



Sen. Julie A. Morrison

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1 AMENDMENT TO SENATE BILL 344

2 AMENDMENT NO. _____. Amend Senate Bill 344 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Income Tax Act is amended by
5 changing Section 203 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3 withdrawn by the taxpayer in the taxable year from a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 and by deducting from the total so obtained the sum of the
23 following amounts:

24 (E) For taxable years ending before December 31,
25 2001, any amount included in such total in respect of
26 any compensation (including but not limited to any

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

1 state. The provisions of this subparagraph (E) are
2 exempt from the provisions of Section 250;

3 (F) An amount equal to all amounts included in such
4 total pursuant to the provisions of Sections 402(a),
5 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
6 Internal Revenue Code, or included in such total as
7 distributions under the provisions of any retirement
8 or disability plan for employees of any governmental
9 agency or unit, or retirement payments to retired
10 partners, which payments are excluded in computing net
11 earnings from self employment by Section 1402 of the
12 Internal Revenue Code and regulations adopted pursuant
13 thereto;

14 (G) The valuation limitation amount;

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

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

23 (J) An amount equal to those dividends included in
24 such total which were paid by a corporation which
25 conducts business operations in a River Edge
26 Redevelopment Zone or zones created under the River

1 Edge Redevelopment Zone Act, and conducts
2 substantially all of its operations in a River Edge
3 Redevelopment Zone or zones. This subparagraph (J) is
4 exempt from the provisions of Section 250;

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

14 (L) For taxable years ending after December 31,
15 1983, an amount equal to all social security benefits
16 and railroad retirement benefits included in such
17 total pursuant to Sections 72(r) and 86 of the Internal
18 Revenue Code;

19 (M) With the exception of any amounts subtracted
20 under subparagraph (N), an amount equal to the sum of
21 all amounts disallowed as deductions by (i) Sections
22 171(a) (2), and 265(2) of the Internal Revenue Code,
23 and all amounts of expenses allocable to interest and
24 disallowed as deductions by Section 265(1) of the
25 Internal Revenue Code; and (ii) for taxable years
26 ending on or after August 13, 1999, Sections 171(a) (2),

1 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue
2 Code, plus, for taxable years ending on or after
3 December 31, 2011, Section 45G(e)(3) of the Internal
4 Revenue Code and, for taxable years ending on or after
5 December 31, 2008, any amount included in gross income
6 under Section 87 of the Internal Revenue Code; the
7 provisions of this subparagraph are exempt from the
8 provisions of Section 250;

9 (N) 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 (O) An amount equal to any contribution made to a
19 job training project established pursuant to the Tax
20 Increment Allocation Redevelopment Act;

21 (P) An amount equal to the amount of the deduction
22 used to compute the federal income tax credit for
23 restoration of substantial amounts held under claim of
24 right for the taxable year pursuant to Section 1341 of
25 the Internal Revenue Code or of any itemized deduction
26 taken from adjusted gross income in the computation of

1 taxable income for restoration of substantial amounts
2 held under claim of right for the taxable year;

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

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

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

18 (T) An amount, to the extent included in adjusted
19 gross income, equal to the amount of interest earned in
20 the taxable year on a medical care savings account
21 established under the Medical Care Savings Account Act
22 or the Medical Care Savings Account Act of 2000 on
23 behalf of the taxpayer, other than interest added
24 pursuant to item (D-5) of this paragraph (2);

25 (U) For one taxable year beginning on or after
26 January 1, 1994, an amount equal to the total amount of

1 tax imposed and paid under subsections (a) and (b) of
2 Section 201 of this Act on grant amounts received by
3 the taxpayer under the Nursing Home Grant Assistance
4 Act during the taxpayer's taxable years 1992 and 1993;

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

1 long-term care insurance premiums paid by the taxpayer
2 times a number that represents the fractional
3 percentage of eligible medical expenses under Section
4 213 of the Internal Revenue Code of 1986 not actually
5 deducted on the taxpayer's federal income tax return;

6 (W) For taxable years beginning on or after January
7 1, 1998, all amounts included in the taxpayer's federal
8 gross income in the taxable year from amounts converted
9 from a regular IRA to a Roth IRA. This paragraph is
10 exempt from the provisions of Section 250;

11 (X) For taxable year 1999 and thereafter, an amount
12 equal to the amount of any (i) distributions, to the
13 extent includible in gross income for federal income
14 tax purposes, made to the taxpayer because of his or
15 her status as a victim of persecution for racial or
16 religious reasons by Nazi Germany or any other Axis
17 regime or as an heir of the victim and (ii) items of
18 income, to the extent includible in gross income for
19 federal income tax purposes, attributable to, derived
20 from or in any way related to assets stolen from,
21 hidden from, or otherwise lost to a victim of
22 persecution for racial or religious reasons by Nazi
23 Germany or any other Axis regime immediately prior to,
24 during, and immediately after World War II, including,
25 but not limited to, interest on the proceeds receivable
26 as insurance under policies issued to a victim of

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

18 (Y) For taxable years beginning on or after January
19 1, 2002 and ending on or before December 31, 2004,
20 moneys contributed in the taxable year to a College
21 Savings Pool account under Section 16.5 of the State
22 Treasurer Act, except that amounts excluded from gross
23 income under Section 529(c)(3)(C)(i) of the Internal
24 Revenue Code shall not be considered moneys
25 contributed under this subparagraph (Y). For taxable
26 years beginning on or after January 1, 2005, a maximum

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

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

19 (1) "y" equals the amount of the depreciation
20 deduction taken for the taxable year on the
21 taxpayer's federal income tax return on property
22 for which the bonus depreciation deduction was
23 taken in any year under subsection (k) of Section
24 168 of the Internal Revenue Code, but not including
25 the bonus depreciation deduction;

26 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30
2 and then divided by 70 (or "y" multiplied by
3 0.429); and

4 (3) for taxable years ending after December
5 31, 2005:

6 (i) for property on which a bonus
7 depreciation deduction of 30% of the adjusted
8 basis was taken, "x" equals "y" multiplied by
9 30 and then divided by 70 (or "y" multiplied by
10 0.429); and

11 (ii) for property on which a bonus
12 depreciation deduction of 50% of the adjusted
13 basis was taken, "x" equals "y" multiplied by
14 1.0.

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

23 (AA) If the taxpayer sells, transfers, abandons,
24 or otherwise disposes of property for which the
25 taxpayer was required in any taxable year to make an
26 addition modification under subparagraph (D-15), then

1 an amount equal to that addition modification.

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

9 The taxpayer is allowed to take the deduction under
10 this subparagraph only once with respect to any one
11 piece of property.

12 This subparagraph (AA) is exempt from the
13 provisions of Section 250;

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

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

1 year with respect to a transaction with a taxpayer that
2 is required to make an addition modification with
3 respect to such transaction under Section
4 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
5 203(d)(2)(D-8), but not to exceed the amount of that
6 addition modification. This subparagraph (CC) is
7 exempt from the provisions of Section 250;

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

1 is exempt from the provisions of Section 250;

2 (EE) An amount equal to the income from intangible
3 property taken into account for the taxable year (net
4 of the deductions allocable thereto) with respect to
5 transactions with (i) a foreign person who would be a
6 member of the taxpayer's unitary business group but for
7 the fact that the foreign person's business activity
8 outside the United States is 80% or more of that
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, but not to exceed the
17 addition modification required to be made for the same
18 taxable year under Section 203(a)(2)(D-18) for
19 intangible expenses and costs paid, accrued, or
20 incurred, directly or indirectly, to the same foreign
21 person. This subparagraph (EE) is exempt from the
22 provisions of Section 250;

23 (FF) An amount equal to any amount awarded to the
24 taxpayer during the taxable year by the Court of Claims
25 under subsection (c) of Section 8 of the Court of
26 Claims Act for time unjustly served in a State prison.

1 This subparagraph (FF) is exempt from the provisions of
2 Section 250; ~~and~~

3 (GG) For taxable years ending on or after December
4 31, 2011, in the case of a taxpayer who was required to
5 add back any insurance premiums under Section
6 203(a)(2)(D-19), such taxpayer may elect to subtract
7 that part of a reimbursement received from the
8 insurance company equal to the amount of the expense or
9 loss (including expenses incurred by the insurance
10 company) that would have been taken into account as a
11 deduction for federal income tax purposes if the
12 expense or loss had been uninsured. If a taxpayer makes
13 the election provided for by this subparagraph (GG),
14 the insurer to which the premiums were paid must add
15 back to income the amount subtracted by the taxpayer
16 pursuant to this subparagraph (GG). This subparagraph
17 (GG) is exempt from the provisions of Section 250; and

18 -

19 (HH) For taxable years beginning on or after
20 January 1, 2014 and beginning prior to January 1, 2015,
21 an amount, to the extent included in the taxpayer's
22 adjusted gross income, equal to the value of any medal
23 awarded in, or any prize money received from the United
24 States Olympic Committee on account of, competition in
25 the Olympic Games.

1 (b) Corporations.

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

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

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

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

16 (C) In the case of a regulated investment company,
17 an amount equal to the excess of (i) the net long-term
18 capital gain for the taxable year, over (ii) the amount
19 of the capital gain dividends designated as such in
20 accordance with Section 852(b)(3)(C) of the Internal
21 Revenue Code and any amount designated under Section
22 852(b)(3)(D) of the Internal Revenue Code,
23 attributable to the taxable year (this amendatory Act
24 of 1995 (Public Act 89-89) is declarative of existing
25 law and is not a new enactment);

26 (D) The amount of any net operating loss deduction

1 taken in arriving at taxable income, other than a net
2 operating loss carried forward from a taxable year
3 ending prior to December 31, 1986;

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

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

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

1 For taxable years in which there is a net operating
2 loss carryback or carryforward from more than one other
3 taxable year ending prior to December 31, 1986, the
4 addition modification provided in this subparagraph
5 (E) shall be the sum of the amounts computed
6 independently under the preceding provisions of this
7 subparagraph (E) for each such taxable year;

8 (E-5) For taxable years ending after December 31,
9 1997, an amount equal to any eligible remediation costs
10 that the corporation deducted in computing adjusted
11 gross income and for which the corporation claims a
12 credit under subsection (l) of Section 201;

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

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

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

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

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

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

1 the unitary group for the same taxable year and
2 received by the taxpayer or by a member of the
3 taxpayer's unitary business group (including amounts
4 included in gross income pursuant to Sections 951
5 through 964 of the Internal Revenue Code and amounts
6 included in gross income under Section 78 of the
7 Internal Revenue Code) with respect to the stock of the
8 same person to whom the interest was paid, accrued, or
9 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 (E-13) 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 pursuant to Sections 951 through 964 of the
25 Internal Revenue Code and amounts included in gross
26 income under Section 78 of the Internal Revenue Code)

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

10 (E-15) For taxable years beginning after December
11 31, 2008, any deduction for dividends paid by a captive
12 real estate investment trust that is allowed to a real
13 estate investment trust under Section 857(b) (2) (B) of
14 the Internal Revenue Code for dividends paid;

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

19 and by deducting from the total so obtained the sum of the
20 following amounts:

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

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

26 (H) In the case of a regulated investment company,

1 an amount equal to the amount of exempt interest
2 dividends as defined in subsection (b) (5) of Section
3 852 of the Internal Revenue Code, paid to shareholders
4 for the taxable year;

5 (I) With the exception of any amounts subtracted
6 under subparagraph (J), an amount equal to the sum of
7 all amounts disallowed as deductions by (i) Sections
8 171(a) (2), and 265(a)(2) and amounts disallowed as
9 interest expense by Section 291(a)(3) of the Internal
10 Revenue Code, and all amounts of expenses allocable to
11 interest and disallowed as deductions by Section
12 265(a)(1) of the Internal Revenue Code; and (ii) for
13 taxable years ending on or after August 13, 1999,
14 Sections 171(a)(2), 265, 280C, 291(a)(3), and
15 832(b)(5)(B)(i) of the Internal Revenue Code, plus,
16 for tax years ending on or after December 31, 2011,
17 amounts disallowed as deductions by Section 45G(e)(3)
18 of the Internal Revenue Code and, for taxable years
19 ending on or after December 31, 2008, any amount
20 included in gross income under Section 87 of the
21 Internal Revenue Code and the policyholders' share of
22 tax-exempt interest of a life insurance company under
23 Section 807(a)(2)(B) of the Internal Revenue Code (in
24 the case of a life insurance company with gross income
25 from a decrease in reserves for the tax year) or
26 Section 807(b)(1)(B) of the Internal Revenue Code (in

1 the case of a life insurance company allowed a
2 deduction for an increase in reserves for the tax
3 year); the provisions of this subparagraph are exempt
4 from the provisions of Section 250;

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

14 (K) 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 (K) is exempt from the
21 provisions of Section 250;

22 (L) An amount equal to those dividends included in
23 such total that were paid by a corporation that
24 conducts business operations in a federally designated
25 Foreign Trade Zone or Sub-Zone and that is designated a
26 High Impact Business located in Illinois; provided

1 that dividends eligible for the deduction provided in
2 subparagraph (K) of paragraph 2 of this subsection
3 shall not be eligible for the deduction provided under
4 this subparagraph (L);

5 (M) 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 River Edge
11 Redevelopment Zone Investment Credit. To determine the
12 portion of a loan or loans that is secured by property
13 eligible for a Section 201(f) investment credit to the
14 borrower, the entire principal amount of the loan or
15 loans between the taxpayer and the borrower should be
16 divided into the basis of the Section 201(f) investment
17 credit property which secures the loan or loans, using
18 for this purpose the original basis of such property on
19 the date that it was placed in service in the River
20 Edge Redevelopment Zone. The subtraction modification
21 available to taxpayer in any year under this subsection
22 shall be that portion of the total interest paid by the
23 borrower with respect to such loan attributable to the
24 eligible property as calculated under the previous
25 sentence. This subparagraph (M) is exempt from the
26 provisions of Section 250;

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

26 (N) Two times any contribution made during the

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

11 (O) An amount equal to: (i) 85% for taxable years
12 ending on or before December 31, 1992, or, a percentage
13 equal to the percentage allowable under Section
14 243(a)(1) of the Internal Revenue Code of 1986 for
15 taxable years ending after December 31, 1992, of the
16 amount by which dividends included in taxable income
17 and received from a corporation that is not created or
18 organized under the laws of the United States or any
19 state or political subdivision thereof, including, for
20 taxable years ending on or after December 31, 1988,
21 dividends received or deemed received or paid or deemed
22 paid under Sections 951 through 965 of the Internal
23 Revenue Code, exceed the amount of the modification
24 provided under subparagraph (G) of paragraph (2) of
25 this subsection (b) which is related to such dividends,
26 and including, for taxable years ending on or after

1 December 31, 2008, dividends received from a captive
2 real estate investment trust; plus (ii) 100% of the
3 amount by which dividends, included in taxable income
4 and received, including, for taxable years ending on or
5 after December 31, 1988, dividends received or deemed
6 received or paid or deemed paid under Sections 951
7 through 964 of the Internal Revenue Code and including,
8 for taxable years ending on or after December 31, 2008,
9 dividends received from a captive real estate
10 investment trust, from any such corporation specified
11 in clause (i) that would but for the provisions of
12 Section 1504 (b) (3) of the Internal Revenue Code be
13 treated as a member of the affiliated group which
14 includes the dividend recipient, exceed the amount of
15 the modification provided under subparagraph (G) of
16 paragraph (2) of this subsection (b) which is related
17 to such dividends. This subparagraph (O) is exempt from
18 the provisions of Section 250 of this Act;

19 (P) An amount equal to any contribution made to a
20 job training project established pursuant to the Tax
21 Increment Allocation Redevelopment Act;

22 (Q) An amount equal to the amount of the deduction
23 used to compute the federal income tax credit for
24 restoration of substantial amounts held under claim of
25 right for the taxable year pursuant to Section 1341 of
26 the Internal Revenue Code;

1 (R) On and after July 20, 1999, in the case of an
2 attorney-in-fact with respect to whom an interinsurer
3 or a reciprocal insurer has made the election under
4 Section 835 of the Internal Revenue Code, 26 U.S.C.
5 835, an amount equal to the excess, if any, of the
6 amounts paid or incurred by that interinsurer or
7 reciprocal insurer in the taxable year to the
8 attorney-in-fact over the deduction allowed to that
9 interinsurer or reciprocal insurer with respect to the
10 attorney-in-fact under Section 835(b) of the Internal
11 Revenue Code for the taxable year; the provisions of
12 this subparagraph are exempt from the provisions of
13 Section 250;

14 (S) For taxable years ending on or after December
15 31, 1997, in the case of a Subchapter S corporation, an
16 amount equal to all amounts of income allocable to a
17 shareholder subject to the Personal Property Tax
18 Replacement Income Tax imposed by subsections (c) and
19 (d) of Section 201 of this Act, including amounts
20 allocable to organizations exempt from federal income
21 tax by reason of Section 501(a) of the Internal Revenue
22 Code. This subparagraph (S) is exempt from the
23 provisions of Section 250;

24 (T) For taxable years 2001 and thereafter, for the
25 taxable year in which the bonus depreciation deduction
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal
2 Revenue Code and for each applicable taxable year
3 thereafter, an amount equal to "x", where:

4 (1) "y" equals the amount of the depreciation
5 deduction taken for the taxable year on the
6 taxpayer's federal income tax return on property
7 for which the bonus depreciation deduction was
8 taken in any year under subsection (k) of Section
9 168 of the Internal Revenue Code, but not including
10 the bonus depreciation deduction;

11 (2) for taxable years ending on or before
12 December 31, 2005, "x" equals "y" multiplied by 30
13 and then divided by 70 (or "y" multiplied by
14 0.429); and

15 (3) for taxable years ending after December
16 31, 2005:

17 (i) for property on which a bonus
18 depreciation deduction of 30% of the adjusted
19 basis was taken, "x" equals "y" multiplied by
20 30 and then divided by 70 (or "y" multiplied by
21 0.429); and

22 (ii) for property on which a bonus
23 depreciation deduction of 50% of the adjusted
24 basis was taken, "x" equals "y" multiplied by
25 1.0.

26 The aggregate amount deducted under this

1 subparagraph in all taxable years for any one piece of
2 property may not exceed the amount of the bonus
3 depreciation deduction taken on that property on the
4 taxpayer's federal income tax return under subsection
5 (k) of Section 168 of the Internal Revenue Code. This
6 subparagraph (T) is exempt from the provisions of
7 Section 250;

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

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

20 The taxpayer is allowed to take the deduction under
21 this subparagraph only once with respect to any one
22 piece of property.

23 This subparagraph (U) is exempt from the
24 provisions of Section 250;

25 (V) The amount of: (i) any interest income (net of
26 the deductions allocable thereto) taken into account

1 for the taxable year with respect to a transaction with
2 a taxpayer that is required to make an addition
3 modification with respect to such transaction under
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
6 the amount of such addition modification, (ii) any
7 income from intangible property (net of the deductions
8 allocable thereto) taken into account for the taxable
9 year with respect to a transaction with a taxpayer that
10 is required to make an addition modification with
11 respect to such transaction under Section
12 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
13 203(d)(2)(D-8), but not to exceed the amount of such
14 addition modification, and (iii) any insurance premium
15 income (net of deductions allocable thereto) taken
16 into account for the taxable year with respect to a
17 transaction with a taxpayer that is required to make an
18 addition modification with respect to such transaction
19 under Section 203(a)(2)(D-19), Section
20 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
21 203(d)(2)(D-9), but not to exceed the amount of that
22 addition modification. This subparagraph (V) is exempt
23 from the provisions of Section 250;

24 (W) An amount equal to the interest income taken
25 into account for the taxable year (net of the
26 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-12) for
15 interest paid, accrued, or incurred, directly or
16 indirectly, to the same person. This subparagraph (W)
17 is exempt from the provisions of Section 250;

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

1 who would be a member of the same unitary business
2 group but for the fact that the person is prohibited
3 under Section 1501(a)(27) from being included in the
4 unitary business group because he or she is ordinarily
5 required to apportion business income under different
6 subsections of Section 304, but not to exceed the
7 addition modification required to be made for the same
8 taxable year under Section 203(b)(2)(E-13) for
9 intangible expenses and costs paid, accrued, or
10 incurred, directly or indirectly, to the same foreign
11 person. This subparagraph (X) is exempt from the
12 provisions of Section 250;

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(b)(2)(E-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; and

2 (Z) The difference between the nondeductible
3 controlled foreign corporation dividends under Section
4 965(e) (3) of the Internal Revenue Code over the taxable
5 income of the taxpayer, computed without regard to
6 Section 965(e) (2) (A) of the Internal Revenue Code, and
7 without regard to any net operating loss deduction.
8 This subparagraph (Z) is exempt from the provisions of
9 Section 250.

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

18 (c) Trusts and estates.

19 (1) In general. In the case of a trust or estate, base
20 income means an amount equal to the taxpayer's taxable
21 income for the taxable year as modified by paragraph (2).

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

1 (A) An amount equal to all amounts paid or accrued
2 to the taxpayer as interest or dividends during the
3 taxable year to the extent excluded from gross income
4 in the computation of taxable income;

5 (B) In the case of (i) an estate, \$600; (ii) a
6 trust which, under its governing instrument, is
7 required to distribute all of its income currently,
8 \$300; and (iii) any other trust, \$100, but in each such
9 case, only to the extent such amount was deducted in
10 the computation of taxable income;

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

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

18 (E) For taxable years in which a net operating loss
19 carryback or carryforward from a taxable year ending
20 prior to December 31, 1986 is an element of taxable
21 income under paragraph (1) of subsection (e) or
22 subparagraph (E) of paragraph (2) of subsection (e),
23 the amount by which addition modifications other than
24 those provided by this subparagraph (E) exceeded
25 subtraction modifications in such taxable year, with
26 the following limitations applied in the order that

1 they are listed:

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

10 (ii) 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 not exceed the amount of
14 such carryback or carryforward;

15 For taxable years in which there is a net operating
16 loss carryback or carryforward from more than one other
17 taxable year ending prior to December 31, 1986, the
18 addition modification provided in this subparagraph
19 (E) shall be the sum of the amounts computed
20 independently under the preceding provisions of this
21 subparagraph (E) for each such taxable year;

22 (F) For taxable years ending on or after January 1,
23 1989, an amount equal to the tax deducted pursuant to
24 Section 164 of the Internal Revenue Code if the trust
25 or estate is claiming the same tax for purposes of the
26 Illinois foreign tax credit under Section 601 of this

1 Act;

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

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

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

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

23 If the taxpayer continues to own property through
24 the last day of the last tax year for which the
25 taxpayer may claim a depreciation deduction for
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction
2 modification under subparagraph (R), then an amount
3 equal to that subtraction modification.

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

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

1 taxpayer's unitary business group (including amounts
2 included in gross income pursuant to Sections 951
3 through 964 of the Internal Revenue Code and amounts
4 included in gross income under Section 78 of the
5 Internal Revenue Code) with respect to the stock of the
6 same person to whom the interest was paid, accrued, or
7 incurred.

8 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the
24 interest expense between the taxpayer and the
25 person did not have as a principal purpose the
26 avoidance of Illinois income tax, and is paid

1 pursuant to a contract or agreement that
2 reflects an arm's-length interest rate and
3 terms; or

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

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

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

26 (G-13) An amount equal to the amount of intangible

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment

1 otherwise allowed under Section 404 of this Act for
2 any tax year beginning after the effective date of
3 this amendment provided such adjustment is made
4 pursuant to regulation adopted by the Department
5 and such regulations provide methods and standards
6 by which the Department will utilize its authority
7 under Section 404 of this Act;

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

1 of the Internal Revenue Code) with respect to the stock
2 of the same person to whom the premiums and costs were
3 directly or indirectly paid, incurred, or accrued. The
4 preceding sentence does not apply to the extent that
5 the same dividends caused a reduction to the addition
6 modification required under Section 203(c) (2) (G-12) or
7 Section 203(c) (2) (G-13) of this Act;

8 (G-15) An amount equal to the credit allowable to
9 the taxpayer under Section 218(a) of this Act,
10 determined without regard to Section 218(c) of this
11 Act;

12 and by deducting from the total so obtained the sum of the
13 following amounts:

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

25 (I) The valuation limitation amount;

26 (J) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the taxpayer
2 and included in such total for the taxable year;

3 (K) An amount equal to all amounts included in
4 taxable income as modified by subparagraphs (A), (B),
5 (C), (D), (E), (F) and (G) which are exempt from
6 taxation by this State either by reason of its statutes
7 or Constitution or by reason of the Constitution,
8 treaties or statutes of the United States; provided
9 that, in the case of any statute of this State that
10 exempts income derived from bonds or other obligations
11 from the tax imposed under this Act, the amount
12 exempted shall be the interest net of bond premium
13 amortization;

14 (L) With the exception of any amounts subtracted
15 under subparagraph (K), an amount equal to the sum of
16 all amounts disallowed as deductions by (i) Sections
17 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
18 and all amounts of expenses allocable to interest and
19 disallowed as deductions by Section 265(1) of the
20 Internal Revenue Code; and (ii) for taxable years
21 ending on or after August 13, 1999, Sections 171(a) (2),
22 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue
23 Code, plus, (iii) for taxable years ending on or after
24 December 31, 2011, Section 45G(e) (3) of the Internal
25 Revenue Code and, for taxable years ending on or after
26 December 31, 2008, any amount included in gross income

1 under Section 87 of the Internal Revenue Code; the
2 provisions of this subparagraph are exempt from the
3 provisions of Section 250;

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

12 (N) An amount equal to any contribution made to a
13 job training project established pursuant to the Tax
14 Increment Allocation Redevelopment Act;

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

24 (P) An amount equal to the amount of the deduction
25 used to compute the federal income tax credit for
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of
2 the Internal Revenue Code;

3 (Q) For taxable year 1999 and thereafter, an amount
4 equal to the amount of any (i) distributions, to the
5 extent includible in gross income for federal income
6 tax purposes, made to the taxpayer because of his or
7 her status as a victim of persecution for racial or
8 religious reasons by Nazi Germany or any other Axis
9 regime or as an heir of the victim and (ii) items of
10 income, to the extent includible in gross income for
11 federal income tax purposes, attributable to, derived
12 from or in any way related to assets stolen from,
13 hidden from, or otherwise lost to a victim of
14 persecution for racial or religious reasons by Nazi
15 Germany or any other Axis regime immediately prior to,
16 during, and immediately after World War II, including,
17 but not limited to, interest on the proceeds receivable
18 as insurance under policies issued to a victim of
19 persecution for racial or religious reasons by Nazi
20 Germany or any other Axis regime by European insurance
21 companies immediately prior to and during World War II;
22 provided, however, this subtraction from federal
23 adjusted gross income does not apply to assets acquired
24 with such assets or with the proceeds from the sale of
25 such assets; provided, further, this paragraph shall
26 only apply to a taxpayer who was the first recipient of

1 such assets after their recovery and who is a victim of
2 persecution for racial or religious reasons by Nazi
3 Germany or any other Axis regime or as an heir of the
4 victim. The amount of and the eligibility for any
5 public assistance, benefit, or similar entitlement is
6 not affected by the inclusion of items (i) and (ii) of
7 this paragraph in gross income for federal income tax
8 purposes. This paragraph is exempt from the provisions
9 of Section 250;

10 (R) For taxable years 2001 and thereafter, for the
11 taxable year in which the bonus depreciation deduction
12 is taken on the taxpayer's federal income tax return
13 under subsection (k) of Section 168 of the Internal
14 Revenue Code and for each applicable taxable year
15 thereafter, an amount equal to "x", where:

16 (1) "y" equals the amount of the depreciation
17 deduction taken for the taxable year on the
18 taxpayer's federal income tax return on property
19 for which the bonus depreciation deduction was
20 taken in any year under subsection (k) of Section
21 168 of the Internal Revenue Code, but not including
22 the bonus depreciation deduction;

23 (2) for taxable years ending on or before
24 December 31, 2005, "x" equals "y" multiplied by 30
25 and then divided by 70 (or "y" multiplied by
26 0.429); and

1 (3) for taxable years ending after December
2 31, 2005:

3 (i) for property on which a bonus
4 depreciation deduction of 30% of the adjusted
5 basis was taken, "x" equals "y" multiplied by
6 30 and then divided by 70 (or "y" multiplied by
7 0.429); and

8 (ii) for property on which a bonus
9 depreciation deduction of 50% of the adjusted
10 basis was taken, "x" equals "y" multiplied by
11 1.0.

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

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

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for
2 federal income tax purposes and for which the taxpayer
3 was required in any taxable year to make an addition
4 modification under subparagraph (G-10), then an amount
5 equal to that addition modification.

6 The taxpayer is allowed to take the deduction under
7 this subparagraph only once with respect to any one
8 piece of property.

9 This subparagraph (S) is exempt from the
10 provisions of Section 250;

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

1 from the provisions of Section 250;

2 (U) An amount equal to the interest income taken
3 into account for the taxable year (net of the
4 deductions allocable thereto) with respect to
5 transactions with (i) a foreign person who would be a
6 member of the taxpayer's unitary business group but for
7 the fact the foreign person's business activity
8 outside the United States is 80% or more of that
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, but not to exceed the
17 addition modification required to be made for the same
18 taxable year under Section 203(c)(2)(G-12) for
19 interest paid, accrued, or incurred, directly or
20 indirectly, to the same person. This subparagraph (U)
21 is exempt from the provisions of Section 250;

22 (V) An amount equal to the income from intangible
23 property taken into account for the taxable year (net
24 of the deductions allocable thereto) with respect to
25 transactions with (i) a foreign person who would be a
26 member of the taxpayer's unitary business group but for

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

17 (W) in the case of an estate, an amount equal to
18 all amounts included in such total pursuant to the
19 provisions of Section 111 of the Internal Revenue Code
20 as a recovery of items previously deducted by the
21 decedent from adjusted gross income in the computation
22 of taxable income. This subparagraph (W) is exempt from
23 Section 250;

24 (X) an amount equal to the refund included in such
25 total of any tax deducted for federal income tax
26 purposes, to the extent that deduction was added back

1 under subparagraph (F). This subparagraph (X) is
2 exempt from the provisions of Section 250; and

3 (Y) For taxable years ending on or after December
4 31, 2011, in the case of a taxpayer who was required to
5 add back any insurance premiums under Section
6 203(c)(2)(G-14), such taxpayer may elect to subtract
7 that part of a reimbursement received from the
8 insurance company equal to the amount of the expense or
9 loss (including expenses incurred by the insurance
10 company) that would have been taken into account as a
11 deduction for federal income tax purposes if the
12 expense or loss had been uninsured. If a taxpayer makes
13 the election provided for by this subparagraph (Y), the
14 insurer to which the premiums were paid must add back
15 to income the amount subtracted by the taxpayer
16 pursuant to this subparagraph (Y). This subparagraph
17 (Y) is exempt from the provisions of Section 250.

18 (3) Limitation. The amount of any modification
19 otherwise required under this subsection shall, under
20 regulations prescribed by the Department, be adjusted by
21 any amounts included therein which were properly paid,
22 credited, or required to be distributed, or permanently set
23 aside for charitable purposes pursuant to Internal Revenue
24 Code Section 642(c) during the taxable year.

25 (d) Partnerships.

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

4 (2) Modifications. The taxable income referred to in
5 paragraph (1) shall be modified by adding thereto the sum
6 of the 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) An amount equal to the amount of tax imposed by
12 this Act to the extent deducted from gross income for
13 the taxable year;

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

17 (D) An amount equal to the amount of the capital
18 gain deduction allowable under the Internal Revenue
19 Code, to the extent deducted from gross income in the
20 computation of taxable income;

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

26 (D-6) If the taxpayer sells, transfers, abandons,

1 or otherwise disposes of property for which the
2 taxpayer was required in any taxable year to make an
3 addition modification under subparagraph (D-5), then
4 an amount equal to the aggregate amount of the
5 deductions taken in all taxable years under
6 subparagraph (O) with respect to that property.

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

14 The taxpayer is required to make the addition
15 modification under this subparagraph only once with
16 respect to any one piece of property;

17 (D-7) An amount equal to the amount otherwise
18 allowed as a deduction in computing base income for
19 interest paid, accrued, or incurred, directly or
20 indirectly, (i) for taxable years ending on or after
21 December 31, 2004, to a foreign person who would be a
22 member of the same unitary business group but for the
23 fact the foreign person's business activity outside
24 the United States is 80% or more of the foreign
25 person's total business activity and (ii) for taxable
26 years ending on or after December 31, 2008, to a person

1 who would be a member of the same unitary business
2 group but for the fact that the person is prohibited
3 under Section 1501(a)(27) from being included in the
4 unitary business group because he or she is ordinarily
5 required to apportion business income under different
6 subsections of Section 304. The addition modification
7 required by this subparagraph shall be reduced to the
8 extent that dividends were included in base income of
9 the unitary group for the same taxable year and
10 received by the taxpayer or by a member of the
11 taxpayer's unitary business group (including amounts
12 included in gross income pursuant to Sections 951
13 through 964 of the Internal Revenue Code and amounts
14 included in gross income under Section 78 of the
15 Internal Revenue Code) with respect to the stock of the
16 same person to whom the interest was paid, accrued, or
17 incurred.

18 This paragraph shall not apply to the following:

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

25 (ii) an item of interest paid, accrued, or
26 incurred, directly or indirectly, to a person if

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

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

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

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

20 (iv) an item of interest paid, accrued, or
21 incurred, directly or indirectly, to a person if
22 the taxpayer establishes by clear and convincing
23 evidence that the adjustments are unreasonable; or
24 if the taxpayer and the Director agree in writing
25 to the application or use of an alternative method
26 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; and

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

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

1 marks, copyrights, mask works, trade secrets, and
2 similar types of intangible assets;

3 This paragraph shall not apply to the following:

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

11 (ii) any item of intangible expense or cost
12 paid, accrued, or incurred, directly or
13 indirectly, if the taxpayer can establish, based
14 on a preponderance of the evidence, both of the
15 following:

16 (a) the person during the same taxable
17 year paid, accrued, or incurred, the
18 intangible expense or cost to a person that is
19 not a related member, and

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

1 (iii) any item of intangible expense or cost
2 paid, accrued, or incurred, directly or
3 indirectly, from a transaction with a person if the
4 taxpayer establishes by clear and convincing
5 evidence, that the adjustments are unreasonable;
6 or if the taxpayer and the Director agree in
7 writing to the application or use of an alternative
8 method of apportionment under Section 304(f);

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

18 (D-9) For taxable years ending on or after December
19 31, 2008, an amount equal to the amount of insurance
20 premium expenses and costs otherwise allowed as a
21 deduction in computing base income, and that were paid,
22 accrued, or incurred, directly or indirectly, to a
23 person who would be a member of the same unitary
24 business group but for the fact that the person is
25 prohibited under Section 1501(a)(27) from being
26 included in the unitary business group because he or

1 she is ordinarily required to apportion business
2 income under different subsections of Section 304. The
3 addition modification required by this subparagraph
4 shall be reduced to the extent that dividends were
5 included in base income of the unitary group for the
6 same taxable year and received by the taxpayer or by a
7 member of the taxpayer's unitary business group
8 (including amounts included in gross income under
9 Sections 951 through 964 of the Internal Revenue Code
10 and amounts included in gross income under Section 78
11 of the Internal Revenue Code) with respect to the stock
12 of the same person to whom the premiums and costs were
13 directly or indirectly paid, incurred, or accrued. The
14 preceding sentence does not apply to the extent that
15 the same dividends caused a reduction to the addition
16 modification required under Section 203(d)(2)(D-7) or
17 Section 203(d)(2)(D-8) of this Act;

18 (D-10) 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 and by deducting from the total so obtained the following
23 amounts:

24 (E) The valuation limitation amount;

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 all amounts included in
3 taxable income as modified by subparagraphs (A), (B),
4 (C) and (D) which are exempt from taxation by this
5 State either by reason of its statutes or Constitution
6 or by reason of the Constitution, treaties or statutes
7 of the United States; provided that, in the case of any
8 statute of this State that exempts income derived from
9 bonds or other obligations from the tax imposed under
10 this Act, the amount exempted shall be the interest net
11 of bond premium amortization;

12 (H) Any income of the partnership which
13 constitutes personal service income as defined in
14 Section 1348 (b) (1) of the Internal Revenue Code (as
15 in effect December 31, 1981) or a reasonable allowance
16 for compensation paid or accrued for services rendered
17 by partners to the partnership, whichever is greater;
18 this subparagraph (H) is exempt from the provisions of
19 Section 250;

20 (I) An amount equal to all amounts of income
21 distributable to an entity subject to the Personal
22 Property Tax Replacement Income Tax imposed by
23 subsections (c) and (d) of Section 201 of this Act
24 including amounts distributable to organizations
25 exempt from federal income tax by reason of Section
26 501(a) of the Internal Revenue Code; this subparagraph

1 (I) is exempt from the provisions of Section 250;

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

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 from 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 any contribution made to a

1 job training project established pursuant to the Real
2 Property Tax Increment Allocation Redevelopment Act;

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

12 (N) An amount equal to the amount of the deduction
13 used to compute the federal income tax credit for
14 restoration of substantial amounts held under claim of
15 right for the taxable year pursuant to Section 1341 of
16 the Internal Revenue Code;

17 (O) 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 (O) is exempt from the provisions of
26 Section 250;

1 (P) If the taxpayer sells, transfers, abandons, or
2 otherwise disposes of property for which the taxpayer
3 was required in any taxable year to make an addition
4 modification under subparagraph (D-5), then an amount
5 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-5), 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 (P) is exempt from the
17 provisions of Section 250;

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

1 allocable thereto) taken into account for the taxable
2 year with respect to a transaction with a taxpayer that
3 is required to make an addition modification with
4 respect to such transaction under Section
5 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
6 203(d)(2)(D-8), but not to exceed the amount of such
7 addition modification. This subparagraph (Q) is exempt
8 from Section 250;

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

1 the same person. This subparagraph (R) is exempt from
2 Section 250;

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

23 (T) For taxable years ending on or after December
24 31, 2011, in the case of a taxpayer who was required to
25 add back any insurance premiums under Section
26 203(d)(2)(D-9), such taxpayer may elect to subtract

1 that part of a reimbursement received from the
2 insurance company equal to the amount of the expense or
3 loss (including expenses incurred by the insurance
4 company) that would have been taken into account as a
5 deduction for federal income tax purposes if the
6 expense or loss had been uninsured. If a taxpayer makes
7 the election provided for by this subparagraph (T), the
8 insurer to which the premiums were paid must add back
9 to income the amount subtracted by the taxpayer
10 pursuant to this subparagraph (T). This subparagraph
11 (T) is exempt from the provisions of Section 250.

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

13 (1) In general. Subject to the provisions of paragraph
14 (2) and subsection (b) (3), for purposes of this Section
15 and Section 803(e), a taxpayer's gross income, adjusted
16 gross income, or taxable income for the taxable year shall
17 mean the amount of gross income, adjusted gross income or
18 taxable income properly reportable for federal income tax
19 purposes for the taxable year under the provisions of the
20 Internal Revenue Code. Taxable income may be less than
21 zero. However, for taxable years ending on or after
22 December 31, 1986, net operating loss carryforwards from
23 taxable years ending prior to December 31, 1986, may not
24 exceed the sum of federal taxable income for the taxable
25 year before net operating loss deduction, plus the excess

1 of addition modifications over subtraction modifications
2 for the taxable year. For taxable years ending prior to
3 December 31, 1986, taxable income may never be an amount in
4 excess of the net operating loss for the taxable year as
5 defined in subsections (c) and (d) of Section 172 of the
6 Internal Revenue Code, provided that when taxable income of
7 a corporation (other than a Subchapter S corporation),
8 trust, or estate is less than zero and addition
9 modifications, other than those provided by subparagraph
10 (E) of paragraph (2) of subsection (b) for corporations or
11 subparagraph (E) of paragraph (2) of subsection (c) for
12 trusts and estates, exceed subtraction modifications, an
13 addition modification must be made under those
14 subparagraphs for any other taxable year to which the
15 taxable income less than zero (net operating loss) is
16 applied under Section 172 of the Internal Revenue Code or
17 under subparagraph (E) of paragraph (2) of this subsection
18 (e) applied in conjunction with Section 172 of the Internal
19 Revenue Code.

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

23 (A) Certain life insurance companies. In the case
24 of a life insurance company subject to the tax imposed
25 by Section 801 of the Internal Revenue Code, life
26 insurance company taxable income, plus the amount of

1 distribution from pre-1984 policyholder surplus
2 accounts as calculated under Section 815a of the
3 Internal Revenue Code;

4 (B) Certain other insurance companies. In the case
5 of mutual insurance companies subject to the tax
6 imposed by Section 831 of the Internal Revenue Code,
7 insurance company taxable income;

8 (C) Regulated investment companies. In the case of
9 a regulated investment company subject to the tax
10 imposed by Section 852 of the Internal Revenue Code,
11 investment company taxable income;

12 (D) Real estate investment trusts. In the case of a
13 real estate investment trust subject to the tax imposed
14 by Section 857 of the Internal Revenue Code, real
15 estate investment trust taxable income;

16 (E) Consolidated corporations. In the case of a
17 corporation which is a member of an affiliated group of
18 corporations filing a consolidated income tax return
19 for the taxable year for federal income tax purposes,
20 taxable income determined as if such corporation had
21 filed a separate return for federal income tax purposes
22 for the taxable year and each preceding taxable year
23 for which it was a member of an affiliated group. For
24 purposes of this subparagraph, the taxpayer's separate
25 taxable income shall be determined as if the election
26 provided by Section 243(b) (2) of the Internal Revenue

1 Code had been in effect for all such years;

2 (F) Cooperatives. In the case of a cooperative
3 corporation or association, the taxable income of such
4 organization determined in accordance with the
5 provisions of Section 1381 through 1388 of the Internal
6 Revenue Code, but without regard to the prohibition
7 against offsetting losses from patronage activities
8 against income from nonpatronage activities; except
9 that a cooperative corporation or association may make
10 an election to follow its federal income tax treatment
11 of patronage losses and nonpatronage losses. In the
12 event such election is made, such losses shall be
13 computed and carried over in a manner consistent with
14 subsection (a) of Section 207 of this Act and
15 apportioned by the apportionment factor reported by
16 the cooperative on its Illinois income tax return filed
17 for the taxable year in which the losses are incurred.
18 The election shall be effective for all taxable years
19 with original returns due on or after the date of the
20 election. In addition, the cooperative may file an
21 amended return or returns, as allowed under this Act,
22 to provide that the election shall be effective for
23 losses incurred or carried forward for taxable years
24 occurring prior to the date of the election. Once made,
25 the election may only be revoked upon approval of the
26 Director. The Department shall adopt rules setting

1 forth requirements for documenting the elections and
2 any resulting Illinois net loss and the standards to be
3 used by the Director in evaluating requests to revoke
4 elections. Public Act 96-932 is declaratory of
5 existing law;

6 (G) Subchapter S corporations. In the case of: (i)
7 a Subchapter S corporation for which there is in effect
8 an election for the taxable year under Section 1362 of
9 the Internal Revenue Code, the taxable income of such
10 corporation determined in accordance with Section
11 1363(b) of the Internal Revenue Code, except that
12 taxable income shall take into account those items
13 which are required by Section 1363(b)(1) of the
14 Internal Revenue Code to be separately stated; and (ii)
15 a Subchapter S corporation for which there is in effect
16 a federal election to opt out of the provisions of the
17 Subchapter S Revision Act of 1982 and have applied
18 instead the prior federal Subchapter S rules as in
19 effect on July 1, 1982, the taxable income of such
20 corporation determined in accordance with the federal
21 Subchapter S rules as in effect on July 1, 1982; and

22 (H) Partnerships. In the case of a partnership,
23 taxable income determined in accordance with Section
24 703 of the Internal Revenue Code, except that taxable
25 income shall take into account those items which are
26 required by Section 703(a)(1) to be separately stated

1 but which would be taken into account by an individual
2 in calculating his taxable income.

3 (3) Recapture of business expenses on disposition of
4 asset or business. Notwithstanding any other law to the
5 contrary, if in prior years income from an asset or
6 business has been classified as business income and in a
7 later year is demonstrated to be non-business income, then
8 all expenses, without limitation, deducted in such later
9 year and in the 2 immediately preceding taxable years
10 related to that asset or business that generated the
11 non-business income shall be added back and recaptured as
12 business income in the year of the disposition of the asset
13 or business. Such amount shall be apportioned to Illinois
14 using the greater of the apportionment fraction computed
15 for the business under Section 304 of this Act for the
16 taxable year or the average of the apportionment fractions
17 computed for the business under Section 304 of this Act for
18 the taxable year and for the 2 immediately preceding
19 taxable years.

20 (f) Valuation limitation amount.

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

24 (A) The sum of the pre-August 1, 1969 appreciation
25 amounts (to the extent consisting of gain reportable

1 under the provisions of Section 1245 or 1250 of the
2 Internal Revenue Code) for all property in respect of
3 which such gain was reported for the taxable year; plus

4 (B) The lesser of (i) the sum of the pre-August 1,
5 1969 appreciation amounts (to the extent consisting of
6 capital gain) for all property in respect of which such
7 gain was reported for federal income tax purposes for
8 the taxable year, or (ii) the net capital gain for the
9 taxable year, reduced in either case by any amount of
10 such gain included in the amount determined under
11 subsection (a) (2) (F) or (c) (2) (H).

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

13 (A) If the fair market value of property referred
14 to in paragraph (1) was readily ascertainable on August
15 1, 1969, the pre-August 1, 1969 appreciation amount for
16 such property is the lesser of (i) the excess of such
17 fair market value over the taxpayer's basis (for
18 determining gain) for such property on that date
19 (determined under the Internal Revenue Code as in
20 effect on that date), or (ii) the total gain realized
21 and reportable for federal income tax purposes in
22 respect of the sale, exchange or other disposition of
23 such property.

24 (B) If the fair market value of property referred
25 to in paragraph (1) was not readily ascertainable on
26 August 1, 1969, the pre-August 1, 1969 appreciation

1 amount for such property is that amount which bears the
2 same ratio to the total gain reported in respect of the
3 property for federal income tax purposes for the
4 taxable year, as the number of full calendar months in
5 that part of the taxpayer's holding period for the
6 property ending July 31, 1969 bears to the number of
7 full calendar months in the taxpayer's entire holding
8 period for the property.

9 (C) The Department shall prescribe such
10 regulations as may be necessary to carry out the
11 purposes of this paragraph.

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

15 (h) Legislative intention. Except as expressly provided by
16 this Section there shall be no modifications or limitations on
17 the amounts of income, gain, loss or deduction taken into
18 account in determining gross income, adjusted gross income or
19 taxable income for federal income tax purposes for the taxable
20 year, or in the amount of such items entering into the
21 computation of base income and net income under this Act for
22 such taxable year, whether in respect of property values as of
23 August 1, 1969 or otherwise.

24 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,

1 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;
2 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.
3 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,
4 eff. 8-23-11; 97-905, eff. 8-7-12.)

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