayer and the person did not have as a
15 principal purpose the avoidance of Illinois
16 income tax, and is paid pursuant to a contract
17 or agreement that reflects arm's-length terms;
18 or

19 (iii) any item of intangible expense or cost
20 paid, accrued, or incurred, directly or
21 indirectly, from a transaction with a person if the
22 taxpayer establishes by clear and convincing
23 evidence, that the adjustments are unreasonable;
24 or if the taxpayer and the Director agree in
25 writing to the application or use of an alternative
26 method of apportionment under Section 304(f);

1 Nothing in this subsection shall preclude the
2 Director from making any other adjustment
3 otherwise allowed under Section 404 of this Act for
4 any tax year beginning after the effective date of
5 this amendment provided such adjustment is made
6 pursuant to regulation adopted by the Department
7 and such regulations provide methods and standards
8 by which the Department will utilize its authority
9 under Section 404 of this Act;

10 (D-19) For taxable years ending on or after
11 December 31, 2008, an amount equal to the amount of
12 insurance premium expenses and costs otherwise allowed
13 as a deduction in computing base income, and that were
14 paid, accrued, or incurred, directly or indirectly, to
15 a person who would be a member of the same unitary
16 business group but for the fact that the person is
17 prohibited under Section 1501(a)(27) from being
18 included in the unitary business group because he or
19 she is ordinarily required to apportion business
20 income under different subsections of Section 304. The
21 addition modification required by this subparagraph
22 shall be reduced to the extent that dividends were
23 included in base income of the unitary group for the
24 same taxable year and received by the taxpayer or by a
25 member of the taxpayer's unitary business group
26 (including amounts included in gross income under

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the stock
4 of the same person to whom the premiums and costs were
5 directly or indirectly paid, incurred, or accrued. The
6 preceding sentence does not apply to the extent that
7 the same dividends caused a reduction to the addition
8 modification required under Section 203(a) (2) (D-17) or
9 Section 203(a) (2) (D-18) of this Act.

10 (D-20) For taxable years beginning on or after
11 January 1, 2002 and ending on or before December 31,
12 2006, in the case of a distribution from a qualified
13 tuition program under Section 529 of the Internal
14 Revenue Code, other than (i) a distribution from a
15 College Savings Pool created under Section 16.5 of the
16 State Treasurer Act or (ii) a distribution from the
17 Illinois Prepaid Tuition Trust Fund, an amount equal to
18 the amount excluded from gross income under Section
19 529(c) (3) (B). For taxable years beginning on or after
20 January 1, 2007, in the case of a distribution from a
21 qualified tuition program under Section 529 of the
22 Internal Revenue Code, other than (i) a distribution
23 from a College Savings Pool created under Section 16.5
24 of the State Treasurer Act, (ii) a distribution from
25 the Illinois Prepaid Tuition Trust Fund, or (iii) a
26 distribution from a qualified tuition program under

1 Section 529 of the Internal Revenue Code that (I)
2 adopts and determines that its offering materials
3 comply with the College Savings Plans Network's
4 disclosure principles and (II) has made reasonable
5 efforts to inform in-state residents of the existence
6 of in-state qualified tuition programs by informing
7 Illinois residents directly and, where applicable, to
8 inform financial intermediaries distributing the
9 program to inform in-state residents of the existence
10 of in-state qualified tuition programs at least
11 annually, an amount equal to the amount excluded from
12 gross income under Section 529(c) (3) (B) .

13 For the purposes of this subparagraph (D-20), a
14 qualified tuition program has made reasonable efforts
15 if it makes disclosures (which may use the term
16 "in-state program" or "in-state plan" and need not
17 specifically refer to Illinois or its qualified
18 programs by name) (i) directly to prospective
19 participants in its offering materials or makes a
20 public disclosure, such as a website posting; and (ii)
21 where applicable, to intermediaries selling the
22 out-of-state program in the same manner that the
23 out-of-state program distributes its offering
24 materials;

25 (D-21) For taxable years beginning on or after
26 January 1, 2007, in the case of transfer of moneys from

1 a qualified tuition program under Section 529 of the
2 Internal Revenue Code that is administered by the State
3 to an out-of-state program, an amount equal to the
4 amount of moneys previously deducted from base income
5 under subsection (a) (2) (Y) of this Section;

6 (D-22) For taxable years beginning on or after
7 January 1, 2009, in the case of a nonqualified
8 withdrawal or refund of moneys from a qualified tuition
9 program under Section 529 of the Internal Revenue Code
10 administered by the State that is not used for
11 qualified expenses at an eligible education
12 institution, an amount equal to the contribution
13 component of the nonqualified withdrawal or refund
14 that was previously deducted from base income under
15 subsection (a) (2) (y) of this Section, provided that
16 the withdrawal or refund did not result from the
17 beneficiary's death or disability;

18 (D-23) An amount equal to the credit allowable to
19 the taxpayer under Section 218(a) of this Act,
20 determined without regard to Section 218(c) of this
21 Act;

22 (D-24) For taxable years ending on or after
23 December 31, 2013, an amount equal to the deduction
24 allowed under Section 199 of the Internal Revenue Code
25 for the taxable year;

26 and by deducting from the total so obtained the sum of the

1 following amounts:

2 (E) For taxable years ending before December 31,
3 2001, any amount included in such total in respect of
4 any compensation (including but not limited to any
5 compensation paid or accrued to a serviceman while a
6 prisoner of war or missing in action) paid to a
7 resident by reason of being on active duty in the Armed
8 Forces of the United States and in respect of any
9 compensation paid or accrued to a resident who as a
10 governmental employee was a prisoner of war or missing
11 in action, and in respect of any compensation paid to a
12 resident in 1971 or thereafter for annual training
13 performed pursuant to Sections 502 and 503, Title 32,
14 United States Code as a member of the Illinois National
15 Guard or, beginning with taxable years ending on or
16 after December 31, 2007, the National Guard of any
17 other state. For taxable years ending on or after
18 December 31, 2001, any amount included in such total in
19 respect of any compensation (including but not limited
20 to any compensation paid or accrued to a serviceman
21 while a prisoner of war or missing in action) paid to a
22 resident by reason of being a member of any component
23 of the Armed Forces of the United States and in respect
24 of any compensation paid or accrued to a resident who
25 as a governmental employee was a prisoner of war or
26 missing in action, and in respect of any compensation

1 paid to a resident in 2001 or thereafter by reason of
2 being a member of the Illinois National Guard or,
3 beginning with taxable years ending on or after
4 December 31, 2007, the National Guard of any other
5 state. The provisions of this subparagraph (E) are
6 exempt from the provisions of Section 250;

7 (F) An amount equal to all amounts included in such
8 total pursuant to the provisions of Sections 402(a),
9 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
10 Internal Revenue Code, or included in such total as
11 distributions under the provisions of any retirement
12 or disability plan for employees of any governmental
13 agency or unit, or retirement payments to retired
14 partners, which payments are excluded in computing net
15 earnings from self employment by Section 1402 of the
16 Internal Revenue Code and regulations adopted pursuant
17 thereto;

18 (G) The valuation limitation amount;

19 (H) An amount equal to the amount of any tax
20 imposed by this Act which was refunded to the taxpayer
21 and included in such total for the taxable year;

22 (I) An amount equal to all amounts included in such
23 total pursuant to the provisions of Section 111 of the
24 Internal Revenue Code as a recovery of items previously
25 deducted from adjusted gross income in the computation
26 of taxable income;

1 (J) An amount equal to those dividends included in
2 such total which were paid by a corporation which
3 conducts business operations in a River Edge
4 Redevelopment Zone or zones created under the River
5 Edge Redevelopment Zone Act, and conducts
6 substantially all of its operations in a River Edge
7 Redevelopment Zone or zones. This subparagraph (J) is
8 exempt from the provisions of Section 250;

9 (K) An amount equal to those dividends included in
10 such total that were paid by a corporation that
11 conducts business operations in a federally designated
12 Foreign Trade Zone or Sub-Zone and that is designated a
13 High Impact Business located in Illinois; provided
14 that dividends eligible for the deduction provided in
15 subparagraph (J) of paragraph (2) of this subsection
16 shall not be eligible for the deduction provided under
17 this subparagraph (K);

18 (L) For taxable years ending after December 31,
19 1983, an amount equal to all social security benefits
20 and railroad retirement benefits included in such
21 total pursuant to Sections 72(r) and 86 of the Internal
22 Revenue Code;

23 (M) With the exception of any amounts subtracted
24 under subparagraph (N), an amount equal to the sum of
25 all amounts disallowed as deductions by (i) Sections
26 171(a) (2), and 265(2) of the Internal Revenue Code,

1 and all amounts of expenses allocable to interest and
2 disallowed as deductions by Section 265(1) of the
3 Internal Revenue Code; and (ii) for taxable years
4 ending on or after August 13, 1999, Sections 171(a)(2),
5 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue
6 Code, plus, for taxable years ending on or after
7 December 31, 2011, Section 45G(e)(3) of the Internal
8 Revenue Code and, for taxable years ending on or after
9 December 31, 2008, any amount included in gross income
10 under Section 87 of the Internal Revenue Code; the
11 provisions of this subparagraph are exempt from the
12 provisions of Section 250;

13 (N) An amount equal to all amounts included in such
14 total which are exempt from taxation by this State
15 either by reason of its statutes or Constitution or by
16 reason of the Constitution, treaties or statutes of the
17 United States; provided that, in the case of any
18 statute of this State that exempts income derived from
19 bonds or other obligations from the tax imposed under
20 this Act, the amount exempted shall be the interest net
21 of bond premium amortization;

22 (O) An amount equal to any contribution made to a
23 job training project established pursuant to the Tax
24 Increment Allocation Redevelopment Act;

25 (P) An amount equal to the amount of the deduction
26 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of
2 right for the taxable year pursuant to Section 1341 of
3 the Internal Revenue Code or of any itemized deduction
4 taken from adjusted gross income in the computation of
5 taxable income for restoration of substantial amounts
6 held under claim of right for the taxable year;

7 (Q) An amount equal to any amounts included in such
8 total, received by the taxpayer as an acceleration in
9 the payment of life, endowment or annuity benefits in
10 advance of the time they would otherwise be payable as
11 an indemnity for a terminal illness;

12 (R) An amount equal to the amount of any federal or
13 State bonus paid to veterans of the Persian Gulf War;

14 (S) An amount, to the extent included in adjusted
15 gross income, equal to the amount of a contribution
16 made in the taxable year on behalf of the taxpayer to a
17 medical care savings account established under the
18 Medical Care Savings Account Act or the Medical Care
19 Savings Account Act of 2000 to the extent the
20 contribution is accepted by the account administrator
21 as provided in that Act;

22 (T) An amount, to the extent included in adjusted
23 gross income, equal to the amount of interest earned in
24 the taxable year on a medical care savings account
25 established under the Medical Care Savings Account Act
26 or the Medical Care Savings Account Act of 2000 on

1 behalf of the taxpayer, other than interest added
2 pursuant to item (D-5) of this paragraph (2);

3 (U) For one taxable year beginning on or after
4 January 1, 1994, an amount equal to the total amount of
5 tax imposed and paid under subsections (a) and (b) of
6 Section 201 of this Act on grant amounts received by
7 the taxpayer under the Nursing Home Grant Assistance
8 Act during the taxpayer's taxable years 1992 and 1993;

9 (V) Beginning with tax years ending on or after
10 December 31, 1995 and ending with tax years ending on
11 or before December 31, 2004, an amount equal to the
12 amount paid by a taxpayer who is a self-employed
13 taxpayer, a partner of a partnership, or a shareholder
14 in a Subchapter S corporation for health insurance or
15 long-term care insurance for that taxpayer or that
16 taxpayer's spouse or dependents, to the extent that the
17 amount paid for that health insurance or long-term care
18 insurance may be deducted under Section 213 of the
19 Internal Revenue Code, has not been deducted on the
20 federal income tax return of the taxpayer, and does not
21 exceed the taxable income attributable to that
22 taxpayer's income, self-employment income, or
23 Subchapter S corporation income; except that no
24 deduction shall be allowed under this item (V) if the
25 taxpayer is eligible to participate in any health
26 insurance or long-term care insurance plan of an

1 employer of the taxpayer or the taxpayer's spouse. The
2 amount of the health insurance and long-term care
3 insurance subtracted under this item (V) shall be
4 determined by multiplying total health insurance and
5 long-term care insurance premiums paid by the taxpayer
6 times a number that represents the fractional
7 percentage of eligible medical expenses under Section
8 213 of the Internal Revenue Code of 1986 not actually
9 deducted on the taxpayer's federal income tax return;

10 (W) For taxable years beginning on or after January
11 1, 1998, all amounts included in the taxpayer's federal
12 gross income in the taxable year from amounts converted
13 from a regular IRA to a Roth IRA. This paragraph is
14 exempt from the provisions of Section 250;

15 (X) For taxable year 1999 and thereafter, an amount
16 equal to the amount of any (i) distributions, to the
17 extent includible in gross income for federal income
18 tax purposes, made to the taxpayer because of his or
19 her status as a victim of persecution for racial or
20 religious reasons by Nazi Germany or any other Axis
21 regime or as an heir of the victim and (ii) items of
22 income, to the extent includible in gross income for
23 federal income tax purposes, attributable to, derived
24 from or in any way related to assets stolen from,
25 hidden from, or otherwise lost to a victim of
26 persecution for racial or religious reasons by Nazi

1 Germany or any other Axis regime immediately prior to,
2 during, and immediately after World War II, including,
3 but not limited to, interest on the proceeds receivable
4 as insurance under policies issued to a victim of
5 persecution for racial or religious reasons by Nazi
6 Germany or any other Axis regime by European insurance
7 companies immediately prior to and during World War II;
8 provided, however, this subtraction from federal
9 adjusted gross income does not apply to assets acquired
10 with such assets or with the proceeds from the sale of
11 such assets; provided, further, this paragraph shall
12 only apply to a taxpayer who was the first recipient of
13 such assets after their recovery and who is a victim of
14 persecution for racial or religious reasons by Nazi
15 Germany or any other Axis regime or as an heir of the
16 victim. The amount of and the eligibility for any
17 public assistance, benefit, or similar entitlement is
18 not affected by the inclusion of items (i) and (ii) of
19 this paragraph in gross income for federal income tax
20 purposes. This paragraph is exempt from the provisions
21 of Section 250;

22 (Y) For taxable years beginning on or after January
23 1, 2002 and ending on or before December 31, 2004,
24 moneys contributed in the taxable year to a College
25 Savings Pool account under Section 16.5 of the State
26 Treasurer Act, except that amounts excluded from gross

1 income under Section 529(c)(3)(C)(i) of the Internal
2 Revenue Code shall not be considered moneys
3 contributed under this subparagraph (Y). For taxable
4 years beginning on or after January 1, 2005, a maximum
5 of \$10,000 contributed in the taxable year to (i) a
6 College Savings Pool account under Section 16.5 of the
7 State Treasurer Act or (ii) the Illinois Prepaid
8 Tuition Trust Fund, except that amounts excluded from
9 gross income under Section 529(c)(3)(C)(i) of the
10 Internal Revenue Code shall not be considered moneys
11 contributed under this subparagraph (Y). For purposes
12 of this subparagraph, contributions made by an
13 employer on behalf of an employee, or matching
14 contributions made by an employee, shall be treated as
15 made by the employee. This subparagraph (Y) is exempt
16 from the provisions of Section 250;

17 (Z) For taxable years 2001 and thereafter, for the
18 taxable year in which the bonus depreciation deduction
19 is taken on the taxpayer's federal income tax return
20 under subsection (k) of Section 168 of the Internal
21 Revenue Code and for each applicable taxable year
22 thereafter, an amount equal to "x", where:

23 (1) "y" equals the amount of the depreciation
24 deduction taken for the taxable year on the
25 taxpayer's federal income tax return on property
26 for which the bonus depreciation deduction was

1 taken in any year under subsection (k) of Section
2 168 of the Internal Revenue Code, but not including
3 the bonus depreciation deduction;

4 (2) for taxable years ending on or before
5 December 31, 2005, "x" equals "y" multiplied by 30
6 and then divided by 70 (or "y" multiplied by
7 0.429); and

8 (3) for taxable years ending after December
9 31, 2005:

10 (i) for property on which a bonus
11 depreciation deduction of 30% of the adjusted
12 basis was taken, "x" equals "y" multiplied by
13 30 and then divided by 70 (or "y" multiplied by
14 0.429); and

15 (ii) for property on which a bonus
16 depreciation deduction of 50% of the adjusted
17 basis was taken, "x" equals "y" multiplied by
18 1.0.

19 The aggregate amount deducted under this
20 subparagraph in all taxable years for any one piece of
21 property may not exceed the amount of the bonus
22 depreciation deduction taken on that property on the
23 taxpayer's federal income tax return under subsection
24 (k) of Section 168 of the Internal Revenue Code. This
25 subparagraph (Z) is exempt from the provisions of
26 Section 250;

1 (AA) If the taxpayer sells, transfers, abandons,
2 or otherwise disposes of property for which the
3 taxpayer was required in any taxable year to make an
4 addition modification under subparagraph (D-15), then
5 an amount equal to that addition modification.

6 If the taxpayer continues to own property through
7 the last day of the last tax year for which the
8 taxpayer may claim a depreciation deduction for
9 federal income tax purposes and for which the taxpayer
10 was required in any taxable year to make an addition
11 modification under subparagraph (D-15), then an amount
12 equal to that addition modification.

13 The taxpayer is allowed to take the deduction under
14 this subparagraph only once with respect to any one
15 piece of property.

16 This subparagraph (AA) is exempt from the
17 provisions of Section 250;

18 (BB) Any amount included in adjusted gross income,
19 other than salary, received by a driver in a
20 ridesharing arrangement using a motor vehicle;

21 (CC) The amount of (i) any interest income (net of
22 the deductions allocable thereto) taken into account
23 for the taxable year with respect to a transaction with
24 a taxpayer that is required to make an addition
25 modification with respect to such transaction under
26 Section 203(a)(2)(D-17), 203(b)(2)(E-12),

1 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
2 the amount of that addition modification, and (ii) any
3 income from intangible property (net of the deductions
4 allocable thereto) taken into account for the taxable
5 year with respect to a transaction with a taxpayer that
6 is required to make an addition modification with
7 respect to such transaction under Section
8 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
9 203(d)(2)(D-8), but not to exceed the amount of that
10 addition modification. This subparagraph (CC) is
11 exempt from the provisions of Section 250;

12 (DD) An amount equal to the interest income taken
13 into account for the taxable year (net of the
14 deductions allocable thereto) with respect to
15 transactions with (i) a foreign person who would be a
16 member of the taxpayer's unitary business group but for
17 the fact that the foreign person's business activity
18 outside the United States is 80% or more of that
19 person's total business activity and (ii) for taxable
20 years ending on or after December 31, 2008, to a person
21 who would be a member of the same unitary business
22 group but for the fact that the person is prohibited
23 under Section 1501(a)(27) from being included in the
24 unitary business group because he or she is ordinarily
25 required to apportion business income under different
26 subsections of Section 304, but not to exceed the

1 addition modification required to be made for the same
2 taxable year under Section 203(a)(2)(D-17) for
3 interest paid, accrued, or incurred, directly or
4 indirectly, to the same person. This subparagraph (DD)
5 is exempt from the provisions of Section 250;

6 (EE) An amount equal to the income from intangible
7 property taken into account for the taxable year (net
8 of the deductions allocable thereto) with respect to
9 transactions with (i) a foreign person who would be a
10 member of the taxpayer's unitary business group but for
11 the fact that the foreign person's business activity
12 outside the United States is 80% or more of that
13 person's total business activity and (ii) for taxable
14 years ending on or after December 31, 2008, to a person
15 who would be a member of the same unitary business
16 group but for the fact that the person is prohibited
17 under Section 1501(a)(27) from being included in the
18 unitary business group because he or she is ordinarily
19 required to apportion business income under different
20 subsections of Section 304, but not to exceed the
21 addition modification required to be made for the same
22 taxable year under Section 203(a)(2)(D-18) for
23 intangible expenses and costs paid, accrued, or
24 incurred, directly or indirectly, to the same foreign
25 person. This subparagraph (EE) is exempt from the
26 provisions of Section 250;

1 (F) An amount equal to any amount awarded to the
2 taxpayer during the taxable year by the Court of Claims
3 under subsection (c) of Section 8 of the Court of
4 Claims Act for time unjustly served in a State prison.
5 This subparagraph (F) is exempt from the provisions of
6 Section 250; and

7 (G) For taxable years ending on or after December
8 31, 2011, in the case of a taxpayer who was required to
9 add back any insurance premiums under Section
10 203(a)(2)(D-19), such taxpayer may elect to subtract
11 that part of a reimbursement received from the
12 insurance company equal to the amount of the expense or
13 loss (including expenses incurred by the insurance
14 company) that would have been taken into account as a
15 deduction for federal income tax purposes if the
16 expense or loss had been uninsured. If a taxpayer makes
17 the election provided for by this subparagraph (G),
18 the insurer to which the premiums were paid must add
19 back to income the amount subtracted by the taxpayer
20 pursuant to this subparagraph (G). This subparagraph
21 (G) is exempt from the provisions of Section 250.

22 (b) Corporations.

23 (1) In general. In the case of a corporation, base
24 income means an amount equal to the taxpayer's taxable
25 income for the taxable year as modified by paragraph (2).

1 (2) Modifications. The taxable income referred to in
2 paragraph (1) shall be modified by adding thereto the sum
3 of the following amounts:

4 (A) An amount equal to all amounts paid or accrued
5 to the taxpayer as interest and all distributions
6 received from regulated investment companies during
7 the taxable year to the extent excluded from gross
8 income in the computation of taxable income;

9 (B) An amount equal to the amount of tax imposed by
10 this Act to the extent deducted from gross income in
11 the computation of taxable income for the taxable year;

12 (C) In the case of a regulated investment company,
13 an amount equal to the excess of (i) the net long-term
14 capital gain for the taxable year, over (ii) the amount
15 of the capital gain dividends designated as such in
16 accordance with Section 852(b)(3)(C) of the Internal
17 Revenue Code and any amount designated under Section
18 852(b)(3)(D) of the Internal Revenue Code,
19 attributable to the taxable year (this amendatory Act
20 of 1995 (Public Act 89-89) is declarative of existing
21 law and is not a new enactment);

22 (D) The amount of any net operating loss deduction
23 taken in arriving at taxable income, other than a net
24 operating loss carried forward from a taxable year
25 ending prior to December 31, 1986;

26 (E) For taxable years in which a net operating loss

1 carryback or carryforward from a taxable year ending
2 prior to December 31, 1986 is an element of taxable
3 income under paragraph (1) of subsection (e) or
4 subparagraph (E) of paragraph (2) of subsection (e),
5 the amount by which addition modifications other than
6 those provided by this subparagraph (E) exceeded
7 subtraction modifications in such earlier taxable
8 year, with the following limitations applied in the
9 order that they are listed:

10 (i) the addition modification relating to the
11 net operating loss carried back or forward to the
12 taxable year from any taxable year ending prior to
13 December 31, 1986 shall be reduced by the amount of
14 addition modification under this subparagraph (E)
15 which related to that net operating loss and which
16 was taken into account in calculating the base
17 income of an earlier taxable year, and

18 (ii) the addition modification relating to the
19 net operating loss carried back or forward to the
20 taxable year from any taxable year ending prior to
21 December 31, 1986 shall not exceed the amount of
22 such carryback or carryforward;

23 For taxable years in which there is a net operating
24 loss carryback or carryforward from more than one other
25 taxable year ending prior to December 31, 1986, the
26 addition modification provided in this subparagraph

1 (E) shall be the sum of the amounts computed
2 independently under the preceding provisions of this
3 subparagraph (E) for each such taxable year;

4 (E-5) For taxable years ending after December 31,
5 1997, an amount equal to any eligible remediation costs
6 that the corporation deducted in computing adjusted
7 gross income and for which the corporation claims a
8 credit under subsection (l) of Section 201;

9 (E-10) For taxable years 2001 and thereafter, an
10 amount equal to the bonus depreciation deduction taken
11 on the taxpayer's federal income tax return for the
12 taxable year under subsection (k) of Section 168 of the
13 Internal Revenue Code;

14 (E-11) If the taxpayer sells, transfers, abandons,
15 or otherwise disposes of property for which the
16 taxpayer was required in any taxable year to make an
17 addition modification under subparagraph (E-10), then
18 an amount equal to the aggregate amount of the
19 deductions taken in all taxable years under
20 subparagraph (T) with respect to that property.

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which the
23 taxpayer may claim a depreciation deduction for
24 federal income tax purposes and for which the taxpayer
25 was allowed in any taxable year to make a subtraction
26 modification under subparagraph (T), then an amount

1 equal to that subtraction modification.

2 The taxpayer is required to make the addition
3 modification under this subparagraph only once with
4 respect to any one piece of property;

5 (E-12) An amount equal to the amount otherwise
6 allowed as a deduction in computing base income for
7 interest paid, accrued, or incurred, directly or
8 indirectly, (i) for taxable years ending on or after
9 December 31, 2004, to a foreign person who would be a
10 member of the same unitary business group but for the
11 fact the foreign person's business activity outside
12 the United States is 80% or more of the foreign
13 person's total business activity and (ii) for taxable
14 years ending on or after December 31, 2008, to a person
15 who would be a member of the same unitary business
16 group but for the fact that the person is prohibited
17 under Section 1501(a)(27) from being included in the
18 unitary business group because he or she is ordinarily
19 required to apportion business income under different
20 subsections of Section 304. The addition modification
21 required by this subparagraph shall be reduced to the
22 extent that dividends were included in base income of
23 the unitary group for the same taxable year and
24 received by the taxpayer or by a member of the
25 taxpayer's unitary business group (including amounts
26 included in gross income pursuant to Sections 951

1 through 964 of the Internal Revenue Code and amounts
2 included in gross income under Section 78 of the
3 Internal Revenue Code) with respect to the stock of the
4 same person to whom the interest was paid, accrued, or
5 incurred.

6 This paragraph shall not apply to the following:

7 (i) an item of interest paid, accrued, or
8 incurred, directly or indirectly, to a person who
9 is subject in a foreign country or state, other
10 than a state which requires mandatory unitary
11 reporting, to a tax on or measured by net income
12 with respect to such interest; or

13 (ii) an item of interest paid, accrued, or
14 incurred, directly or indirectly, to a person if
15 the taxpayer can establish, based on a
16 preponderance of the evidence, both of the
17 following:

18 (a) the person, during the same taxable
19 year, paid, accrued, or incurred, the interest
20 to a person that is not a related member, and

21 (b) the transaction giving rise to the
22 interest expense between the taxpayer and the
23 person did not have as a principal purpose the
24 avoidance of Illinois income tax, and is paid
25 pursuant to a contract or agreement that
26 reflects an arm's-length interest rate and

1 terms; or

2 (iii) the taxpayer can establish, based on
3 clear and convincing evidence, that the interest
4 paid, accrued, or incurred relates to a contract or
5 agreement entered into at arm's-length rates and
6 terms and the principal purpose for the payment is
7 not federal or Illinois tax avoidance; or

8 (iv) an item of interest paid, accrued, or
9 incurred, directly or indirectly, to a person if
10 the taxpayer establishes by clear and convincing
11 evidence that the adjustments are unreasonable; or
12 if the taxpayer and the Director agree in writing
13 to the application or use of an alternative method
14 of apportionment under Section 304(f).

15 Nothing in this subsection shall preclude the
16 Director from making any other adjustment
17 otherwise allowed under Section 404 of this Act for
18 any tax year beginning after the effective date of
19 this amendment provided such adjustment is made
20 pursuant to regulation adopted by the Department
21 and such regulations provide methods and standards
22 by which the Department will utilize its authority
23 under Section 404 of this Act;

24 (E-13) An amount equal to the amount of intangible
25 expenses and costs otherwise allowed as a deduction in
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable
2 years ending on or after December 31, 2004, to a
3 foreign person who would be a member of the same
4 unitary business group but for the fact that the
5 foreign person's business activity outside the United
6 States is 80% or more of that person's total business
7 activity and (ii) for taxable years ending on or after
8 December 31, 2008, to a person who would be a member of
9 the same unitary business group but for the fact that
10 the person is prohibited under Section 1501(a)(27)
11 from being included in the unitary business group
12 because he or she is ordinarily required to apportion
13 business income under different subsections of Section
14 304. The addition modification required by this
15 subparagraph shall be reduced to the extent that
16 dividends were included in base income of the unitary
17 group for the same taxable year and received by the
18 taxpayer or by a member of the taxpayer's unitary
19 business group (including amounts included in gross
20 income pursuant to Sections 951 through 964 of the
21 Internal Revenue Code and amounts included in gross
22 income under Section 78 of the Internal Revenue Code)
23 with respect to the stock of the same person to whom
24 the intangible expenses and costs were directly or
25 indirectly paid, incurred, or accrued. The preceding
26 sentence shall not apply to the extent that the same

1 dividends caused a reduction to the addition
2 modification required under Section 203(b)(2)(E-12) of
3 this Act. As used in this subparagraph, the term
4 "intangible expenses and costs" includes (1) expenses,
5 losses, and costs for, or related to, the direct or
6 indirect acquisition, use, maintenance or management,
7 ownership, sale, exchange, or any other disposition of
8 intangible property; (2) losses incurred, directly or
9 indirectly, from factoring transactions or discounting
10 transactions; (3) royalty, patent, technical, and
11 copyright fees; (4) licensing fees; and (5) other
12 similar expenses and costs. For purposes of this
13 subparagraph, "intangible property" includes patents,
14 patent applications, trade names, trademarks, service
15 marks, copyrights, mask works, trade secrets, and
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

18 (i) any item of intangible expenses or costs
19 paid, accrued, or incurred, directly or
20 indirectly, from a transaction with a person who is
21 subject in a foreign country or state, other than a
22 state which requires mandatory unitary reporting,
23 to a tax on or measured by net income with respect
24 to such item; or

25 (ii) any item of intangible expense or cost
26 paid, accrued, or incurred, directly or

1 indirectly, if the taxpayer can establish, based
2 on a preponderance of the evidence, both of the
3 following:

4 (a) the person during the same taxable
5 year paid, accrued, or incurred, the
6 intangible expense or cost to a person that is
7 not a related member, and

8 (b) the transaction giving rise to the
9 intangible expense or cost between the
10 taxpayer and the person did not have as a
11 principal purpose the avoidance of Illinois
12 income tax, and is paid pursuant to a contract
13 or agreement that reflects arm's-length terms;
14 or

15 (iii) any item of intangible expense or cost
16 paid, accrued, or incurred, directly or
17 indirectly, from a transaction with a person if the
18 taxpayer establishes by clear and convincing
19 evidence, that the adjustments are unreasonable;
20 or if the taxpayer and the Director agree in
21 writing to the application or use of an alternative
22 method of apportionment under Section 304(f);

23 Nothing in this subsection shall preclude the
24 Director from making any other adjustment
25 otherwise allowed under Section 404 of this Act for
26 any tax year beginning after the effective date of

1 this amendment provided such adjustment is made
2 pursuant to regulation adopted by the Department
3 and such regulations provide methods and standards
4 by which the Department will utilize its authority
5 under Section 404 of this Act;

6 (E-14) For taxable years ending on or after
7 December 31, 2008, an amount equal to the amount of
8 insurance premium expenses and costs otherwise allowed
9 as a deduction in computing base income, and that were
10 paid, accrued, or incurred, directly or indirectly, to
11 a person who would be a member of the same unitary
12 business group but for the fact that the person is
13 prohibited under Section 1501(a)(27) from being
14 included in the unitary business group because he or
15 she is ordinarily required to apportion business
16 income under different subsections of Section 304. The
17 addition modification required by this subparagraph
18 shall be reduced to the extent that dividends were
19 included in base income of the unitary group for the
20 same taxable year and received by the taxpayer or by a
21 member of the taxpayer's unitary business group
22 (including amounts included in gross income under
23 Sections 951 through 964 of the Internal Revenue Code
24 and amounts included in gross income under Section 78
25 of the Internal Revenue Code) with respect to the stock
26 of the same person to whom the premiums and costs were

1 directly or indirectly paid, incurred, or accrued. The
2 preceding sentence does not apply to the extent that
3 the same dividends caused a reduction to the addition
4 modification required under Section 203(b) (2) (E-12) or
5 Section 203(b) (2) (E-13) of this Act;

6 (E-15) For taxable years beginning after December
7 31, 2008, any deduction for dividends paid by a captive
8 real estate investment trust that is allowed to a real
9 estate investment trust under Section 857(b) (2) (B) of
10 the Internal Revenue Code for dividends paid;

11 (E-16) An amount equal to the credit allowable to
12 the taxpayer under Section 218(a) of this Act,
13 determined without regard to Section 218(c) of this
14 Act;

15 (E-17) For taxable years ending on or after
16 December 31, 2013, an amount equal to the deduction
17 allowed under Section 199 of the Internal Revenue Code
18 for the taxable year;

19 (E-18) For taxable years ending on or after
20 December 31, 2013, any deduction allowed to the
21 taxpayer under Sections 243 through 246A of the
22 Internal Revenue Code;

23 and by deducting from the total so obtained the sum of the
24 following amounts:

25 (F) An amount equal to the amount of any tax
26 imposed by this Act which was refunded to the taxpayer

1 and included in such total for the taxable year;

2 (G) An amount equal to any amount included in such
3 total under Section 78 of the Internal Revenue Code;

4 (H) In the case of a regulated investment company,
5 an amount equal to the amount of exempt interest
6 dividends as defined in subsection (b) (5) of Section
7 852 of the Internal Revenue Code, paid to shareholders
8 for the taxable year;

9 (I) With the exception of any amounts subtracted
10 under subparagraph (J), an amount equal to the sum of
11 all amounts disallowed as deductions by (i) Sections
12 171(a) (2), and 265(a)(2) and amounts disallowed as
13 interest expense by Section 291(a)(3) of the Internal
14 Revenue Code, and all amounts of expenses allocable to
15 interest and disallowed as deductions by Section
16 265(a)(1) of the Internal Revenue Code; and (ii) for
17 taxable years ending on or after August 13, 1999,
18 Sections 171(a)(2), 265, 280C, 291(a)(3), and
19 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
20 for tax years ending on or after December 31, 2011,
21 amounts disallowed as deductions by Section 45G(e)(3)
22 of the Internal Revenue Code and, for taxable years
23 ending on or after December 31, 2008, any amount
24 included in gross income under Section 87 of the
25 Internal Revenue Code and the policyholders' share of
26 tax-exempt interest of a life insurance company under

1 Section 807(a)(2)(B) of the Internal Revenue Code (in
2 the case of a life insurance company with gross income
3 from a decrease in reserves for the tax year) or
4 Section 807(b)(1)(B) of the Internal Revenue Code (in
5 the case of a life insurance company allowed a
6 deduction for an increase in reserves for the tax
7 year); the provisions of this subparagraph are exempt
8 from the provisions of Section 250;

9 (J) An amount equal to all amounts included in such
10 total which are exempt from taxation by this State
11 either by reason of its statutes or Constitution or by
12 reason of the Constitution, treaties or statutes of the
13 United States; provided that, in the case of any
14 statute of this State that exempts income derived from
15 bonds or other obligations from the tax imposed under
16 this Act, the amount exempted shall be the interest net
17 of bond premium amortization;

18 (K) An amount equal to those dividends included in
19 such total which were paid by a corporation which
20 conducts business operations in a River Edge
21 Redevelopment Zone or zones created under the River
22 Edge Redevelopment Zone Act and conducts substantially
23 all of its operations in a River Edge Redevelopment
24 Zone or zones. This subparagraph (K) is exempt from the
25 provisions of Section 250;

26 (L) An amount equal to those dividends included in

1 such total that were paid by a corporation that
2 conducts business operations in a federally designated
3 Foreign Trade Zone or Sub-Zone and that is designated a
4 High Impact Business located in Illinois; provided
5 that dividends eligible for the deduction provided in
6 subparagraph (K) of paragraph 2 of this subsection
7 shall not be eligible for the deduction provided under
8 this subparagraph (L);

9 (M) For any taxpayer that is a financial
10 organization within the meaning of Section 304(c) of
11 this Act, an amount included in such total as interest
12 income from a loan or loans made by such taxpayer to a
13 borrower, to the extent that such a loan is secured by
14 property which is eligible for the River Edge
15 Redevelopment Zone Investment Credit. To determine the
16 portion of a loan or loans that is secured by property
17 eligible for a Section 201(f) investment credit to the
18 borrower, the entire principal amount of the loan or
19 loans between the taxpayer and the borrower should be
20 divided into the basis of the Section 201(f) investment
21 credit property which secures the loan or loans, using
22 for this purpose the original basis of such property on
23 the date that it was placed in service in the River
24 Edge Redevelopment Zone. The subtraction modification
25 available to taxpayer in any year under this subsection
26 shall be that portion of the total interest paid by the

1 borrower with respect to such loan attributable to the
2 eligible property as calculated under the previous
3 sentence. This subparagraph (M) is exempt from the
4 provisions of Section 250;

5 (M-1) For any taxpayer that is a financial
6 organization within the meaning of Section 304(c) of
7 this Act, an amount included in such total as interest
8 income from a loan or loans made by such taxpayer to a
9 borrower, to the extent that such a loan is secured by
10 property which is eligible for the High Impact Business
11 Investment Credit. To determine the portion of a loan
12 or loans that is secured by property eligible for a
13 Section 201(h) investment credit to the borrower, the
14 entire principal amount of the loan or loans between
15 the taxpayer and the borrower should be divided into
16 the basis of the Section 201(h) investment credit
17 property which secures the loan or loans, using for
18 this purpose the original basis of such property on the
19 date that it was placed in service in a federally
20 designated Foreign Trade Zone or Sub-Zone located in
21 Illinois. No taxpayer that is eligible for the
22 deduction provided in subparagraph (M) of paragraph
23 (2) of this subsection shall be eligible for the
24 deduction provided under this subparagraph (M-1). The
25 subtraction modification available to taxpayers in any
26 year under this subsection shall be that portion of the

1 total interest paid by the borrower with respect to
2 such loan attributable to the eligible property as
3 calculated under the previous sentence;

4 (N) Two times any contribution made during the
5 taxable year to a designated zone organization to the
6 extent that the contribution (i) qualifies as a
7 charitable contribution under subsection (c) of
8 Section 170 of the Internal Revenue Code and (ii) must,
9 by its terms, be used for a project approved by the
10 Department of Commerce and Economic Opportunity under
11 Section 11 of the Illinois Enterprise Zone Act or under
12 Section 10-10 of the River Edge Redevelopment Zone Act.
13 This subparagraph (N) is exempt from the provisions of
14 Section 250;

15 (O) An amount equal to: (i) 85% for taxable years
16 ending on or before December 31, 1992, or, a percentage
17 equal to the percentage allowable under Section
18 243(a)(1) of the Internal Revenue Code of 1986 for
19 taxable years ending after December 31, 1992, of the
20 amount by which dividends included in taxable income
21 and received from a corporation that is not created or
22 organized under the laws of the United States or any
23 state or political subdivision thereof, including, for
24 taxable years ending on or after December 31, 1988,
25 dividends received or deemed received or paid or deemed
26 paid under Sections 951 through 965 of the Internal

1 Revenue Code, exceed the amount of the modification
2 provided under subparagraph (G) of paragraph (2) of
3 this subsection (b) which is related to such dividends,
4 and including, for taxable years ending on or after
5 December 31, 2008, dividends received from a captive
6 real estate investment trust; plus (ii) 100% of the
7 amount by which dividends, included in taxable income
8 and received, including, for taxable years ending on or
9 after December 31, 1988, dividends received or deemed
10 received or paid or deemed paid under Sections 951
11 through 964 of the Internal Revenue Code and including,
12 for taxable years ending on or after December 31, 2008,
13 dividends received from a captive real estate
14 investment trust, from any such corporation specified
15 in clause (i) that would but for the provisions of
16 Section 1504 (b) (3) of the Internal Revenue Code be
17 treated as a member of the affiliated group which
18 includes the dividend recipient, exceed the amount of
19 the modification provided under subparagraph (G) of
20 paragraph (2) of this subsection (b) which is related
21 to such dividends. This subparagraph (O) shall not
22 apply to taxable years ending on or after December 31,
23 2013 is exempt from the provisions of Section 250 of
24 this Act;

25 (P) An amount equal to any contribution made to a
26 job training project established pursuant to the Tax

1 Increment Allocation Redevelopment Act;

2 (Q) An amount equal to the amount of the deduction
3 used to compute the federal income tax credit for
4 restoration of substantial amounts held under claim of
5 right for the taxable year pursuant to Section 1341 of
6 the Internal Revenue Code;

7 (R) On and after July 20, 1999, in the case of an
8 attorney-in-fact with respect to whom an interinsurer
9 or a reciprocal insurer has made the election under
10 Section 835 of the Internal Revenue Code, 26 U.S.C.
11 835, an amount equal to the excess, if any, of the
12 amounts paid or incurred by that interinsurer or
13 reciprocal insurer in the taxable year to the
14 attorney-in-fact over the deduction allowed to that
15 interinsurer or reciprocal insurer with respect to the
16 attorney-in-fact under Section 835(b) of the Internal
17 Revenue Code for the taxable year; the provisions of
18 this subparagraph are exempt from the provisions of
19 Section 250;

20 (S) For taxable years ending on or after December
21 31, 1997, in the case of a Subchapter S corporation, an
22 amount equal to all amounts of income allocable to a
23 shareholder subject to the Personal Property Tax
24 Replacement Income Tax imposed by subsections (c) and
25 (d) of Section 201 of this Act, including amounts
26 allocable to organizations exempt from federal income

1 tax by reason of Section 501(a) of the Internal Revenue
2 Code. This subparagraph (S) is exempt from the
3 provisions of Section 250;

4 (T) For taxable years 2001 and thereafter, for the
5 taxable year in which the bonus depreciation deduction
6 is taken on the taxpayer's federal income tax return
7 under subsection (k) of Section 168 of the Internal
8 Revenue Code and for each applicable taxable year
9 thereafter, an amount equal to "x", where:

10 (1) "y" equals the amount of the depreciation
11 deduction taken for the taxable year on the
12 taxpayer's federal income tax return on property
13 for which the bonus depreciation deduction was
14 taken in any year under subsection (k) of Section
15 168 of the Internal Revenue Code, but not including
16 the bonus depreciation deduction;

17 (2) for taxable years ending on or before
18 December 31, 2005, "x" equals "y" multiplied by 30
19 and then divided by 70 (or "y" multiplied by
20 0.429); and

21 (3) for taxable years ending after December
22 31, 2005:

23 (i) for property on which a bonus
24 depreciation deduction of 30% of the adjusted
25 basis was taken, "x" equals "y" multiplied by
26 30 and then divided by 70 (or "y" multiplied by

1 0.429); and

2 (ii) for property on which a bonus
3 depreciation deduction of 50% of the adjusted
4 basis was taken, "x" equals "y" multiplied by
5 1.0.

6 The aggregate amount deducted under this
7 subparagraph in all taxable years for any one piece of
8 property may not exceed the amount of the bonus
9 depreciation deduction taken on that property on the
10 taxpayer's federal income tax return under subsection
11 (k) of Section 168 of the Internal Revenue Code. This
12 subparagraph (T) is exempt from the provisions of
13 Section 250;

14 (U) If the taxpayer sells, transfers, abandons, or
15 otherwise disposes of property for which the taxpayer
16 was required in any taxable year to make an addition
17 modification under subparagraph (E-10), then an amount
18 equal to that addition modification.

19 If the taxpayer continues to own property through
20 the last day of the last tax year for which the
21 taxpayer may claim a depreciation deduction for
22 federal income tax purposes and for which the taxpayer
23 was required in any taxable year to make an addition
24 modification under subparagraph (E-10), then an amount
25 equal to that addition modification.

26 The taxpayer is allowed to take the deduction under

1 this subparagraph only once with respect to any one
2 piece of property.

3 This subparagraph (U) is exempt from the
4 provisions of Section 250;

5 (V) The amount of: (i) any interest income (net of
6 the deductions allocable thereto) taken into account
7 for the taxable year with respect to a transaction with
8 a taxpayer that is required to make an addition
9 modification with respect to such transaction under
10 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
11 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
12 the amount of such addition modification, (ii) any
13 income from intangible property (net of the deductions
14 allocable thereto) taken into account for the taxable
15 year with respect to a transaction with a taxpayer that
16 is required to make an addition modification with
17 respect to such transaction under Section
18 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
19 203(d)(2)(D-8), but not to exceed the amount of such
20 addition modification, and (iii) any insurance premium
21 income (net of deductions allocable thereto) taken
22 into account for the taxable year with respect to a
23 transaction with a taxpayer that is required to make an
24 addition modification with respect to such transaction
25 under Section 203(a)(2)(D-19), Section
26 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section

1 203(d)(2)(D-9), but not to exceed the amount of that
2 addition modification. This subparagraph (V) is exempt
3 from the provisions of Section 250;

4 (W) An amount equal to the interest income taken
5 into account for the taxable year (net of the
6 deductions allocable thereto) with respect to
7 transactions with (i) a foreign person who would be a
8 member of the taxpayer's unitary business group but for
9 the fact that the foreign person's business activity
10 outside the United States is 80% or more of that
11 person's total business activity and (ii) for taxable
12 years ending on or after December 31, 2008, to a person
13 who would be a member of the same unitary business
14 group but for the fact that the person is prohibited
15 under Section 1501(a)(27) from being included in the
16 unitary business group because he or she is ordinarily
17 required to apportion business income under different
18 subsections of Section 304, but not to exceed the
19 addition modification required to be made for the same
20 taxable year under Section 203(b)(2)(E-12) for
21 interest paid, accrued, or incurred, directly or
22 indirectly, to the same person. This subparagraph (W)
23 is exempt from the provisions of Section 250;

24 (X) An amount equal to the income from intangible
25 property taken into account for the taxable year (net
26 of the deductions allocable thereto) with respect to

1 transactions with (i) a foreign person who would be a
2 member of the taxpayer's unitary business group but for
3 the fact that the foreign person's business activity
4 outside the United States is 80% or more of that
5 person's total business activity and (ii) for taxable
6 years ending on or after December 31, 2008, to a person
7 who would be a member of the same unitary business
8 group but for the fact that the person is prohibited
9 under Section 1501(a)(27) from being included in the
10 unitary business group because he or she is ordinarily
11 required to apportion business income under different
12 subsections of Section 304, but not to exceed the
13 addition modification required to be made for the same
14 taxable year under Section 203(b)(2)(E-13) for
15 intangible expenses and costs paid, accrued, or
16 incurred, directly or indirectly, to the same foreign
17 person. This subparagraph (X) is exempt from the
18 provisions of Section 250;

19 (Y) For taxable years ending on or after December
20 31, 2011, in the case of a taxpayer who was required to
21 add back any insurance premiums under Section
22 203(b)(2)(E-14), such taxpayer may elect to subtract
23 that part of a reimbursement received from the
24 insurance company equal to the amount of the expense or
25 loss (including expenses incurred by the insurance
26 company) that would have been taken into account as a

1 deduction for federal income tax purposes if the
2 expense or loss had been uninsured. If a taxpayer makes
3 the election provided for by this subparagraph (Y), the
4 insurer to which the premiums were paid must add back
5 to income the amount subtracted by the taxpayer
6 pursuant to this subparagraph (Y). This subparagraph
7 (Y) is exempt from the provisions of Section 250; and

8 (Z) The difference between the nondeductible
9 controlled foreign corporation dividends under Section
10 965(e) (3) of the Internal Revenue Code over the taxable
11 income of the taxpayer, computed without regard to
12 Section 965(e) (2) (A) of the Internal Revenue Code, and
13 without regard to any net operating loss deduction.
14 This subparagraph (Z) is exempt from the provisions of
15 Section 250.

16 (3) Special rule. For purposes of paragraph (2) (A),
17 "gross income" in the case of a life insurance company, for
18 tax years ending on and after December 31, 1994, and prior
19 to December 31, 2011, shall mean the gross investment
20 income for the taxable year and, for tax years ending on or
21 after December 31, 2011, shall mean all amounts included in
22 life insurance gross income under Section 803(a) (3) of the
23 Internal Revenue Code.

24 (c) Trusts and estates.

25 (1) In general. In the case of a trust or estate, base

1 income means an amount equal to the taxpayer's taxable
2 income for the taxable year as modified by paragraph (2).

3 (2) Modifications. Subject to the provisions of
4 paragraph (3), the taxable income referred to in paragraph
5 (1) shall be modified by adding thereto the sum of the
6 following amounts:

7 (A) An amount equal to all amounts paid or accrued
8 to the taxpayer as interest or dividends during the
9 taxable year to the extent excluded from gross income
10 in the computation of taxable income;

11 (B) In the case of (i) an estate, \$600; (ii) a
12 trust which, under its governing instrument, is
13 required to distribute all of its income currently,
14 \$300; and (iii) any other trust, \$100, but in each such
15 case, only to the extent such amount was deducted in
16 the computation of taxable income;

17 (C) An amount equal to the amount of tax imposed by
18 this Act to the extent deducted from gross income in
19 the computation of taxable income for the taxable year;

20 (D) The amount of any net operating loss deduction
21 taken in arriving at taxable income, other than a net
22 operating loss carried forward from a taxable year
23 ending prior to December 31, 1986;

24 (E) For taxable years in which a net operating loss
25 carryback or carryforward from a taxable year ending
26 prior to December 31, 1986 is an element of taxable

1 income under paragraph (1) of subsection (e) or
2 subparagraph (E) of paragraph (2) of subsection (e),
3 the amount by which addition modifications other than
4 those provided by this subparagraph (E) exceeded
5 subtraction modifications in such taxable year, with
6 the following limitations applied in the order that
7 they are listed:

8 (i) the addition modification relating to the
9 net operating loss carried back or forward to the
10 taxable year from any taxable year ending prior to
11 December 31, 1986 shall be reduced by the amount of
12 addition modification under this subparagraph (E)
13 which related to that net operating loss and which
14 was taken into account in calculating the base
15 income of an earlier taxable year, and

16 (ii) the addition modification relating to the
17 net operating loss carried back or forward to the
18 taxable year from any taxable year ending prior to
19 December 31, 1986 shall not exceed the amount of
20 such carryback or carryforward;

21 For taxable years in which there is a net operating
22 loss carryback or carryforward from more than one other
23 taxable year ending prior to December 31, 1986, the
24 addition modification provided in this subparagraph
25 (E) shall be the sum of the amounts computed
26 independently under the preceding provisions of this

1 subparagraph (E) for each such taxable year;

2 (F) For taxable years ending on or after January 1,
3 1989, an amount equal to the tax deducted pursuant to
4 Section 164 of the Internal Revenue Code if the trust
5 or estate is claiming the same tax for purposes of the
6 Illinois foreign tax credit under Section 601 of this
7 Act;

8 (G) An amount equal to the amount of the capital
9 gain deduction allowable under the Internal Revenue
10 Code, to the extent deducted from gross income in the
11 computation of taxable income;

12 (G-5) For taxable years ending after December 31,
13 1997, an amount equal to any eligible remediation costs
14 that the trust or estate deducted in computing adjusted
15 gross income and for which the trust or estate claims a
16 credit under subsection (l) of Section 201;

17 (G-10) For taxable years 2001 and thereafter, an
18 amount equal to the bonus depreciation deduction taken
19 on the taxpayer's federal income tax return for the
20 taxable year under subsection (k) of Section 168 of the
21 Internal Revenue Code; and

22 (G-11) If the taxpayer sells, transfers, abandons,
23 or otherwise disposes of property for which the
24 taxpayer was required in any taxable year to make an
25 addition modification under subparagraph (G-10), then
26 an amount equal to the aggregate amount of the

1 deductions taken in all taxable years under
2 subparagraph (R) with respect to that property.

3 If the taxpayer continues to own property through
4 the last day of the last tax year for which the
5 taxpayer may claim a depreciation deduction for
6 federal income tax purposes and for which the taxpayer
7 was allowed in any taxable year to make a subtraction
8 modification under subparagraph (R), then an amount
9 equal to that subtraction modification.

10 The taxpayer is required to make the addition
11 modification under this subparagraph only once with
12 respect to any one piece of property;

13 (G-12) An amount equal to the amount otherwise
14 allowed as a deduction in computing base income for
15 interest paid, accrued, or incurred, directly or
16 indirectly, (i) for taxable years ending on or after
17 December 31, 2004, to a foreign person who would be a
18 member of the same unitary business group but for the
19 fact that the foreign person's business activity
20 outside the United States is 80% or more of the foreign
21 person's total business activity and (ii) for taxable
22 years ending on or after December 31, 2008, to a person
23 who would be a member of the same unitary business
24 group but for the fact that the person is prohibited
25 under Section 1501(a)(27) from being included in the
26 unitary business group because he or she is ordinarily

1 required to apportion business income under different
2 subsections of Section 304. The addition modification
3 required by this subparagraph shall be reduced to the
4 extent that dividends were included in base income of
5 the unitary group for the same taxable year and
6 received by the taxpayer or by a member of the
7 taxpayer's unitary business group (including amounts
8 included in gross income pursuant to Sections 951
9 through 964 of the Internal Revenue Code and amounts
10 included in gross income under Section 78 of the
11 Internal Revenue Code) with respect to the stock of the
12 same person to whom the interest was paid, accrued, or
13 incurred.

14 This paragraph shall not apply to the following:

15 (i) an item of interest paid, accrued, or
16 incurred, directly or indirectly, to a person who
17 is subject in a foreign country or state, other
18 than a state which requires mandatory unitary
19 reporting, to a tax on or measured by net income
20 with respect to such interest; or

21 (ii) an item of interest paid, accrued, or
22 incurred, directly or indirectly, to a person if
23 the taxpayer can establish, based on a
24 preponderance of the evidence, both of the
25 following:

26 (a) the person, during the same taxable

1 year, paid, accrued, or incurred, the interest
2 to a person that is not a related member, and

3 (b) the transaction giving rise to the
4 interest expense between the taxpayer and the
5 person did not have as a principal purpose the
6 avoidance of Illinois income tax, and is paid
7 pursuant to a contract or agreement that
8 reflects an arm's-length interest rate and
9 terms; or

10 (iii) the taxpayer can establish, based on
11 clear and convincing evidence, that the interest
12 paid, accrued, or incurred relates to a contract or
13 agreement entered into at arm's-length rates and
14 terms and the principal purpose for the payment is
15 not federal or Illinois tax avoidance; or

16 (iv) an item of interest paid, accrued, or
17 incurred, directly or indirectly, to a person if
18 the taxpayer establishes by clear and convincing
19 evidence that the adjustments are unreasonable; or
20 if the taxpayer and the Director agree in writing
21 to the application or use of an alternative method
22 of apportionment under Section 304(f).

23 Nothing in this subsection shall preclude the
24 Director from making any other adjustment
25 otherwise allowed under Section 404 of this Act for
26 any tax year beginning after the effective date of

1 this amendment provided such adjustment is made
2 pursuant to regulation adopted by the Department
3 and such regulations provide methods and standards
4 by which the Department will utilize its authority
5 under Section 404 of this Act;

6 (G-13) An amount equal to the amount of intangible
7 expenses and costs otherwise allowed as a deduction in
8 computing base income, and that were paid, accrued, or
9 incurred, directly or indirectly, (i) for taxable
10 years ending on or after December 31, 2004, to a
11 foreign person who would be a member of the same
12 unitary business group but for the fact that the
13 foreign person's business activity outside the United
14 States is 80% or more of that person's total business
15 activity and (ii) for taxable years ending on or after
16 December 31, 2008, to a person who would be a member of
17 the same unitary business group but for the fact that
18 the person is prohibited under Section 1501(a)(27)
19 from being included in the unitary business group
20 because he or she is ordinarily required to apportion
21 business income under different subsections of Section
22 304. The addition modification required by this
23 subparagraph shall be reduced to the extent that
24 dividends were included in base income of the unitary
25 group for the same taxable year and received by the
26 taxpayer or by a member of the taxpayer's unitary

1 business group (including amounts included in gross
2 income pursuant to Sections 951 through 964 of the
3 Internal Revenue Code and amounts included in gross
4 income under Section 78 of the Internal Revenue Code)
5 with respect to the stock of the same person to whom
6 the intangible expenses and costs were directly or
7 indirectly paid, incurred, or accrued. The preceding
8 sentence shall not apply to the extent that the same
9 dividends caused a reduction to the addition
10 modification required under Section 203(c)(2)(G-12) of
11 this Act. As used in this subparagraph, the term
12 "intangible expenses and costs" includes: (1)
13 expenses, losses, and costs for or related to the
14 direct or indirect acquisition, use, maintenance or
15 management, ownership, sale, exchange, or any other
16 disposition of intangible property; (2) losses
17 incurred, directly or indirectly, from factoring
18 transactions or discounting transactions; (3) royalty,
19 patent, technical, and copyright fees; (4) licensing
20 fees; and (5) other similar expenses and costs. For
21 purposes of this subparagraph, "intangible property"
22 includes patents, patent applications, trade names,
23 trademarks, service marks, copyrights, mask works,
24 trade secrets, and similar types of intangible assets.

25 This paragraph shall not apply to the following:

- 26 (i) any item of intangible expenses or costs

1 paid, accrued, or incurred, directly or
2 indirectly, from a transaction with a person who is
3 subject in a foreign country or state, other than a
4 state which requires mandatory unitary reporting,
5 to a tax on or measured by net income with respect
6 to such item; or

7 (ii) any item of intangible expense or cost
8 paid, accrued, or incurred, directly or
9 indirectly, if the taxpayer can establish, based
10 on a preponderance of the evidence, both of the
11 following:

12 (a) the person during the same taxable
13 year paid, accrued, or incurred, the
14 intangible expense or cost to a person that is
15 not a related member, and

16 (b) the transaction giving rise to the
17 intangible expense or cost between the
18 taxpayer and the person did not have as a
19 principal purpose the avoidance of Illinois
20 income tax, and is paid pursuant to a contract
21 or agreement that reflects arm's-length terms;
22 or

23 (iii) any item of intangible expense or cost
24 paid, accrued, or incurred, directly or
25 indirectly, from a transaction with a person if the
26 taxpayer establishes by clear and convincing

1 evidence, that the adjustments are unreasonable;
2 or if the taxpayer and the Director agree in
3 writing to the application or use of an alternative
4 method of apportionment under Section 304(f);

5 Nothing in this subsection shall preclude the
6 Director from making any other adjustment
7 otherwise allowed under Section 404 of this Act for
8 any tax year beginning after the effective date of
9 this amendment provided such adjustment is made
10 pursuant to regulation adopted by the Department
11 and such regulations provide methods and standards
12 by which the Department will utilize its authority
13 under Section 404 of this Act;

14 (G-14) For taxable years ending on or after
15 December 31, 2008, an amount equal to the amount of
16 insurance premium expenses and costs otherwise allowed
17 as a deduction in computing base income, and that were
18 paid, accrued, or incurred, directly or indirectly, to
19 a person who would be a member of the same unitary
20 business group but for the fact that the person is
21 prohibited under Section 1501(a)(27) from being
22 included in the unitary business group because he or
23 she is ordinarily required to apportion business
24 income under different subsections of Section 304. The
25 addition modification required by this subparagraph
26 shall be reduced to the extent that dividends were

1 included in base income of the unitary group for the
2 same taxable year and received by the taxpayer or by a
3 member of the taxpayer's unitary business group
4 (including amounts included in gross income under
5 Sections 951 through 964 of the Internal Revenue Code
6 and amounts included in gross income under Section 78
7 of the Internal Revenue Code) with respect to the stock
8 of the same person to whom the premiums and costs were
9 directly or indirectly paid, incurred, or accrued. The
10 preceding sentence does not apply to the extent that
11 the same dividends caused a reduction to the addition
12 modification required under Section 203(c)(2)(G-12) or
13 Section 203(c)(2)(G-13) of this Act;

14 (G-15) An amount equal to the credit allowable to
15 the taxpayer under Section 218(a) of this Act,
16 determined without regard to Section 218(c) of this
17 Act;

18 (G-16) For taxable years ending on or after
19 December 31, 2013, an amount equal to the deduction
20 allowed under Section 199 of the Internal Revenue Code
21 for the taxable year;

22 and by deducting from the total so obtained the sum of the
23 following amounts:

24 (H) An amount equal to all amounts included in such
25 total pursuant to the provisions of Sections 402(a),
26 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the

1 Internal Revenue Code or included in such total as
2 distributions under the provisions of any retirement
3 or disability plan for employees of any governmental
4 agency or unit, or retirement payments to retired
5 partners, which payments are excluded in computing net
6 earnings from self employment by Section 1402 of the
7 Internal Revenue Code and regulations adopted pursuant
8 thereto;

9 (I) The valuation limitation amount;

10 (J) An amount equal to the amount of any tax
11 imposed by this Act which was refunded to the taxpayer
12 and included in such total for the taxable year;

13 (K) An amount equal to all amounts included in
14 taxable income as modified by subparagraphs (A), (B),
15 (C), (D), (E), (F) and (G) which are exempt from
16 taxation by this State either by reason of its statutes
17 or Constitution or by reason of the Constitution,
18 treaties or statutes of the United States; provided
19 that, in the case of any statute of this State that
20 exempts income derived from bonds or other obligations
21 from the tax imposed under this Act, the amount
22 exempted shall be the interest net of bond premium
23 amortization;

24 (L) With the exception of any amounts subtracted
25 under subparagraph (K), an amount equal to the sum of
26 all amounts disallowed as deductions by (i) Sections

1 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
2 and all amounts of expenses allocable to interest and
3 disallowed as deductions by Section 265(1) of the
4 Internal Revenue Code; and (ii) for taxable years
5 ending on or after August 13, 1999, Sections 171(a) (2),
6 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
7 Code, plus, (iii) for taxable years ending on or after
8 December 31, 2011, Section 45G(e) (3) of the Internal
9 Revenue Code and, for taxable years ending on or after
10 December 31, 2008, any amount included in gross income
11 under Section 87 of the Internal Revenue Code; the
12 provisions of this subparagraph are exempt from the
13 provisions of Section 250;

14 (M) An amount equal to those dividends included in
15 such total which were paid by a corporation which
16 conducts business operations in a River Edge
17 Redevelopment Zone or zones created under the River
18 Edge Redevelopment Zone Act and conducts substantially
19 all of its operations in a River Edge Redevelopment
20 Zone or zones. This subparagraph (M) is exempt from the
21 provisions of Section 250;

22 (N) An amount equal to any contribution made to a
23 job training project established pursuant to the Tax
24 Increment Allocation Redevelopment Act;

25 (O) An amount equal to those dividends included in
26 such total that were paid by a corporation that

1 conducts business operations in a federally designated
2 Foreign Trade Zone or Sub-Zone and that is designated a
3 High Impact Business located in Illinois; provided
4 that dividends eligible for the deduction provided in
5 subparagraph (M) of paragraph (2) of this subsection
6 shall not be eligible for the deduction provided under
7 this subparagraph (O);

8 (P) An amount equal to the amount of the deduction
9 used to compute the federal income tax credit for
10 restoration of substantial amounts held under claim of
11 right for the taxable year pursuant to Section 1341 of
12 the Internal Revenue Code;

13 (Q) For taxable year 1999 and thereafter, an amount
14 equal to the amount of any (i) distributions, to the
15 extent includible in gross income for federal income
16 tax purposes, made to the taxpayer because of his or
17 her status as a victim of persecution for racial or
18 religious reasons by Nazi Germany or any other Axis
19 regime or as an heir of the victim and (ii) items of
20 income, to the extent includible in gross income for
21 federal income tax purposes, attributable to, derived
22 from or in any way related to assets stolen from,
23 hidden from, or otherwise lost to a victim of
24 persecution for racial or religious reasons by Nazi
25 Germany or any other Axis regime immediately prior to,
26 during, and immediately after World War II, including,

1 but not limited to, interest on the proceeds receivable
2 as insurance under policies issued to a victim of
3 persecution for racial or religious reasons by Nazi
4 Germany or any other Axis regime by European insurance
5 companies immediately prior to and during World War II;
6 provided, however, this subtraction from federal
7 adjusted gross income does not apply to assets acquired
8 with such assets or with the proceeds from the sale of
9 such assets; provided, further, this paragraph shall
10 only apply to a taxpayer who was the first recipient of
11 such assets after their recovery and who is a victim of
12 persecution for racial or religious reasons by Nazi
13 Germany or any other Axis regime or as an heir of the
14 victim. The amount of and the eligibility for any
15 public assistance, benefit, or similar entitlement is
16 not affected by the inclusion of items (i) and (ii) of
17 this paragraph in gross income for federal income tax
18 purposes. This paragraph is exempt from the provisions
19 of Section 250;

20 (R) For taxable years 2001 and thereafter, for the
21 taxable year in which the bonus depreciation deduction
22 is taken on the taxpayer's federal income tax return
23 under subsection (k) of Section 168 of the Internal
24 Revenue Code and for each applicable taxable year
25 thereafter, an amount equal to "x", where:

26 (1) "y" equals the amount of the depreciation

1 deduction taken for the taxable year on the
2 taxpayer's federal income tax return on property
3 for which the bonus depreciation deduction was
4 taken in any year under subsection (k) of Section
5 168 of the Internal Revenue Code, but not including
6 the bonus depreciation deduction;

7 (2) for taxable years ending on or before
8 December 31, 2005, "x" equals "y" multiplied by 30
9 and then divided by 70 (or "y" multiplied by
10 0.429); and

11 (3) for taxable years ending after December
12 31, 2005:

13 (i) for property on which a bonus
14 depreciation deduction of 30% of the adjusted
15 basis was taken, "x" equals "y" multiplied by
16 30 and then divided by 70 (or "y" multiplied by
17 0.429); and

18 (ii) for property on which a bonus
19 depreciation deduction of 50% of the adjusted
20 basis was taken, "x" equals "y" multiplied by
21 1.0.

22 The aggregate amount deducted under this
23 subparagraph in all taxable years for any one piece of
24 property may not exceed the amount of the bonus
25 depreciation deduction taken on that property on the
26 taxpayer's federal income tax return under subsection

1 (k) of Section 168 of the Internal Revenue Code. This
2 subparagraph (R) is exempt from the provisions of
3 Section 250;

4 (S) If the taxpayer sells, transfers, abandons, or
5 otherwise disposes of property for which the taxpayer
6 was required in any taxable year to make an addition
7 modification under subparagraph (G-10), then an amount
8 equal to that addition modification.

9 If the taxpayer continues to own property through
10 the last day of the last tax year for which the
11 taxpayer may claim a depreciation deduction for
12 federal income tax purposes and for which the taxpayer
13 was required in any taxable year to make an addition
14 modification under subparagraph (G-10), then an amount
15 equal to that addition modification.

16 The taxpayer is allowed to take the deduction under
17 this subparagraph only once with respect to any one
18 piece of property.

19 This subparagraph (S) is exempt from the
20 provisions of Section 250;

21 (T) The amount of (i) any interest income (net of
22 the deductions allocable thereto) taken into account
23 for the taxable year with respect to a transaction with
24 a taxpayer that is required to make an addition
25 modification with respect to such transaction under
26 Section 203(a)(2)(D-17), 203(b)(2)(E-12),

1 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
2 the amount of such addition modification and (ii) any
3 income from intangible property (net of the deductions
4 allocable thereto) taken into account for the taxable
5 year with respect to a transaction with a taxpayer that
6 is required to make an addition modification with
7 respect to such transaction under Section
8 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
9 203(d)(2)(D-8), but not to exceed the amount of such
10 addition modification. This subparagraph (T) is exempt
11 from the provisions of Section 250;

12 (U) An amount equal to the interest income taken
13 into account for the taxable year (net of the
14 deductions allocable thereto) with respect to
15 transactions with (i) a foreign person who would be a
16 member of the taxpayer's unitary business group but for
17 the fact the foreign person's business activity
18 outside the United States is 80% or more of that
19 person's total business activity and (ii) for taxable
20 years ending on or after December 31, 2008, to a person
21 who would be a member of the same unitary business
22 group but for the fact that the person is prohibited
23 under Section 1501(a)(27) from being included in the
24 unitary business group because he or she is ordinarily
25 required to apportion business income under different
26 subsections of Section 304, but not to exceed the

1 addition modification required to be made for the same
2 taxable year under Section 203(c)(2)(G-12) for
3 interest paid, accrued, or incurred, directly or
4 indirectly, to the same person. This subparagraph (U)
5 is exempt from the provisions of Section 250;

6 (V) An amount equal to the income from intangible
7 property taken into account for the taxable year (net
8 of the deductions allocable thereto) with respect to
9 transactions with (i) a foreign person who would be a
10 member of the taxpayer's unitary business group but for
11 the fact that the foreign person's business activity
12 outside the United States is 80% or more of that
13 person's total business activity and (ii) for taxable
14 years ending on or after December 31, 2008, to a person
15 who would be a member of the same unitary business
16 group but for the fact that the person is prohibited
17 under Section 1501(a)(27) from being included in the
18 unitary business group because he or she is ordinarily
19 required to apportion business income under different
20 subsections of Section 304, but not to exceed the
21 addition modification required to be made for the same
22 taxable year under Section 203(c)(2)(G-13) for
23 intangible expenses and costs paid, accrued, or
24 incurred, directly or indirectly, to the same foreign
25 person. This subparagraph (V) is exempt from the
26 provisions of Section 250;

1 (W) in the case of an estate, an amount equal to
2 all amounts included in such total pursuant to the
3 provisions of Section 111 of the Internal Revenue Code
4 as a recovery of items previously deducted by the
5 decedent from adjusted gross income in the computation
6 of taxable income. This subparagraph (W) is exempt from
7 Section 250;

8 (X) an amount equal to the refund included in such
9 total of any tax deducted for federal income tax
10 purposes, to the extent that deduction was added back
11 under subparagraph (F). This subparagraph (X) is
12 exempt from the provisions of Section 250; and

13 (Y) For taxable years ending on or after December
14 31, 2011, in the case of a taxpayer who was required to
15 add back any insurance premiums under Section
16 203(c)(2)(G-14), such taxpayer may elect to subtract
17 that part of a reimbursement received from the
18 insurance company equal to the amount of the expense or
19 loss (including expenses incurred by the insurance
20 company) that would have been taken into account as a
21 deduction for federal income tax purposes if the
22 expense or loss had been uninsured. If a taxpayer makes
23 the election provided for by this subparagraph (Y), the
24 insurer to which the premiums were paid must add back
25 to income the amount subtracted by the taxpayer
26 pursuant to this subparagraph (Y). This subparagraph

1 (Y) is exempt from the provisions of Section 250.

2 (3) Limitation. The amount of any modification
3 otherwise required under this subsection shall, under
4 regulations prescribed by the Department, be adjusted by
5 any amounts included therein which were properly paid,
6 credited, or required to be distributed, or permanently set
7 aside for charitable purposes pursuant to Internal Revenue
8 Code Section 642(c) during the taxable year.

9 (d) Partnerships.

10 (1) In general. In the case of a partnership, base
11 income means an amount equal to the taxpayer's taxable
12 income for the taxable year as modified by paragraph (2).

13 (2) Modifications. The taxable income referred to in
14 paragraph (1) shall be modified by adding thereto the sum
15 of the following amounts:

16 (A) An amount equal to all amounts paid or accrued
17 to the taxpayer as interest or dividends during the
18 taxable year to the extent excluded from gross income
19 in the computation of taxable income;

20 (B) An amount equal to the amount of tax imposed by
21 this Act to the extent deducted from gross income for
22 the taxable year;

23 (C) The amount of deductions allowed to the
24 partnership pursuant to Section 707 (c) of the Internal
25 Revenue Code in calculating its taxable income;

1 (D) An amount equal to the amount of the capital
2 gain deduction allowable under the Internal Revenue
3 Code, to the extent deducted from gross income in the
4 computation of taxable income;

5 (D-5) For taxable years 2001 and thereafter, an
6 amount equal to the bonus depreciation deduction taken
7 on the taxpayer's federal income tax return for the
8 taxable year under subsection (k) of Section 168 of the
9 Internal Revenue Code;

10 (D-6) If the taxpayer sells, transfers, abandons,
11 or otherwise disposes of property for which the
12 taxpayer was required in any taxable year to make an
13 addition modification under subparagraph (D-5), then
14 an amount equal to the aggregate amount of the
15 deductions taken in all taxable years under
16 subparagraph (O) with respect to that property.

17 If the taxpayer continues to own property through
18 the last day of the last tax year for which the
19 taxpayer may claim a depreciation deduction for
20 federal income tax purposes and for which the taxpayer
21 was allowed in any taxable year to make a subtraction
22 modification under subparagraph (O), then an amount
23 equal to that subtraction modification.

24 The taxpayer is required to make the addition
25 modification under this subparagraph only once with
26 respect to any one piece of property;

1 (D-7) An amount equal to the amount otherwise
2 allowed as a deduction in computing base income for
3 interest paid, accrued, or incurred, directly or
4 indirectly, (i) for taxable years ending on or after
5 December 31, 2004, to a foreign person who would be a
6 member of the same unitary business group but for the
7 fact the foreign person's business activity outside
8 the United States is 80% or more of the foreign
9 person's total business activity and (ii) for taxable
10 years ending on or after December 31, 2008, to a person
11 who would be a member of the same unitary business
12 group but for the fact that the person is prohibited
13 under Section 1501(a)(27) from being included in the
14 unitary business group because he or she is ordinarily
15 required to apportion business income under different
16 subsections of Section 304. The addition modification
17 required by this subparagraph shall be reduced to the
18 extent that dividends were included in base income of
19 the unitary group for the same taxable year and
20 received by the taxpayer or by a member of the
21 taxpayer's unitary business group (including amounts
22 included in gross income pursuant to Sections 951
23 through 964 of the Internal Revenue Code and amounts
24 included in gross income under Section 78 of the
25 Internal Revenue Code) with respect to the stock of the
26 same person to whom the interest was paid, accrued, or

1 incurred.

2 This paragraph shall not apply to the following:

3 (i) an item of interest paid, accrued, or
4 incurred, directly or indirectly, to a person who
5 is subject in a foreign country or state, other
6 than a state which requires mandatory unitary
7 reporting, to a tax on or measured by net income
8 with respect to such interest; or

9 (ii) an item of interest paid, accrued, or
10 incurred, directly or indirectly, to a person if
11 the taxpayer can establish, based on a
12 preponderance of the evidence, both of the
13 following:

14 (a) the person, during the same taxable
15 year, paid, accrued, or incurred, the interest
16 to a person that is not a related member, and

17 (b) the transaction giving rise to the
18 interest expense between the taxpayer and the
19 person did not have as a principal purpose the
20 avoidance of Illinois income tax, and is paid
21 pursuant to a contract or agreement that
22 reflects an arm's-length interest rate and
23 terms; or

24 (iii) the taxpayer can establish, based on
25 clear and convincing evidence, that the interest
26 paid, accrued, or incurred relates to a contract or

1 agreement entered into at arm's-length rates and
2 terms and the principal purpose for the payment is
3 not federal or Illinois tax avoidance; or

4 (iv) an item of interest paid, accrued, or
5 incurred, directly or indirectly, to a person if
6 the taxpayer establishes by clear and convincing
7 evidence that the adjustments are unreasonable; or
8 if the taxpayer and the Director agree in writing
9 to the application or use of an alternative method
10 of apportionment under Section 304(f).

11 Nothing in this subsection shall preclude the
12 Director from making any other adjustment
13 otherwise allowed under Section 404 of this Act for
14 any tax year beginning after the effective date of
15 this amendment provided such adjustment is made
16 pursuant to regulation adopted by the Department
17 and such regulations provide methods and standards
18 by which the Department will utilize its authority
19 under Section 404 of this Act; and

20 (D-8) An amount equal to the amount of intangible
21 expenses and costs otherwise allowed as a deduction in
22 computing base income, and that were paid, accrued, or
23 incurred, directly or indirectly, (i) for taxable
24 years ending on or after December 31, 2004, to a
25 foreign person who would be a member of the same
26 unitary business group but for the fact that the

1 foreign person's business activity outside the United
2 States is 80% or more of that person's total business
3 activity and (ii) for taxable years ending on or after
4 December 31, 2008, to a person who would be a member of
5 the same unitary business group but for the fact that
6 the person is prohibited under Section 1501(a)(27)
7 from being included in the unitary business group
8 because he or she is ordinarily required to apportion
9 business income under different subsections of Section
10 304. The addition modification required by this
11 subparagraph shall be reduced to the extent that
12 dividends were included in base income of the unitary
13 group for the same taxable year and received by the
14 taxpayer or by a member of the taxpayer's unitary
15 business group (including amounts included in gross
16 income pursuant to Sections 951 through 964 of the
17 Internal Revenue Code and amounts included in gross
18 income under Section 78 of the Internal Revenue Code)
19 with respect to the stock of the same person to whom
20 the intangible expenses and costs were directly or
21 indirectly paid, incurred or accrued. The preceding
22 sentence shall not apply to the extent that the same
23 dividends caused a reduction to the addition
24 modification required under Section 203(d)(2)(D-7) of
25 this Act. As used in this subparagraph, the term
26 "intangible expenses and costs" includes (1) expenses,

1 losses, and costs for, or related to, the direct or
2 indirect acquisition, use, maintenance or management,
3 ownership, sale, exchange, or any other disposition of
4 intangible property; (2) losses incurred, directly or
5 indirectly, from factoring transactions or discounting
6 transactions; (3) royalty, patent, technical, and
7 copyright fees; (4) licensing fees; and (5) other
8 similar expenses and costs. For purposes of this
9 subparagraph, "intangible property" includes patents,
10 patent applications, trade names, trademarks, service
11 marks, copyrights, mask works, trade secrets, and
12 similar types of intangible assets;

13 This paragraph shall not apply to the following:

14 (i) any item of intangible expenses or costs
15 paid, accrued, or incurred, directly or
16 indirectly, from a transaction with a person who is
17 subject in a foreign country or state, other than a
18 state which requires mandatory unitary reporting,
19 to a tax on or measured by net income with respect
20 to such item; or

21 (ii) any item of intangible expense or cost
22 paid, accrued, or incurred, directly or
23 indirectly, if the taxpayer can establish, based
24 on a preponderance of the evidence, both of the
25 following:

26 (a) the person during the same taxable

1 year paid, accrued, or incurred, the
2 intangible expense or cost to a person that is
3 not a related member, and

4 (b) the transaction giving rise to the
5 intangible expense or cost between the
6 taxpayer and the person did not have as a
7 principal purpose the avoidance of Illinois
8 income tax, and is paid pursuant to a contract
9 or agreement that reflects arm's-length terms;
10 or

11 (iii) any item of intangible expense or cost
12 paid, accrued, or incurred, directly or
13 indirectly, from a transaction with a person if the
14 taxpayer establishes by clear and convincing
15 evidence, that the adjustments are unreasonable;
16 or if the taxpayer and the Director agree in
17 writing to the application or use of an alternative
18 method of apportionment under Section 304(f);

19 Nothing in this subsection shall preclude the
20 Director from making any other adjustment
21 otherwise allowed under Section 404 of this Act for
22 any tax year beginning after the effective date of
23 this amendment provided such adjustment is made
24 pursuant to regulation adopted by the Department
25 and such regulations provide methods and standards
26 by which the Department will utilize its authority

1 under Section 404 of this Act;

2 (D-9) For taxable years ending on or after December
3 31, 2008, an amount equal to the amount of insurance
4 premium expenses and costs otherwise allowed as a
5 deduction in computing base income, and that were paid,
6 accrued, or incurred, directly or indirectly, to a
7 person who would be a member of the same unitary
8 business group but for the fact that the person is
9 prohibited under Section 1501(a)(27) from being
10 included in the unitary business group because he or
11 she is ordinarily required to apportion business
12 income under different subsections of Section 304. The
13 addition modification required by this subparagraph
14 shall be reduced to the extent that dividends were
15 included in base income of the unitary group for the
16 same taxable year and received by the taxpayer or by a
17 member of the taxpayer's unitary business group
18 (including amounts included in gross income under
19 Sections 951 through 964 of the Internal Revenue Code
20 and amounts included in gross income under Section 78
21 of the Internal Revenue Code) with respect to the stock
22 of the same person to whom the premiums and costs were
23 directly or indirectly paid, incurred, or accrued. The
24 preceding sentence does not apply to the extent that
25 the same dividends caused a reduction to the addition
26 modification required under Section 203(d)(2)(D-7) or

1 Section 203(d) (2) (D-8) of this Act;

2 (D-10) An amount equal to the credit allowable to
3 the taxpayer under Section 218(a) of this Act,
4 determined without regard to Section 218(c) of this
5 Act;

6 (D-11) For taxable years ending on or after
7 December 31, 2013, an amount equal to the deduction
8 allowed under Section 199 of the Internal Revenue Code
9 for the taxable year;

10 and by deducting from the total so obtained the following
11 amounts:

12 (E) The valuation limitation amount;

13 (F) An amount equal to the amount of any tax
14 imposed by this Act which was refunded to the taxpayer
15 and included in such total for the taxable year;

16 (G) An amount equal to all amounts included in
17 taxable income as modified by subparagraphs (A), (B),
18 (C) and (D) which are exempt from taxation by this
19 State either by reason of its statutes or Constitution
20 or by reason of the Constitution, treaties or statutes
21 of the United States; provided that, in the case of any
22 statute of this State that exempts income derived from
23 bonds or other obligations from the tax imposed under
24 this Act, the amount exempted shall be the interest net
25 of bond premium amortization;

26 (H) Any income of the partnership which

1 constitutes personal service income as defined in
2 Section 1348 (b) (1) of the Internal Revenue Code (as
3 in effect December 31, 1981) or a reasonable allowance
4 for compensation paid or accrued for services rendered
5 by partners to the partnership, whichever is greater;
6 this subparagraph (H) is exempt from the provisions of
7 Section 250;

8 (I) An amount equal to all amounts of income
9 distributable to an entity subject to the Personal
10 Property Tax Replacement Income Tax imposed by
11 subsections (c) and (d) of Section 201 of this Act
12 including amounts distributable to organizations
13 exempt from federal income tax by reason of Section
14 501(a) of the Internal Revenue Code; this subparagraph
15 (I) is exempt from the provisions of Section 250;

16 (J) With the exception of any amounts subtracted
17 under subparagraph (G), an amount equal to the sum of
18 all amounts disallowed as deductions by (i) Sections
19 171(a) (2), and 265(2) of the Internal Revenue Code,
20 and all amounts of expenses allocable to interest and
21 disallowed as deductions by Section 265(1) of the
22 Internal Revenue Code; and (ii) for taxable years
23 ending on or after August 13, 1999, Sections 171(a) (2),
24 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
25 Code, plus, (iii) for taxable years ending on or after
26 December 31, 2011, Section 45G(e) (3) of the Internal

1 Revenue Code and, for taxable years ending on or after
2 December 31, 2008, any amount included in gross income
3 under Section 87 of the Internal Revenue Code; the
4 provisions of this subparagraph are exempt from the
5 provisions of Section 250;

6 (K) An amount equal to those dividends included in
7 such total which were paid by a corporation which
8 conducts business operations in a River Edge
9 Redevelopment Zone or zones created under the River
10 Edge Redevelopment Zone Act and conducts substantially
11 all of its operations from a River Edge Redevelopment
12 Zone or zones. This subparagraph (K) is exempt from the
13 provisions of Section 250;

14 (L) An amount equal to any contribution made to a
15 job training project established pursuant to the Real
16 Property Tax Increment Allocation Redevelopment Act;

17 (M) An amount equal to those dividends included in
18 such total that were paid by a corporation that
19 conducts business operations in a federally designated
20 Foreign Trade Zone or Sub-Zone and that is designated a
21 High Impact Business located in Illinois; provided
22 that dividends eligible for the deduction provided in
23 subparagraph (K) of paragraph (2) of this subsection
24 shall not be eligible for the deduction provided under
25 this subparagraph (M);

26 (N) An amount equal to the amount of the deduction

1 used to compute the federal income tax credit for
2 restoration of substantial amounts held under claim of
3 right for the taxable year pursuant to Section 1341 of
4 the Internal Revenue Code;

5 (0) For taxable years 2001 and thereafter, for the
6 taxable year in which the bonus depreciation deduction
7 is taken on the taxpayer's federal income tax return
8 under subsection (k) of Section 168 of the Internal
9 Revenue Code and for each applicable taxable year
10 thereafter, an amount equal to "x", where:

11 (1) "y" equals the amount of the depreciation
12 deduction taken for the taxable year on the
13 taxpayer's federal income tax return on property
14 for which the bonus depreciation deduction was
15 taken in any year under subsection (k) of Section
16 168 of the Internal Revenue Code, but not including
17 the bonus depreciation deduction;

18 (2) for taxable years ending on or before
19 December 31, 2005, "x" equals "y" multiplied by 30
20 and then divided by 70 (or "y" multiplied by
21 0.429); and

22 (3) for taxable years ending after December
23 31, 2005:

24 (i) for property on which a bonus
25 depreciation deduction of 30% of the adjusted
26 basis was taken, "x" equals "y" multiplied by

1 30 and then divided by 70 (or "y" multiplied by
2 0.429); and

3 (ii) for property on which a bonus
4 depreciation deduction of 50% of the adjusted
5 basis was taken, "x" equals "y" multiplied by
6 1.0.

7 The aggregate amount deducted under this
8 subparagraph in all taxable years for any one piece of
9 property may not exceed the amount of the bonus
10 depreciation deduction taken on that property on the
11 taxpayer's federal income tax return under subsection
12 (k) of Section 168 of the Internal Revenue Code. This
13 subparagraph (O) is exempt from the provisions of
14 Section 250;

15 (P) If the taxpayer sells, transfers, abandons, or
16 otherwise disposes of property for which the taxpayer
17 was required in any taxable year to make an addition
18 modification under subparagraph (D-5), then an amount
19 equal to that addition modification.

20 If the taxpayer continues to own property through
21 the last day of the last tax year for which the
22 taxpayer may claim a depreciation deduction for
23 federal income tax purposes and for which the taxpayer
24 was required in any taxable year to make an addition
25 modification under subparagraph (D-5), then an amount
26 equal to that addition modification.

1 The taxpayer is allowed to take the deduction under
2 this subparagraph only once with respect to any one
3 piece of property.

4 This subparagraph (P) is exempt from the
5 provisions of Section 250;

6 (Q) The amount of (i) any interest income (net of
7 the deductions allocable thereto) taken into account
8 for the taxable year with respect to a transaction with
9 a taxpayer that is required to make an addition
10 modification with respect to such transaction under
11 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
12 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
13 the amount of such addition modification and (ii) any
14 income from intangible property (net of the deductions
15 allocable thereto) taken into account for the taxable
16 year with respect to a transaction with a taxpayer that
17 is required to make an addition modification with
18 respect to such transaction under Section
19 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
20 203(d)(2)(D-8), but not to exceed the amount of such
21 addition modification. This subparagraph (Q) is exempt
22 from Section 250;

23 (R) An amount equal to the interest income taken
24 into account for the taxable year (net of the
25 deductions allocable thereto) with respect to
26 transactions with (i) a foreign person who would be a

1 member of the taxpayer's unitary business group but for
2 the fact that the foreign person's business activity
3 outside the United States is 80% or more of that
4 person's total business activity and (ii) for taxable
5 years ending on or after December 31, 2008, to a person
6 who would be a member of the same unitary business
7 group but for the fact that the person is prohibited
8 under Section 1501(a)(27) from being included in the
9 unitary business group because he or she is ordinarily
10 required to apportion business income under different
11 subsections of Section 304, but not to exceed the
12 addition modification required to be made for the same
13 taxable year under Section 203(d)(2)(D-7) for interest
14 paid, accrued, or incurred, directly or indirectly, to
15 the same person. This subparagraph (R) is exempt from
16 Section 250;

17 (S) An amount equal to the income from intangible
18 property taken into account for the taxable year (net
19 of the deductions allocable thereto) with respect to
20 transactions with (i) a foreign person who would be a
21 member of the taxpayer's unitary business group but for
22 the fact that the foreign person's business activity
23 outside the United States is 80% or more of that
24 person's total business activity and (ii) for taxable
25 years ending on or after December 31, 2008, to a person
26 who would be a member of the same unitary business

1 group but for the fact that the person is prohibited
2 under Section 1501(a)(27) from being included in the
3 unitary business group because he or she is ordinarily
4 required to apportion business income under different
5 subsections of Section 304, but not to exceed the
6 addition modification required to be made for the same
7 taxable year under Section 203(d)(2)(D-8) for
8 intangible expenses and costs paid, accrued, or
9 incurred, directly or indirectly, to the same person.
10 This subparagraph (S) is exempt from Section 250; and

11 (T) For taxable years ending on or after December
12 31, 2011, in the case of a taxpayer who was required to
13 add back any insurance premiums under Section
14 203(d)(2)(D-9), such taxpayer may elect to subtract
15 that part of a reimbursement received from the
16 insurance company equal to the amount of the expense or
17 loss (including expenses incurred by the insurance
18 company) that would have been taken into account as a
19 deduction for federal income tax purposes if the
20 expense or loss had been uninsured. If a taxpayer makes
21 the election provided for by this subparagraph (T), the
22 insurer to which the premiums were paid must add back
23 to income the amount subtracted by the taxpayer
24 pursuant to this subparagraph (T). This subparagraph
25 (T) is exempt from the provisions of Section 250.

1 (e) Gross income; adjusted gross income; taxable income.

2 (1) In general. Subject to the provisions of paragraph
3 (2) and subsection (b) (3), for purposes of this Section
4 and Section 803(e), a taxpayer's gross income, adjusted
5 gross income, or taxable income for the taxable year shall
6 mean the amount of gross income, adjusted gross income or
7 taxable income properly reportable for federal income tax
8 purposes for the taxable year under the provisions of the
9 Internal Revenue Code. Taxable income may be less than
10 zero. However, for taxable years ending on or after
11 December 31, 1986, net operating loss carryforwards from
12 taxable years ending prior to December 31, 1986, may not
13 exceed the sum of federal taxable income for the taxable
14 year before net operating loss deduction, plus the excess
15 of addition modifications over subtraction modifications
16 for the taxable year. For taxable years ending prior to
17 December 31, 1986, taxable income may never be an amount in
18 excess of the net operating loss for the taxable year as
19 defined in subsections (c) and (d) of Section 172 of the
20 Internal Revenue Code, provided that when taxable income of
21 a corporation (other than a Subchapter S corporation),
22 trust, or estate is less than zero and addition
23 modifications, other than those provided by subparagraph
24 (E) of paragraph (2) of subsection (b) for corporations or
25 subparagraph (E) of paragraph (2) of subsection (c) for
26 trusts and estates, exceed subtraction modifications, an

1 addition modification must be made under those
2 subparagraphs for any other taxable year to which the
3 taxable income less than zero (net operating loss) is
4 applied under Section 172 of the Internal Revenue Code or
5 under subparagraph (E) of paragraph (2) of this subsection
6 (e) applied in conjunction with Section 172 of the Internal
7 Revenue Code.

8 (2) Special rule. For purposes of paragraph (1) of this
9 subsection, the taxable income properly reportable for
10 federal income tax purposes shall mean:

11 (A) Certain life insurance companies. In the case
12 of a life insurance company subject to the tax imposed
13 by Section 801 of the Internal Revenue Code, life
14 insurance company taxable income, plus the amount of
15 distribution from pre-1984 policyholder surplus
16 accounts as calculated under Section 815a of the
17 Internal Revenue Code;

18 (B) Certain other insurance companies. In the case
19 of mutual insurance companies subject to the tax
20 imposed by Section 831 of the Internal Revenue Code,
21 insurance company taxable income;

22 (C) Regulated investment companies. In the case of
23 a regulated investment company subject to the tax
24 imposed by Section 852 of the Internal Revenue Code,
25 investment company taxable income;

26 (D) Real estate investment trusts. In the case of a

1 real estate investment trust subject to the tax imposed
2 by Section 857 of the Internal Revenue Code, real
3 estate investment trust taxable income;

4 (E) Consolidated corporations. In the case of a
5 corporation which is a member of an affiliated group of
6 corporations filing a consolidated income tax return
7 for the taxable year for federal income tax purposes,
8 taxable income determined as if such corporation had
9 filed a separate return for federal income tax purposes
10 for the taxable year and each preceding taxable year
11 for which it was a member of an affiliated group. For
12 purposes of this subparagraph, the taxpayer's separate
13 taxable income shall be determined as if the election
14 provided by Section 243(b) (2) of the Internal Revenue
15 Code had been in effect for all such years;

16 (F) Cooperatives. In the case of a cooperative
17 corporation or association, the taxable income of such
18 organization determined in accordance with the
19 provisions of Section 1381 through 1388 of the Internal
20 Revenue Code, but without regard to the prohibition
21 against offsetting losses from patronage activities
22 against income from nonpatronage activities; except
23 that a cooperative corporation or association may make
24 an election to follow its federal income tax treatment
25 of patronage losses and nonpatronage losses. In the
26 event such election is made, such losses shall be

1 computed and carried over in a manner consistent with
2 subsection (a) of Section 207 of this Act and
3 apportioned by the apportionment factor reported by
4 the cooperative on its Illinois income tax return filed
5 for the taxable year in which the losses are incurred.
6 The election shall be effective for all taxable years
7 with original returns due on or after the date of the
8 election. In addition, the cooperative may file an
9 amended return or returns, as allowed under this Act,
10 to provide that the election shall be effective for
11 losses incurred or carried forward for taxable years
12 occurring prior to the date of the election. Once made,
13 the election may only be revoked upon approval of the
14 Director. The Department shall adopt rules setting
15 forth requirements for documenting the elections and
16 any resulting Illinois net loss and the standards to be
17 used by the Director in evaluating requests to revoke
18 elections. Public Act 96-932 is declaratory of
19 existing law;

20 (G) Subchapter S corporations. In the case of: (i)
21 a Subchapter S corporation for which there is in effect
22 an election for the taxable year under Section 1362 of
23 the Internal Revenue Code, the taxable income of such
24 corporation determined in accordance with Section
25 1363(b) of the Internal Revenue Code, except that
26 taxable income shall take into account those items

1 which are required by Section 1363(b)(1) of the
2 Internal Revenue Code to be separately stated; and (ii)
3 a Subchapter S corporation for which there is in effect
4 a federal election to opt out of the provisions of the
5 Subchapter S Revision Act of 1982 and have applied
6 instead the prior federal Subchapter S rules as in
7 effect on July 1, 1982, the taxable income of such
8 corporation determined in accordance with the federal
9 Subchapter S rules as in effect on July 1, 1982; and

10 (H) Partnerships. In the case of a partnership,
11 taxable income determined in accordance with Section
12 703 of the Internal Revenue Code, except that taxable
13 income shall take into account those items which are
14 required by Section 703(a)(1) to be separately stated
15 but which would be taken into account by an individual
16 in calculating his taxable income.

17 (3) Recapture of business expenses on disposition of
18 asset or business. Notwithstanding any other law to the
19 contrary, if in prior years income from an asset or
20 business has been classified as business income and in a
21 later year is demonstrated to be non-business income, then
22 all expenses, without limitation, deducted in such later
23 year and in the 2 immediately preceding taxable years
24 related to that asset or business that generated the
25 non-business income shall be added back and recaptured as
26 business income in the year of the disposition of the asset

1 or business. Such amount shall be apportioned to Illinois
2 using the greater of the apportionment fraction computed
3 for the business under Section 304 of this Act for the
4 taxable year or the average of the apportionment fractions
5 computed for the business under Section 304 of this Act for
6 the taxable year and for the 2 immediately preceding
7 taxable years.

8 (f) Valuation limitation amount.

9 (1) In general. The valuation limitation amount
10 referred to in subsections (a) (2) (G), (c) (2) (I) and
11 (d) (2) (E) is an amount equal to:

12 (A) The sum of the pre-August 1, 1969 appreciation
13 amounts (to the extent consisting of gain reportable
14 under the provisions of Section 1245 or 1250 of the
15 Internal Revenue Code) for all property in respect of
16 which such gain was reported for the taxable year; plus

17 (B) The lesser of (i) the sum of the pre-August 1,
18 1969 appreciation amounts (to the extent consisting of
19 capital gain) for all property in respect of which such
20 gain was reported for federal income tax purposes for
21 the taxable year, or (ii) the net capital gain for the
22 taxable year, reduced in either case by any amount of
23 such gain included in the amount determined under
24 subsection (a) (2) (F) or (c) (2) (H).

25 (2) Pre-August 1, 1969 appreciation amount.

1 (A) If the fair market value of property referred
2 to in paragraph (1) was readily ascertainable on August
3 1, 1969, the pre-August 1, 1969 appreciation amount for
4 such property is the lesser of (i) the excess of such
5 fair market value over the taxpayer's basis (for
6 determining gain) for such property on that date
7 (determined under the Internal Revenue Code as in
8 effect on that date), or (ii) the total gain realized
9 and reportable for federal income tax purposes in
10 respect of the sale, exchange or other disposition of
11 such property.

12 (B) If the fair market value of property referred
13 to in paragraph (1) was not readily ascertainable on
14 August 1, 1969, the pre-August 1, 1969 appreciation
15 amount for such property is that amount which bears the
16 same ratio to the total gain reported in respect of the
17 property for federal income tax purposes for the
18 taxable year, as the number of full calendar months in
19 that part of the taxpayer's holding period for the
20 property ending July 31, 1969 bears to the number of
21 full calendar months in the taxpayer's entire holding
22 period for the property.

23 (C) The Department shall prescribe such
24 regulations as may be necessary to carry out the
25 purposes of this paragraph.

1 (g) Double deductions. Unless specifically provided
2 otherwise, nothing in this Section shall permit the same item
3 to be deducted more than once.

4 (h) Legislative intention. Except as expressly provided by
5 this Section there shall be no modifications or limitations on
6 the amounts of income, gain, loss or deduction taken into
7 account in determining gross income, adjusted gross income or
8 taxable income for federal income tax purposes for the taxable
9 year, or in the amount of such items entering into the
10 computation of base income and net income under this Act for
11 such taxable year, whether in respect of property values as of
12 August 1, 1969 or otherwise.

13 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,
14 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
15 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
16 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
17 eff. 8-23-11; 97-905, eff. 8-7-12.)

18 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

19 Sec. 901. Collection Authority.

20 (a) In general.

21 The Department shall collect the taxes imposed by this Act.
22 The Department shall collect certified past due child support
23 amounts under Section 2505-650 of the Department of Revenue Law
24 (20 ILCS 2505/2505-650). Except as provided in subsections (c),

1 (e), (f), ~~and~~ (g), and (h) of this Section, money collected
2 pursuant to subsections (a) and (b) of Section 201 of this Act
3 shall be paid into the General Revenue Fund in the State
4 treasury; money collected pursuant to subsections (c) and (d)
5 of Section 201 of this Act shall be paid into the Personal
6 Property Tax Replacement Fund, a special fund in the State
7 Treasury; and money collected under Section 2505-650 of the
8 Department of Revenue Law (20 ILCS 2505/2505-650) shall be paid
9 into the Child Support Enforcement Trust Fund, a special fund
10 outside the State Treasury, or to the State Disbursement Unit
11 established under Section 10-26 of the Illinois Public Aid
12 Code, as directed by the Department of Healthcare and Family
13 Services.

14 (b) Local Government Distributive Fund.

15 Beginning August 1, 1969, and continuing through June 30,
16 1994, the Treasurer shall transfer each month from the General
17 Revenue Fund to a special fund in the State treasury, to be
18 known as the "Local Government Distributive Fund", an amount
19 equal to 1/12 of the net revenue realized from the tax imposed
20 by subsections (a) and (b) of Section 201 of this Act during
21 the preceding month. Beginning July 1, 1994, and continuing
22 through June 30, 1995, the Treasurer shall transfer each month
23 from the General Revenue Fund to the Local Government
24 Distributive Fund an amount equal to 1/11 of the net revenue
25 realized from the tax imposed by subsections (a) and (b) of
26 Section 201 of this Act during the preceding month. Beginning

1 July 1, 1995 and continuing through January 31, 2011, the
2 Treasurer shall transfer each month from the General Revenue
3 Fund to the Local Government Distributive Fund an amount equal
4 to the net of (i) 1/10 of the net revenue realized from the tax
5 imposed by subsections (a) and (b) of Section 201 of the
6 Illinois Income Tax Act during the preceding month (ii) minus,
7 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,
8 and beginning July 1, 2004, zero. Beginning February 1, 2011,
9 and continuing through January 31, 2015, the Treasurer shall
10 transfer each month from the General Revenue Fund to the Local
11 Government Distributive Fund an amount equal to the sum of (i)
12 6% (10% of the ratio of the 3% individual income tax rate prior
13 to 2011 to the 5% individual income tax rate after 2010) of the
14 net revenue realized from the tax imposed by subsections (a)
15 and (b) of Section 201 of this Act upon individuals, trusts,
16 and estates during the preceding month and (ii) 6.86% (10% of
17 the ratio of the 4.8% corporate income tax rate prior to 2011
18 to the 7% corporate income tax rate after 2010) of the net
19 revenue realized from the tax imposed by subsections (a) and
20 (b) of Section 201 of this Act upon corporations during the
21 preceding month. Beginning February 1, 2015 and continuing
22 through January 31, 2025, the Treasurer shall transfer each
23 month from the General Revenue Fund to the Local Government
24 Distributive Fund an amount equal to the sum of (i) 8% (10% of
25 the ratio of the 3% individual income tax rate prior to 2011 to
26 the 3.75% individual income tax rate after 2014) of the net

1 revenue realized from the tax imposed by subsections (a) and
2 (b) of Section 201 of this Act upon individuals, trusts, and
3 estates during the preceding month and (ii) 9.14% (10% of the
4 ratio of the 4.8% corporate income tax rate prior to 2011 to
5 the 5.25% corporate income tax rate after 2014) of the net
6 revenue realized from the tax imposed by subsections (a) and
7 (b) of Section 201 of this Act upon corporations during the
8 preceding month. Beginning February 1, 2025, the Treasurer
9 shall transfer each month from the General Revenue Fund to the
10 Local Government Distributive Fund an amount equal to the sum
11 of (i) 9.23% (10% of the ratio of the 3% individual income tax
12 rate prior to 2011 to the 3.25% individual income tax rate
13 after 2024) of the net revenue realized from the tax imposed by
14 subsections (a) and (b) of Section 201 of this Act upon
15 individuals, trusts, and estates during the preceding month and
16 (ii) 10% of the net revenue realized from the tax imposed by
17 subsections (a) and (b) of Section 201 of this Act upon
18 corporations during the preceding month. Net revenue realized
19 for a month shall be defined as the revenue from the tax
20 imposed by subsections (a) and (b) of Section 201 of this Act
21 which is deposited in the General Revenue Fund, the Education
22 Assistance Fund, the Income Tax Surcharge Local Government
23 Distributive Fund, the Fund for the Advancement of Education,
24 and the Commitment to Human Services Fund during the month
25 minus the amount paid out of the General Revenue Fund in State
26 warrants during that same month as refunds to taxpayers for

1 overpayment of liability under the tax imposed by subsections
2 (a) and (b) of Section 201 of this Act.

3 (c) Deposits Into Income Tax Refund Fund.

4 (1) Beginning on January 1, 1989 and thereafter, the
5 Department shall deposit a percentage of the amounts
6 collected pursuant to subsections (a) and (b)(1), (2), and
7 (3), of Section 201 of this Act into a fund in the State
8 treasury known as the Income Tax Refund Fund. The
9 Department shall deposit 6% of such amounts during the
10 period beginning January 1, 1989 and ending on June 30,
11 1989. Beginning with State fiscal year 1990 and for each
12 fiscal year thereafter, the percentage deposited into the
13 Income Tax Refund Fund during a fiscal year shall be the
14 Annual Percentage. For fiscal years 1999 through 2001, the
15 Annual Percentage shall be 7.1%. For fiscal year 2003, the
16 Annual Percentage shall be 8%. For fiscal year 2004, the
17 Annual Percentage shall be 11.7%. Upon the effective date
18 of this amendatory Act of the 93rd General Assembly, the
19 Annual Percentage shall be 10% for fiscal year 2005. For
20 fiscal year 2006, the Annual Percentage shall be 9.75%. For
21 fiscal year 2007, the Annual Percentage shall be 9.75%. For
22 fiscal year 2008, the Annual Percentage shall be 7.75%. For
23 fiscal year 2009, the Annual Percentage shall be 9.75%. For
24 fiscal year 2010, the Annual Percentage shall be 9.75%. For
25 fiscal year 2011, the Annual Percentage shall be 8.75%. For
26 fiscal year 2012, the Annual Percentage shall be 8.75%. For

1 fiscal year 2013, the Annual Percentage shall be 9.75%. For
2 all other fiscal years, the Annual Percentage shall be
3 calculated as a fraction, the numerator of which shall be
4 the amount of refunds approved for payment by the
5 Department during the preceding fiscal year as a result of
6 overpayment of tax liability under subsections (a) and
7 (b) (1), (2), and (3) of Section 201 of this Act plus the
8 amount of such refunds remaining approved but unpaid at the
9 end of the preceding fiscal year, minus the amounts
10 transferred into the Income Tax Refund Fund from the
11 Tobacco Settlement Recovery Fund, and the denominator of
12 which shall be the amounts which will be collected pursuant
13 to subsections (a) and (b) (1), (2), and (3) of Section 201
14 of this Act during the preceding fiscal year; except that
15 in State fiscal year 2002, the Annual Percentage shall in
16 no event exceed 7.6%. The Director of Revenue shall certify
17 the Annual Percentage to the Comptroller on the last
18 business day of the fiscal year immediately preceding the
19 fiscal year for which it is to be effective.

20 (2) Beginning on January 1, 1989 and thereafter, the
21 Department shall deposit a percentage of the amounts
22 collected pursuant to subsections (a) and (b) (6), (7), and
23 (8), (c) and (d) of Section 201 of this Act into a fund in
24 the State treasury known as the Income Tax Refund Fund. The
25 Department shall deposit 18% of such amounts during the
26 period beginning January 1, 1989 and ending on June 30,

1 1989. Beginning with State fiscal year 1990 and for each
2 fiscal year thereafter, the percentage deposited into the
3 Income Tax Refund Fund during a fiscal year shall be the
4 Annual Percentage. For fiscal years 1999, 2000, and 2001,
5 the Annual Percentage shall be 19%. For fiscal year 2003,
6 the Annual Percentage shall be 27%. For fiscal year 2004,
7 the Annual Percentage shall be 32%. Upon the effective date
8 of this amendatory Act of the 93rd General Assembly, the
9 Annual Percentage shall be 24% for fiscal year 2005. For
10 fiscal year 2006, the Annual Percentage shall be 20%. For
11 fiscal year 2007, the Annual Percentage shall be 17.5%. For
12 fiscal year 2008, the Annual Percentage shall be 15.5%. For
13 fiscal year 2009, the Annual Percentage shall be 17.5%. For
14 fiscal year 2010, the Annual Percentage shall be 17.5%. For
15 fiscal year 2011, the Annual Percentage shall be 17.5%. For
16 fiscal year 2012, the Annual Percentage shall be 17.5%. For
17 fiscal year 2013, the Annual Percentage shall be 14%. For
18 all other fiscal years, the Annual Percentage shall be
19 calculated as a fraction, the numerator of which shall be
20 the amount of refunds approved for payment by the
21 Department during the preceding fiscal year as a result of
22 overpayment of tax liability under subsections (a) and
23 (b) (6), (7), and (8), (c) and (d) of Section 201 of this
24 Act plus the amount of such refunds remaining approved but
25 unpaid at the end of the preceding fiscal year, and the
26 denominator of which shall be the amounts which will be

1 collected pursuant to subsections (a) and (b) (6), (7), and
2 (8), (c) and (d) of Section 201 of this Act during the
3 preceding fiscal year; except that in State fiscal year
4 2002, the Annual Percentage shall in no event exceed 23%.
5 The Director of Revenue shall certify the Annual Percentage
6 to the Comptroller on the last business day of the fiscal
7 year immediately preceding the fiscal year for which it is
8 to be effective.

9 (3) The Comptroller shall order transferred and the
10 Treasurer shall transfer from the Tobacco Settlement
11 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000
12 in January, 2001, (ii) \$35,000,000 in January, 2002, and
13 (iii) \$35,000,000 in January, 2003.

14 (d) Expenditures from Income Tax Refund Fund.

15 (1) Beginning January 1, 1989, money in the Income Tax
16 Refund Fund shall be expended exclusively for the purpose
17 of paying refunds resulting from overpayment of tax
18 liability under Section 201 of this Act, for paying rebates
19 under Section 208.1 in the event that the amounts in the
20 Homeowners' Tax Relief Fund are insufficient for that
21 purpose, and for making transfers pursuant to this
22 subsection (d).

23 (2) The Director shall order payment of refunds
24 resulting from overpayment of tax liability under Section
25 201 of this Act from the Income Tax Refund Fund only to the
26 extent that amounts collected pursuant to Section 201 of

1 this Act and transfers pursuant to this subsection (d) and
2 item (3) of subsection (c) have been deposited and retained
3 in the Fund.

4 (3) As soon as possible after the end of each fiscal
5 year, the Director shall order transferred and the State
6 Treasurer and State Comptroller shall transfer from the
7 Income Tax Refund Fund to the Personal Property Tax
8 Replacement Fund an amount, certified by the Director to
9 the Comptroller, equal to the excess of the amount
10 collected pursuant to subsections (c) and (d) of Section
11 201 of this Act deposited into the Income Tax Refund Fund
12 during the fiscal year over the amount of refunds resulting
13 from overpayment of tax liability under subsections (c) and
14 (d) of Section 201 of this Act paid from the Income Tax
15 Refund Fund during the fiscal year.

16 (4) As soon as possible after the end of each fiscal
17 year, the Director shall order transferred and the State
18 Treasurer and State Comptroller shall transfer from the
19 Personal Property Tax Replacement Fund to the Income Tax
20 Refund Fund an amount, certified by the Director to the
21 Comptroller, equal to the excess of the amount of refunds
22 resulting from overpayment of tax liability under
23 subsections (c) and (d) of Section 201 of this Act paid
24 from the Income Tax Refund Fund during the fiscal year over
25 the amount collected pursuant to subsections (c) and (d) of
26 Section 201 of this Act deposited into the Income Tax

1 Refund Fund during the fiscal year.

2 (4.5) As soon as possible after the end of fiscal year
3 1999 and of each fiscal year thereafter, the Director shall
4 order transferred and the State Treasurer and State
5 Comptroller shall transfer from the Income Tax Refund Fund
6 to the General Revenue Fund any surplus remaining in the
7 Income Tax Refund Fund as of the end of such fiscal year;
8 excluding for fiscal years 2000, 2001, and 2002 amounts
9 attributable to transfers under item (3) of subsection (c)
10 less refunds resulting from the earned income tax credit.

11 (5) This Act shall constitute an irrevocable and
12 continuing appropriation from the Income Tax Refund Fund
13 for the purpose of paying refunds upon the order of the
14 Director in accordance with the provisions of this Section.

15 (e) Deposits into the Education Assistance Fund and the
16 Income Tax Surcharge Local Government Distributive Fund.

17 On July 1, 1991, and thereafter, of the amounts collected
18 pursuant to subsections (a) and (b) of Section 201 of this Act,
19 minus deposits into the Income Tax Refund Fund, the Department
20 shall deposit 7.3% into the Education Assistance Fund in the
21 State Treasury. Beginning July 1, 1991, and continuing through
22 January 31, 1993, of the amounts collected pursuant to
23 subsections (a) and (b) of Section 201 of the Illinois Income
24 Tax Act, minus deposits into the Income Tax Refund Fund, the
25 Department shall deposit 3.0% into the Income Tax Surcharge
26 Local Government Distributive Fund in the State Treasury.

1 Beginning February 1, 1993 and continuing through June 30,
2 1993, of the amounts collected pursuant to subsections (a) and
3 (b) of Section 201 of the Illinois Income Tax Act, minus
4 deposits into the Income Tax Refund Fund, the Department shall
5 deposit 4.4% into the Income Tax Surcharge Local Government
6 Distributive Fund in the State Treasury. Beginning July 1,
7 1993, and continuing through June 30, 1994, of the amounts
8 collected under subsections (a) and (b) of Section 201 of this
9 Act, minus deposits into the Income Tax Refund Fund, the
10 Department shall deposit 1.475% into the Income Tax Surcharge
11 Local Government Distributive Fund in the State Treasury.

12 (f) Deposits into the Fund for the Advancement of
13 Education. Beginning February 1, 2015, the Department shall
14 deposit the following portions of the revenue realized from the
15 tax imposed upon individuals, trusts, and estates by
16 subsections (a) and (b) of Section 201 of this Act during the
17 preceding month, minus deposits into the Income Tax Refund
18 Fund, into the Fund for the Advancement of Education:

19 (1) beginning February 1, 2015, and prior to February
20 1, 2025, 1/30; and

21 (2) beginning February 1, 2025, 1/26.

22 If the rate of tax imposed by subsection (a) and (b) of
23 Section 201 is reduced pursuant to Section 201.5 of this Act,
24 the Department shall not make the deposits required by this
25 subsection (f) on or after the effective date of the reduction.

26 (g) Deposits into the Commitment to Human Services Fund.

1 Beginning February 1, 2015, the Department shall deposit the
2 following portions of the revenue realized from the tax imposed
3 upon individuals, trusts, and estates by subsections (a) and
4 (b) of Section 201 of this Act during the preceding month,
5 minus deposits into the Income Tax Refund Fund, into the
6 Commitment to Human Services Fund:

7 (1) beginning February 1, 2015, and prior to February
8 1, 2025, 1/30; and

9 (2) beginning February 1, 2025, 1/26.

10 If the rate of tax imposed by subsection (a) and (b) of
11 Section 201 is reduced pursuant to Section 201.5 of this Act,
12 the Department shall not make the deposits required by this
13 subsection (g) on or after the effective date of the reduction.

14 (h) Deposits into the Bill Payment Trust Fund. On and after
15 the effective date of this amendatory Act of the 98th General
16 Assembly, the Department shall deposit into the Bill Payment
17 Trust Fund each month an amount equal the revenue realized from
18 the tax imposed by subsections (a) and (b) of Section 201 of
19 this Act during the preceding month that is attributable to the
20 changes made to Section 203 and Section 1501 of this Act by
21 this amendatory Act of the 98th General Assembly, net of
22 deposits into the Income Tax Refund Fund.

23 (Source: P.A. 96-45, eff. 7-15-09; 96-328, eff. 8-11-09;
24 96-959, eff. 7-1-10; 96-1496, eff. 1-13-11; 97-72, eff. 7-1-11;
25 97-732, eff. 6-30-12.)

1 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

2 Sec. 1501. Definitions.

3 (a) In general. When used in this Act, where not otherwise
4 distinctly expressed or manifestly incompatible with the
5 intent thereof:

6 (1) Business income. The term "business income" means
7 all income that may be treated as apportionable business
8 income under the Constitution of the United States.
9 Business income is net of the deductions allocable thereto.
10 Such term does not include compensation or the deductions
11 allocable thereto. For each taxable year beginning on or
12 after January 1, 2003, a taxpayer may elect to treat all
13 income other than compensation as business income. This
14 election shall be made in accordance with rules adopted by
15 the Department and, once made, shall be irrevocable.

16 (1.5) Captive real estate investment trust:

17 (A) The term "captive real estate investment
18 trust" means a corporation, trust, or association:

19 (i) that is considered a real estate
20 investment trust for the taxable year under
21 Section 856 of the Internal Revenue Code;

22 (ii) the certificates of beneficial interest
23 or shares of which are not regularly traded on an
24 established securities market; and

25 (iii) of which more than 50% of the voting
26 power or value of the beneficial interest or

1 provided a listed Australian property trust
2 described in subparagraph (c) owns or
3 controls, directly or indirectly, or
4 constructively, 75% or more of the voting power
5 or value of the beneficial interests or shares
6 of such entity; or

7 (e) an entity that is organized outside of
8 the laws of the United States and that
9 satisfies all of the following criteria:

10 (1) at least 75% of the entity's total
11 asset value at the close of its taxable
12 year is represented by real estate assets
13 (as defined in Section 856(c)(5)(B) of the
14 Internal Revenue Code, thereby including
15 shares or certificates of beneficial
16 interest in any real estate investment
17 trust), cash and cash equivalents, and
18 U.S. Government securities;

19 (2) the entity is not subject to tax on
20 amounts that are distributed to its
21 beneficial owners or is exempt from
22 entity-level taxation;

23 (3) the entity distributes at least
24 85% of its taxable income (as computed in
25 the jurisdiction in which it is organized)
26 to the holders of its shares or

1 certificates of beneficial interest on an
2 annual basis;

3 (4) either (i) the shares or
4 beneficial interests of the entity are
5 regularly traded on an established
6 securities market or (ii) not more than 10%
7 of the voting power or value in the entity
8 is held, directly, indirectly, or
9 constructively, by a single entity or
10 individual; and

11 (5) the entity is organized in a
12 country that has entered into a tax treaty
13 with the United States; or

14 (ii) during its first taxable year for which it
15 elects to be treated as a real estate investment
16 trust under Section 856(c)(1) of the Internal
17 Revenue Code, a real estate investment trust the
18 certificates of beneficial interest or shares of
19 which are not regularly traded on an established
20 securities market, but only if the certificates of
21 beneficial interest or shares of the real estate
22 investment trust are regularly traded on an
23 established securities market prior to the earlier
24 of the due date (including extensions) for filing
25 its return under this Act for that first taxable
26 year or the date it actually files that return.

1 (C) For the purposes of this subsection (1.5), the
2 constructive ownership rules prescribed under Section
3 318(a) of the Internal Revenue Code, as modified by
4 Section 856(d)(5) of the Internal Revenue Code, apply
5 in determining the ownership of stock, assets, or net
6 profits of any person.

7 (2) Commercial domicile. The term "commercial
8 domicile" means the principal place from which the trade or
9 business of the taxpayer is directed or managed.

10 (3) Compensation. The term "compensation" means wages,
11 salaries, commissions and any other form of remuneration
12 paid to employees for personal services.

13 (4) Corporation. The term "corporation" includes
14 associations, joint-stock companies, insurance companies
15 and cooperatives. Any entity, including a limited
16 liability company formed under the Illinois Limited
17 Liability Company Act, shall be treated as a corporation if
18 it is so classified for federal income tax purposes.

19 (5) Department. The term "Department" means the
20 Department of Revenue of this State.

21 (6) Director. The term "Director" means the Director of
22 Revenue of this State.

23 (7) Fiduciary. The term "fiduciary" means a guardian,
24 trustee, executor, administrator, receiver, or any person
25 acting in any fiduciary capacity for any person.

26 (8) Financial organization.

1 (A) The term "financial organization" means any
2 bank, bank holding company, trust company, savings
3 bank, industrial bank, land bank, safe deposit
4 company, private banker, savings and loan association,
5 building and loan association, credit union, currency
6 exchange, cooperative bank, small loan company, sales
7 finance company, investment company, or any person
8 which is owned by a bank or bank holding company. For
9 the purpose of this Section a "person" will include
10 only those persons which a bank holding company may
11 acquire and hold an interest in, directly or
12 indirectly, under the provisions of the Bank Holding
13 Company Act of 1956 (12 U.S.C. 1841, et seq.), except
14 where interests in any person must be disposed of
15 within certain required time limits under the Bank
16 Holding Company Act of 1956.

17 (B) For purposes of subparagraph (A) of this
18 paragraph, the term "bank" includes (i) any entity that
19 is regulated by the Comptroller of the Currency under
20 the National Bank Act, or by the Federal Reserve Board,
21 or by the Federal Deposit Insurance Corporation and
22 (ii) any federally or State chartered bank operating as
23 a credit card bank.

24 (C) For purposes of subparagraph (A) of this
25 paragraph, the term "sales finance company" has the
26 meaning provided in the following item (i) or (ii):

1 (i) A person primarily engaged in one or more
2 of the following businesses: the business of
3 purchasing customer receivables, the business of
4 making loans upon the security of customer
5 receivables, the business of making loans for the
6 express purpose of funding purchases of tangible
7 personal property or services by the borrower, or
8 the business of finance leasing. For purposes of
9 this item (i), "customer receivable" means:

10 (a) a retail installment contract or
11 retail charge agreement within the meaning of
12 the Sales Finance Agency Act, the Retail
13 Installment Sales Act, or the Motor Vehicle
14 Retail Installment Sales Act;

15 (b) an installment, charge, credit, or
16 similar contract or agreement arising from the
17 sale of tangible personal property or services
18 in a transaction involving a deferred payment
19 price payable in one or more installments
20 subsequent to the sale; or

21 (c) the outstanding balance of a contract
22 or agreement described in provisions (a) or (b)
23 of this item (i).

24 A customer receivable need not provide for
25 payment of interest on deferred payments. A sales
26 finance company may purchase a customer receivable

1 from, or make a loan secured by a customer
2 receivable to, the seller in the original
3 transaction or to a person who purchased the
4 customer receivable directly or indirectly from
5 that seller.

6 (ii) A corporation meeting each of the
7 following criteria:

8 (a) the corporation must be a member of an
9 "affiliated group" within the meaning of
10 Section 1504(a) of the Internal Revenue Code,
11 determined without regard to Section 1504(b)
12 of the Internal Revenue Code;

13 (b) more than 50% of the gross income of
14 the corporation for the taxable year must be
15 interest income derived from qualifying loans.
16 A "qualifying loan" is a loan made to a member
17 of the corporation's affiliated group that
18 originates customer receivables (within the
19 meaning of item (i)) or to whom customer
20 receivables originated by a member of the
21 affiliated group have been transferred, to the
22 extent the average outstanding balance of
23 loans from that corporation to members of its
24 affiliated group during the taxable year do not
25 exceed the limitation amount for that
26 corporation. The "limitation amount" for a

1 corporation is the average outstanding
2 balances during the taxable year of customer
3 receivables (within the meaning of item (i))
4 originated by all members of the affiliated
5 group. If the average outstanding balances of
6 the loans made by a corporation to members of
7 its affiliated group exceed the limitation
8 amount, the interest income of that
9 corporation from qualifying loans shall be
10 equal to its interest income from loans to
11 members of its affiliated groups times a
12 fraction equal to the limitation amount
13 divided by the average outstanding balances of
14 the loans made by that corporation to members
15 of its affiliated group;

16 (c) the total of all shareholder's equity
17 (including, without limitation, paid-in
18 capital on common and preferred stock and
19 retained earnings) of the corporation plus the
20 total of all of its loans, advances, and other
21 obligations payable or owed to members of its
22 affiliated group may not exceed 20% of the
23 total assets of the corporation at any time
24 during the tax year; and

25 (d) more than 50% of all interest-bearing
26 obligations of the affiliated group payable to

1 persons outside the group determined in
2 accordance with generally accepted accounting
3 principles must be obligations of the
4 corporation.

5 This amendatory Act of the 91st General Assembly is
6 declaratory of existing law.

7 (D) Subparagraphs (B) and (C) of this paragraph are
8 declaratory of existing law and apply retroactively,
9 for all tax years beginning on or before December 31,
10 1996, to all original returns, to all amended returns
11 filed no later than 30 days after the effective date of
12 this amendatory Act of 1996, and to all notices issued
13 on or before the effective date of this amendatory Act
14 of 1996 under subsection (a) of Section 903, subsection
15 (a) of Section 904, subsection (e) of Section 909, or
16 Section 912. A taxpayer that is a "financial
17 organization" that engages in any transaction with an
18 affiliate shall be a "financial organization" for all
19 purposes of this Act.

20 (E) For all tax years beginning on or before
21 December 31, 1996, a taxpayer that falls within the
22 definition of a "financial organization" under
23 subparagraphs (B) or (C) of this paragraph, but who
24 does not fall within the definition of a "financial
25 organization" under the Proposed Regulations issued by
26 the Department of Revenue on July 19, 1996, may

1 irrevocably elect to apply the Proposed Regulations
2 for all of those years as though the Proposed
3 Regulations had been lawfully promulgated, adopted,
4 and in effect for all of those years. For purposes of
5 applying subparagraphs (B) or (C) of this paragraph to
6 all of those years, the election allowed by this
7 subparagraph applies only to the taxpayer making the
8 election and to those members of the taxpayer's unitary
9 business group who are ordinarily required to
10 apportion business income under the same subsection of
11 Section 304 of this Act as the taxpayer making the
12 election. No election allowed by this subparagraph
13 shall be made under a claim filed under subsection (d)
14 of Section 909 more than 30 days after the effective
15 date of this amendatory Act of 1996.

16 (F) Finance Leases. For purposes of this
17 subsection, a finance lease shall be treated as a loan
18 or other extension of credit, rather than as a lease,
19 regardless of how the transaction is characterized for
20 any other purpose, including the purposes of any
21 regulatory agency to which the lessor is subject. A
22 finance lease is any transaction in the form of a lease
23 in which the lessee is treated as the owner of the
24 leased asset entitled to any deduction for
25 depreciation allowed under Section 167 of the Internal
26 Revenue Code.

1 (9) Fiscal year. The term "fiscal year" means an
2 accounting period of 12 months ending on the last day of
3 any month other than December.

4 (9.5) Fixed place of business. The term "fixed place of
5 business" has the same meaning as that term is given in
6 Section 864 of the Internal Revenue Code and the related
7 Treasury regulations.

8 (10) Includes and including. The terms "includes" and
9 "including" when used in a definition contained in this Act
10 shall not be deemed to exclude other things otherwise
11 within the meaning of the term defined.

12 (11) Internal Revenue Code. The term "Internal Revenue
13 Code" means the United States Internal Revenue Code of 1954
14 or any successor law or laws relating to federal income
15 taxes in effect for the taxable year.

16 (11.5) Investment partnership.

17 (A) The term "investment partnership" means any
18 entity that is treated as a partnership for federal
19 income tax purposes that meets the following
20 requirements:

21 (i) no less than 90% of the partnership's cost
22 of its total assets consists of qualifying
23 investment securities, deposits at banks or other
24 financial institutions, and office space and
25 equipment reasonably necessary to carry on its
26 activities as an investment partnership;

1 (ii) no less than 90% of its gross income
2 consists of interest, dividends, and gains from
3 the sale or exchange of qualifying investment
4 securities; and

5 (iii) the partnership is not a dealer in
6 qualifying investment securities.

7 (B) For purposes of this paragraph (11.5), the term
8 "qualifying investment securities" includes all of the
9 following:

10 (i) common stock, including preferred or debt
11 securities convertible into common stock, and
12 preferred stock;

13 (ii) bonds, debentures, and other debt
14 securities;

15 (iii) foreign and domestic currency deposits
16 secured by federal, state, or local governmental
17 agencies;

18 (iv) mortgage or asset-backed securities
19 secured by federal, state, or local governmental
20 agencies;

21 (v) repurchase agreements and loan
22 participations;

23 (vi) foreign currency exchange contracts and
24 forward and futures contracts on foreign
25 currencies;

26 (vii) stock and bond index securities and

1 futures contracts and other similar financial
2 securities and futures contracts on those
3 securities;

4 (viii) options for the purchase or sale of any
5 of the securities, currencies, contracts, or
6 financial instruments described in items (i) to
7 (vii), inclusive;

8 (ix) regulated futures contracts;

9 (x) commodities (not described in Section
10 1221(a)(1) of the Internal Revenue Code) or
11 futures, forwards, and options with respect to
12 such commodities, provided, however, that any item
13 of a physical commodity to which title is actually
14 acquired in the partnership's capacity as a dealer
15 in such commodity shall not be a qualifying
16 investment security;

17 (xi) derivatives; and

18 (xii) a partnership interest in another
19 partnership that is an investment partnership.

20 (12) Mathematical error. The term "mathematical error"
21 includes the following types of errors, omissions, or
22 defects in a return filed by a taxpayer which prevents
23 acceptance of the return as filed for processing:

24 (A) arithmetic errors or incorrect computations on
25 the return or supporting schedules;

26 (B) entries on the wrong lines;

1 (C) omission of required supporting forms or
2 schedules or the omission of the information in whole
3 or in part called for thereon; and

4 (D) an attempt to claim, exclude, deduct, or
5 improperly report, in a manner directly contrary to the
6 provisions of the Act and regulations thereunder any
7 item of income, exemption, deduction, or credit.

8 (13) Nonbusiness income. The term "nonbusiness income"
9 means all income other than business income or
10 compensation.

11 (14) Nonresident. The term "nonresident" means a
12 person who is not a resident.

13 (15) Paid, incurred and accrued. The terms "paid",
14 "incurred" and "accrued" shall be construed according to
15 the method of accounting upon the basis of which the
16 person's base income is computed under this Act.

17 (16) Partnership and partner. The term "partnership"
18 includes a syndicate, group, pool, joint venture or other
19 unincorporated organization, through or by means of which
20 any business, financial operation, or venture is carried
21 on, and which is not, within the meaning of this Act, a
22 trust or estate or a corporation; and the term "partner"
23 includes a member in such syndicate, group, pool, joint
24 venture or organization.

25 The term "partnership" includes any entity, including
26 a limited liability company formed under the Illinois

1 Limited Liability Company Act, classified as a partnership
2 for federal income tax purposes.

3 The term "partnership" does not include a syndicate,
4 group, pool, joint venture, or other unincorporated
5 organization established for the sole purpose of playing
6 the Illinois State Lottery.

7 (17) Part-year resident. The term "part-year resident"
8 means an individual who became a resident during the
9 taxable year or ceased to be a resident during the taxable
10 year. Under Section 1501(a)(20)(A)(i) residence commences
11 with presence in this State for other than a temporary or
12 transitory purpose and ceases with absence from this State
13 for other than a temporary or transitory purpose. Under
14 Section 1501(a)(20)(A)(ii) residence commences with the
15 establishment of domicile in this State and ceases with the
16 establishment of domicile in another State.

17 (18) Person. The term "person" shall be construed to
18 mean and include an individual, a trust, estate,
19 partnership, association, firm, company, corporation,
20 limited liability company, or fiduciary. For purposes of
21 Section 1301 and 1302 of this Act, a "person" means (i) an
22 individual, (ii) a corporation, (iii) an officer, agent, or
23 employee of a corporation, (iv) a member, agent or employee
24 of a partnership, or (v) a member, manager, employee,
25 officer, director, or agent of a limited liability company
26 who in such capacity commits an offense specified in

1 Section 1301 and 1302.

2 (18A) Records. The term "records" includes all data
3 maintained by the taxpayer, whether on paper, microfilm,
4 microfiche, or any type of machine-sensible data
5 compilation.

6 (19) Regulations. The term "regulations" includes
7 rules promulgated and forms prescribed by the Department.

8 (20) Resident. The term "resident" means:

9 (A) an individual (i) who is in this State for
10 other than a temporary or transitory purpose during the
11 taxable year; or (ii) who is domiciled in this State
12 but is absent from the State for a temporary or
13 transitory purpose during the taxable year;

14 (B) The estate of a decedent who at his or her
15 death was domiciled in this State;

16 (C) A trust created by a will of a decedent who at
17 his death was domiciled in this State; and

18 (D) An irrevocable trust, the grantor of which was
19 domiciled in this State at the time such trust became
20 irrevocable. For purpose of this subparagraph, a trust
21 shall be considered irrevocable to the extent that the
22 grantor is not treated as the owner thereof under
23 Sections 671 through 678 of the Internal Revenue Code.

24 (21) Sales. The term "sales" means all gross receipts
25 of the taxpayer not allocated under Sections 301, 302 and
26 303.

1 (22) State. The term "state" when applied to a
2 jurisdiction other than this State means any state of the
3 United States, the District of Columbia, the Commonwealth
4 of Puerto Rico, any Territory or Possession of the United
5 States, and any foreign country, or any political
6 subdivision of any of the foregoing. For purposes of the
7 foreign tax credit under Section 601, the term "state"
8 means any state of the United States, the District of
9 Columbia, the Commonwealth of Puerto Rico, and any
10 territory or possession of the United States, or any
11 political subdivision of any of the foregoing, effective
12 for tax years ending on or after December 31, 1989.

13 (23) Taxable year. The term "taxable year" means the
14 calendar year, or the fiscal year ending during such
15 calendar year, upon the basis of which the base income is
16 computed under this Act. "Taxable year" means, in the case
17 of a return made for a fractional part of a year under the
18 provisions of this Act, the period for which such return is
19 made.

20 (24) Taxpayer. The term "taxpayer" means any person
21 subject to the tax imposed by this Act.

22 (25) International banking facility. The term
23 international banking facility shall have the same meaning
24 as is set forth in the Illinois Banking Act or as is set
25 forth in the laws of the United States or regulations of
26 the Board of Governors of the Federal Reserve System.

1 (26) Income Tax Return Preparer.

2 (A) The term "income tax return preparer" means any
3 person who prepares for compensation, or who employs
4 one or more persons to prepare for compensation, any
5 return of tax imposed by this Act or any claim for
6 refund of tax imposed by this Act. The preparation of a
7 substantial portion of a return or claim for refund
8 shall be treated as the preparation of that return or
9 claim for refund.

10 (B) A person is not an income tax return preparer
11 if all he or she does is

12 (i) furnish typing, reproducing, or other
13 mechanical assistance;

14 (ii) prepare returns or claims for refunds for
15 the employer by whom he or she is regularly and
16 continuously employed;

17 (iii) prepare as a fiduciary returns or claims
18 for refunds for any person; or

19 (iv) prepare claims for refunds for a taxpayer
20 in response to any notice of deficiency issued to
21 that taxpayer or in response to any waiver of
22 restriction after the commencement of an audit of
23 that taxpayer or of another taxpayer if a
24 determination in the audit of the other taxpayer
25 directly or indirectly affects the tax liability
26 of the taxpayer whose claims he or she is

1 preparing.

2 (27) Unitary business group.

3 (A) The term "unitary business group" means a group
4 of persons related through common ownership whose
5 business activities are integrated with, dependent
6 upon and contribute to each other. The group will not
7 include those members whose business activity outside
8 the United States is 80% or more of any such member's
9 total business activity; for purposes of this
10 paragraph and clause (a)(3)(B)(ii) of Section 304,
11 business activity within the United States shall be
12 measured by means of the factors ordinarily applicable
13 under subsections (a), (b), (c), (d), or (h) of Section
14 304 except that, in the case of members ordinarily
15 required to apportion business income by means of the 3
16 factor formula of property, payroll and sales
17 specified in subsection (a) of Section 304, including
18 the formula as weighted in subsection (h) of Section
19 304, such members shall not use the sales factor in the
20 computation and the results of the property and payroll
21 factor computations of subsection (a) of Section 304
22 shall be divided by 2 (by one if either the property or
23 payroll factor has a denominator of zero). The
24 computation required by the preceding sentence shall,
25 in each case, involve the division of the member's
26 property, payroll, or revenue miles in the United

1 States, insurance premiums on property or risk in the
2 United States, or financial organization business
3 income from sources within the United States, as the
4 case may be, by the respective worldwide figures for
5 such items. Common ownership in the case of
6 corporations is the direct or indirect control or
7 ownership of more than 50% of the outstanding voting
8 stock of the persons carrying on unitary business
9 activity. Unitary business activity can ordinarily be
10 illustrated where the activities of the members are:
11 (1) in the same general line (such as manufacturing,
12 wholesaling, retailing of tangible personal property,
13 insurance, transportation or finance); or (2) are
14 steps in a vertically structured enterprise or process
15 (such as the steps involved in the production of
16 natural resources, which might include exploration,
17 mining, refining, and marketing); and, in either
18 instance, the members are functionally integrated
19 through the exercise of strong centralized management
20 (where, for example, authority over such matters as
21 purchasing, financing, tax compliance, product line,
22 personnel, marketing and capital investment is not
23 left to each member).

24 (B) In no event, for taxable years ending prior to
25 December 31, 2013, shall any unitary business group
26 include members which are ordinarily required to

1 apportion business income under different subsections
2 of Section 304 except that for tax years ending on or
3 after December 31, 1987 this prohibition shall not
4 apply to a holding company that would otherwise be a
5 member of a unitary business group with taxpayers that
6 apportion business income under any of subsections
7 (b), (c), (c-1), or (d) of Section 304. If a unitary
8 business group would, but for the preceding sentence,
9 include members that are ordinarily required to
10 apportion business income under different subsections
11 of Section 304, then for each subsection of Section 304
12 for which there are two or more members, there shall be
13 a separate unitary business group composed of such
14 members. For purposes of the preceding two sentences, a
15 member is "ordinarily required to apportion business
16 income" under a particular subsection of Section 304 if
17 it would be required to use the apportionment method
18 prescribed by such subsection except for the fact that
19 it derives business income solely from Illinois. As
20 used in this paragraph, the phrase "United States"
21 means only the 50 states and the District of Columbia,
22 but does not include any territory or possession of the
23 United States or any area over which the United States
24 has asserted jurisdiction or claimed exclusive rights
25 with respect to the exploration for or exploitation of
26 natural resources.

1 (C) Holding companies.

2 (i) For purposes of this subparagraph, a
3 "holding company" is a corporation (other than a
4 corporation that is a financial organization under
5 paragraph (8) of this subsection (a) of Section
6 1501 because it is a bank holding company under the
7 provisions of the Bank Holding Company Act of 1956
8 (12 U.S.C. 1841, et seq.) or because it is owned by
9 a bank or a bank holding company) that owns a
10 controlling interest in one or more other
11 taxpayers ("controlled taxpayers"); that, during
12 the period that includes the taxable year and the 2
13 immediately preceding taxable years or, if the
14 corporation was formed during the current or
15 immediately preceding taxable year, the taxable
16 years in which the corporation has been in
17 existence, derived substantially all its gross
18 income from dividends, interest, rents, royalties,
19 fees or other charges received from controlled
20 taxpayers for the provision of services, and gains
21 on the sale or other disposition of interests in
22 controlled taxpayers or in property leased or
23 licensed to controlled taxpayers or used by the
24 taxpayer in providing services to controlled
25 taxpayers; and that incurs no substantial expenses
26 other than expenses (including interest and other

1 costs of borrowing) incurred in connection with
2 the acquisition and holding of interests in
3 controlled taxpayers and in the provision of
4 services to controlled taxpayers or in the leasing
5 or licensing of property to controlled taxpayers.

6 (ii) The income of a holding company which is a
7 member of more than one unitary business group
8 shall be included in each unitary business group of
9 which it is a member on a pro rata basis, by
10 including in each unitary business group that
11 portion of the base income of the holding company
12 that bears the same proportion to the total base
13 income of the holding company as the gross receipts
14 of the unitary business group bears to the combined
15 gross receipts of all unitary business groups (in
16 both cases without regard to the holding company)
17 or on any other reasonable basis, consistently
18 applied.

19 (iii) A holding company shall apportion its
20 business income under the subsection of Section
21 304 used by the other members of its unitary
22 business group. The apportionment factors of a
23 holding company which would be a member of more
24 than one unitary business group shall be included
25 with the apportionment factors of each unitary
26 business group of which it is a member on a pro

1 rata basis using the same method used in clause
2 (ii).

3 (iv) The provisions of this subparagraph (C)
4 are intended to clarify existing law.

5 (D) If including the base income and factors of a
6 holding company in more than one unitary business group
7 under subparagraph (C) does not fairly reflect the
8 degree of integration between the holding company and
9 one or more of the unitary business groups, the
10 dependence of the holding company and one or more of
11 the unitary business groups upon each other, or the
12 contributions between the holding company and one or
13 more of the unitary business groups, the holding
14 company may petition the Director, under the
15 procedures provided under Section 304(f), for
16 permission to include all base income and factors of
17 the holding company only with members of a unitary
18 business group apportioning their business income
19 under one subsection of subsections (a), (b), (c), or
20 (d) of Section 304. If the petition is granted, the
21 holding company shall be included in a unitary business
22 group only with persons apportioning their business
23 income under the selected subsection of Section 304
24 until the Director grants a petition of the holding
25 company either to be included in more than one unitary
26 business group under subparagraph (C) or to include its

1 base income and factors only with members of a unitary
2 business group apportioning their business income
3 under a different subsection of Section 304.

4 (E) If the unitary business group members'
5 accounting periods differ, the common parent's
6 accounting period or, if there is no common parent, the
7 accounting period of the member that is expected to
8 have, on a recurring basis, the greatest Illinois
9 income tax liability must be used to determine whether
10 to use the apportionment method provided in subsection
11 (a) or subsection (h) of Section 304. The prohibition
12 against membership in a unitary business group for
13 taxpayers ordinarily required to apportion income
14 under different subsections of Section 304 does not
15 apply to taxpayers required to apportion income under
16 subsection (a) and subsection (h) of Section 304. The
17 provisions of this amendatory Act of 1998 apply to tax
18 years ending on or after December 31, 1998.

19 (28) Subchapter S corporation. The term "Subchapter S
20 corporation" means a corporation for which there is in
21 effect an election under Section 1362 of the Internal
22 Revenue Code, or for which there is a federal election to
23 opt out of the provisions of the Subchapter S Revision Act
24 of 1982 and have applied instead the prior federal
25 Subchapter S rules as in effect on July 1, 1982.

26 (30) Foreign person. The term "foreign person" means

1 any person who is a nonresident alien individual and any
2 nonindividual entity, regardless of where created or
3 organized, whose business activity outside the United
4 States is 80% or more of the entity's total business
5 activity.

6 (b) Other definitions.

7 (1) Words denoting number, gender, and so forth, when
8 used in this Act, where not otherwise distinctly expressed
9 or manifestly incompatible with the intent thereof:

10 (A) Words importing the singular include and apply
11 to several persons, parties or things;

12 (B) Words importing the plural include the
13 singular; and

14 (C) Words importing the masculine gender include
15 the feminine as well.

16 (2) "Company" or "association" as including successors
17 and assigns. The word "company" or "association", when used
18 in reference to a corporation, shall be deemed to embrace
19 the words "successors and assigns of such company or
20 association", and in like manner as if these last-named
21 words, or words of similar import, were expressed.

22 (3) Other terms. Any term used in any Section of this
23 Act with respect to the application of, or in connection
24 with, the provisions of any other Section of this Act shall
25 have the same meaning as in such other Section.

1 (Source: P.A. 96-641, eff. 8-24-09; 97-507, eff. 8-23-11;
2 97-636, eff. 6-1-12.)

3 Section 10. The State Finance Act is amended by adding
4 Sections 5.826 and 6z-98 as follows:

5 (30 ILCS 105/5.826 new)

6 Sec. 5.826. The Bill Payment Trust Fund.

7 (30 ILCS 105/6z-98 new)

8 Sec. 6z-98. Bill Payment Trust Fund; creation. The Bill
9 Payment Trust Fund is created as a special fund in the State
10 Treasury. Moneys in the Fund shall be used to make payments to
11 bona fide creditors of the State who:

12 (1) have submitted a bill or invoice to the State that
13 (A) was properly approved under rules adopted under Section
14 3-3 of the State Prompt Payment Act, and (B) is more than
15 90 days past due; or

16 (2) are entitled to payment from State funds if the
17 State is more than 90 days delinquent in the payment of
18 those funds. For the purposes of this Section, the term
19 "bona fide creditor" includes, but is not limited to,
20 healthcare providers, public and private universities,
21 school districts, units of local government, and State
22 vendors.

23 The Bill Payment Trust Fund is not subject to

1 administrative charges or chargebacks, including, but not
2 limited to, those authorized under Section 8h of the State
3 Finance Act.

4 Section 99. Effective date. This Act takes effect upon
5 becoming law.".