



## 98TH GENERAL ASSEMBLY

### State of Illinois

2013 and 2014

SB3401

Introduced 2/14/2014, by Sen. Toi W. Hutchinson

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203	from Ch. 120, par. 2-203
35 ILCS 5/901	from Ch. 120, par. 9-901
35 ILCS 5/1501	from Ch. 120, par. 15-1501
30 ILCS 105/5.855 new	
30 ILCS 105/6z-100 new	

Amends the Illinois Income Tax Act. Creates an addition modification in an amount equal to the deduction for qualified domestic production activities allowed under Section 199 of the Internal Revenue Code for the taxable year. Makes changes concerning the definition of "unitary business group". Provides that moneys attributable to those changes shall be deposited into the Bill Payment Trust Fund. Amends the State Finance Act to create the Bill Payment Trust Fund. Provides that moneys in the Bill Payment Trust Fund shall be used to make payments to certain bona fide creditors of the State. Effective immediately.

LRB098 19724 HLH 54937 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

16 (A) An amount equal to all amounts paid or accrued  
17 to the taxpayer as interest or dividends during the  
18 taxable year to the extent excluded from gross income  
19 in the computation of adjusted gross income, except  
20 stock dividends of qualified public utilities  
21 described in Section 305(e) of the Internal Revenue  
22 Code;

23 (B) An amount equal to the amount of tax imposed by

1           this Act to the extent deducted from gross income in  
2           the computation of adjusted gross income for the  
3           taxable year;

4           (C) An amount equal to the amount received during  
5           the taxable year as a recovery or refund of real  
6           property taxes paid with respect to the taxpayer's  
7           principal residence under the Revenue Act of 1939 and  
8           for which a deduction was previously taken under  
9           subparagraph (L) of this paragraph (2) prior to July 1,  
10          1991, the retrospective application date of Article 4  
11          of Public Act 87-17. In the case of multi-unit or  
12          multi-use structures and farm dwellings, the taxes on  
13          the taxpayer's principal residence shall be that  
14          portion of the total taxes for the entire property  
15          which is attributable to such principal residence;

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

20          (D-5) An amount, to the extent not included in  
21          adjusted gross income, equal to the amount of money  
22          withdrawn by the taxpayer in the taxable year from a  
23          medical care savings account and the interest earned on  
24          the account in the taxable year of a withdrawal  
25          pursuant to subsection (b) of Section 20 of the Medical  
26          Care Savings Account Act or subsection (b) of Section

1 20 of the Medical Care Savings Account Act of 2000;

2 (D-10) For taxable years ending after December 31,  
3 1997, an amount equal to any eligible remediation costs  
4 that the individual deducted in computing adjusted  
5 gross income and for which the individual claims a  
6 credit under subsection (l) of Section 201;

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

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

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

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with  
2 respect to any one piece of property;

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

1 Code) with respect to the stock of the same person to  
2 whom the interest was paid, accrued, or incurred.

3 This paragraph shall not apply to the following:

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

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

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

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

25 (iii) the taxpayer can establish, based on  
26 clear and convincing evidence, that the interest

1           paid, accrued, or incurred relates to a contract or  
2           agreement entered into at arm's-length rates and  
3           terms and the principal purpose for the payment is  
4           not federal or Illinois tax avoidance; or

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

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

21          (D-18) An amount equal to the amount of intangible  
22          expenses and costs otherwise allowed as a deduction in  
23          computing base income, and that were paid, accrued, or  
24          incurred, directly or indirectly, (i) for taxable  
25          years ending on or after December 31, 2004, to a  
26          foreign person who would be a member of the same

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



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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

1           by which the Department will utilize its authority  
2           under Section 404 of this Act;

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

1 modification required under Section 203(a)(2)(D-17) or  
2 Section 203(a)(2)(D-18) of this Act.

3 (D-20) For taxable years beginning on or after  
4 January 1, 2002 and ending on or before December 31,  
5 2006, in the case of a distribution from a qualified  
6 tuition program under Section 529 of the Internal  
7 Revenue Code, other than (i) a distribution from a  
8 College Savings Pool created under Section 16.5 of the  
9 State Treasurer Act or (ii) a distribution from the  
10 Illinois Prepaid Tuition Trust Fund, an amount equal to  
11 the amount excluded from gross income under Section  
12 529(c)(3)(B). For taxable years beginning on or after  
13 January 1, 2007, in the case of a distribution from a  
14 qualified tuition program under Section 529 of the  
15 Internal Revenue Code, other than (i) a distribution  
16 from a College Savings Pool created under Section 16.5  
17 of the State Treasurer Act, (ii) a distribution from  
18 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
19 distribution from a qualified tuition program under  
20 Section 529 of the Internal Revenue Code that (I)  
21 adopts and determines that its offering materials  
22 comply with the College Savings Plans Network's  
23 disclosure principles and (II) has made reasonable  
24 efforts to inform in-state residents of the existence  
25 of in-state qualified tuition programs by informing  
26 Illinois residents directly and, where applicable, to

1 inform financial intermediaries distributing the  
2 program to inform in-state residents of the existence  
3 of in-state qualified tuition programs at least  
4 annually, an amount equal to the amount excluded from  
5 gross income under Section 529(c)(3)(B).

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

18 (D-21) For taxable years beginning on or after  
19 January 1, 2007, in the case of transfer of moneys from  
20 a qualified tuition program under Section 529 of the  
21 Internal Revenue Code that is administered by the State  
22 to an out-of-state program, an amount equal to the  
23 amount of moneys previously deducted from base income  
24 under subsection (a)(2)(Y) of this Section;

25 (D-22) For taxable years beginning on or after  
26 January 1, 2009, in the case of a nonqualified

1 withdrawal or refund of moneys from a qualified tuition  
2 program under Section 529 of the Internal Revenue Code  
3 administered by the State that is not used for  
4 qualified expenses at an eligible education  
5 institution, an amount equal to the contribution  
6 component of the nonqualified withdrawal or refund  
7 that was previously deducted from base income under  
8 subsection (a)(2)(y) of this Section, provided that  
9 the withdrawal or refund did not result from the  
10 beneficiary's death or disability;

11 (D-23) An amount equal to the credit allowable to  
12 the taxpayer under Section 218(a) of this Act,  
13 determined without regard to Section 218(c) of this  
14 Act;

15 (D-24) For taxable years ending on or after  
16 December 31, 2014, an amount equal to the deduction  
17 allowed under Section 199 of the Internal Revenue Code  
18 for the taxable year;

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

21 (E) For taxable years ending before December 31,  
22 2001, any amount included in such total in respect of  
23 any compensation (including but not limited to any  
24 compensation paid or accrued to a serviceman while a  
25 prisoner of war or missing in action) paid to a  
26 resident by reason of being on active duty in the Armed

1 Forces of the United States and in respect of any  
2 compensation paid or accrued to a resident who as a  
3 governmental employee was a prisoner of war or missing  
4 in action, and in respect of any compensation paid to a  
5 resident in 1971 or thereafter for annual training  
6 performed pursuant to Sections 502 and 503, Title 32,  
7 United States Code as a member of the Illinois National  
8 Guard or, beginning with taxable years ending on or  
9 after December 31, 2007, the National Guard of any  
10 other state. For taxable years ending on or after  
11 December 31, 2001, any amount included in such total in  
12 respect of any compensation (including but not limited  
13 to any compensation paid or accrued to a serviceman  
14 while a prisoner of war or missing in action) paid to a  
15 resident by reason of being a member of any component  
16 of the Armed Forces of the United States and in respect  
17 of any compensation paid or accrued to a resident who  
18 as a governmental employee was a prisoner of war or  
19 missing in action, and in respect of any compensation  
20 paid to a resident in 2001 or thereafter by reason of  
21 being a member of the Illinois National Guard or,  
22 beginning with taxable years ending on or after  
23 December 31, 2007, the National Guard of any other  
24 state. The provisions of this subparagraph (E) are  
25 exempt from the provisions of Section 250;

26 (F) An amount equal to all amounts included in such

1 total pursuant to the provisions of Sections 402(a),  
2 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
3 Internal Revenue Code, or included in such total as  
4 distributions under the provisions of any retirement  
5 or disability plan for employees of any governmental  
6 agency or unit, or retirement payments to retired  
7 partners, which payments are excluded in computing net  
8 earnings from self employment by Section 1402 of the  
9 Internal Revenue Code and regulations adopted pursuant  
10 thereto;

11 (G) The valuation limitation amount;

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

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

20 (J) An amount equal to those dividends included in  
21 such total which were paid by a corporation which  
22 conducts business operations in a River Edge  
23 Redevelopment Zone or zones created under the River  
24 Edge Redevelopment Zone Act, and conducts  
25 substantially all of its operations in a River Edge  
26 Redevelopment Zone or zones. This subparagraph (J) is



1 exempt from the provisions of Section 250;

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

11 (L) For taxable years ending after December 31,  
12 1983, an amount equal to all social security benefits  
13 and railroad retirement benefits included in such  
14 total pursuant to Sections 72(r) and 86 of the Internal  
15 Revenue Code;

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

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

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

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

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

26 (Q) An amount equal to any amounts included in such

1 total, received by the taxpayer as an acceleration in  
2 the payment of life, endowment or annuity benefits in  
3 advance of the time they would otherwise be payable as  
4 an indemnity for a terminal illness;

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

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

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

22 (U) For one taxable year beginning on or after  
23 January 1, 1994, an amount equal to the total amount of  
24 tax imposed and paid under subsections (a) and (b) of  
25 Section 201 of this Act on grant amounts received by  
26 the taxpayer under the Nursing Home Grant Assistance

1 Act during the taxpayer's taxable years 1992 and 1993;

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

1 213 of the Internal Revenue Code of 1986 not actually  
2 deducted on the taxpayer's federal income tax return;

3 (W) For taxable years beginning on or after January  
4 1, 1998, all amounts included in the taxpayer's federal  
5 gross income in the taxable year from amounts converted  
6 from a regular IRA to a Roth IRA. This paragraph is  
7 exempt from the provisions of Section 250;

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

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

15 (Y) For taxable years beginning on or after January  
16 1, 2002 and ending on or before December 31, 2004,  
17 moneys contributed in the taxable year to a College  
18 Savings Pool account under Section 16.5 of the State  
19 Treasurer Act, except that amounts excluded from gross  
20 income under Section 529(c)(3)(C)(i) of the Internal  
21 Revenue Code shall not be considered moneys  
22 contributed under this subparagraph (Y). For taxable  
23 years beginning on or after January 1, 2005, a maximum  
24 of \$10,000 contributed in the taxable year to (i) a  
25 College Savings Pool account under Section 16.5 of the  
26 State Treasurer Act or (ii) the Illinois Prepaid

1 Tuition Trust Fund, except that amounts excluded from  
2 gross income under Section 529(c)(3)(C)(i) of the  
3 Internal Revenue Code shall not be considered moneys  
4 contributed under this subparagraph (Y). For purposes  
5 of this subparagraph, contributions made by an  
6 employer on behalf of an employee, or matching  
7 contributions made by an employee, shall be treated as  
8 made by the employee. This subparagraph (Y) is exempt  
9 from the provisions of Section 250;

10 (Z) 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 (Z) is exempt from the provisions of  
19                  Section 250;

20                  (AA) If the taxpayer sells, transfers, abandons,  
21                  or otherwise disposes of property for which the  
22                  taxpayer was required in any taxable year to make an  
23                  addition modification under subparagraph (D-15), then  
24                  an amount 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 (D-15), 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 (AA) is exempt from the  
10 provisions of Section 250;

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

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

1           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
2           203(d)(2)(D-8), but not to exceed the amount of that  
3           addition modification. This subparagraph (CC) is  
4           exempt from the provisions of Section 250;

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

25          (EF) An amount equal to the income from intangible  
26          property taken into account for the taxable year (net

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

20 (FF) An amount equal to any amount awarded to the  
21 taxpayer during the taxable year by the Court of Claims  
22 under subsection (c) of Section 8 of the Court of  
23 Claims Act for time unjustly served in a State prison.  
24 This subparagraph (FF) is exempt from the provisions of  
25 Section 250; and

26 (GG) For taxable years ending on or after December

1           31, 2011, in the case of a taxpayer who was required to  
2           add back any insurance premiums under Section  
3           203(a)(2)(D-19), such taxpayer may elect to subtract  
4           that part of a reimbursement received from the  
5           insurance company equal to the amount of the expense or  
6           loss (including expenses incurred by the insurance  
7           company) that would have been taken into account as a  
8           deduction for federal income tax purposes if the  
9           expense or loss had been uninsured. If a taxpayer makes  
10          the election provided for by this subparagraph (GG),  
11          the insurer to which the premiums were paid must add  
12          back to income the amount subtracted by the taxpayer  
13          pursuant to this subparagraph (GG). This subparagraph  
14          (GG) is exempt from the provisions of Section 250.

15          (b) Corporations.

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

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

22           (A) An amount equal to all amounts paid or accrued  
23          to the taxpayer as interest and all distributions  
24          received from regulated investment companies during  
25          the taxable year to the extent excluded from gross

1 income in the computation of taxable income;

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

5 (C) In the case of a regulated investment company,  
6 an amount equal to the excess of (i) the net long-term  
7 capital gain for the taxable year, over (ii) the amount  
8 of the capital gain dividends designated as such in  
9 accordance with Section 852(b)(3)(C) of the Internal  
10 Revenue Code and any amount designated under Section  
11 852(b)(3)(D) of the Internal Revenue Code,  
12 attributable to the taxable year (this amendatory Act  
13 of 1995 (Public Act 89-89) is declarative of existing  
14 law and is not a new enactment);

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

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

1 year, with the following limitations applied in the  
2 order that they are listed:

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

11 (ii) the addition modification relating to the  
12 net operating loss carried back or forward to the  
13 taxable year from any taxable year ending prior to  
14 December 31, 1986 shall not exceed the amount of  
15 such carryback or carryforward;

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

23 (E-5) For taxable years ending after December 31,  
24 1997, an amount equal to any eligible remediation costs  
25 that the corporation deducted in computing adjusted  
26 gross income and for which the corporation claims a

1 credit under subsection (l) of Section 201;

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

7 (E-11) If the taxpayer sells, transfers, abandons,  
8 or otherwise disposes of property for which the  
9 taxpayer was required in any taxable year to make an  
10 addition modification under subparagraph (E-10), then  
11 an amount equal to the aggregate amount of the  
12 deductions taken in all taxable years under  
13 subparagraph (T) with respect to that property.

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

21 The taxpayer is required to make the addition  
22 modification under this subparagraph only once with  
23 respect to any one piece of property;

24 (E-12) An amount equal to the amount otherwise  
25 allowed as a deduction in computing base income for  
26 interest paid, accrued, or incurred, directly or

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

25 This paragraph shall not apply to the following:

26 (i) an item of interest paid, accrued, or



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

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

11 (a) the person, during the same taxable  
12 year, paid, accrued, or incurred, the interest  
13 to a person that is not a related member, and

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

21 (iii) the taxpayer can establish, based on  
22 clear and convincing evidence, that the interest  
23 paid, accrued, or incurred relates to a contract or  
24 agreement entered into at arm's-length rates and  
25 terms and the principal purpose for the payment is  
26 not federal or Illinois tax avoidance; or

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

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

17 (E-13) An amount equal to the amount of intangible  
18 expenses and costs otherwise allowed as a deduction in  
19 computing base income, and that were paid, accrued, or  
20 incurred, directly or indirectly, (i) for taxable  
21 years ending on or after December 31, 2004, to a  
22 foreign person who would be a member of the same  
23 unitary business group but for the fact that the  
24 foreign person's business activity outside the United  
25 States is 80% or more of that person's total business  
26 activity and (ii) for taxable years ending on or after

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

1 intangible property; (2) losses incurred, directly or  
2 indirectly, from factoring transactions or discounting  
3 transactions; (3) royalty, patent, technical, and  
4 copyright fees; (4) licensing fees; and (5) other  
5 similar expenses and costs. For purposes of this  
6 subparagraph, "intangible property" includes patents,  
7 patent applications, trade names, trademarks, service  
8 marks, copyrights, mask works, trade secrets, and  
9 similar types of intangible assets.

10 This paragraph shall not apply to the following:

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

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

23 (a) the person during the same taxable  
24 year paid, accrued, or incurred, the  
25 intangible expense or cost to a person that is  
26 not a related member, and

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

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

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

25 (E-14) For taxable years ending on or after  
26 December 31, 2008, an amount equal to the amount of

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

25 (E-15) For taxable years beginning after December  
26 31, 2008, any deduction for dividends paid by a captive

1 real estate investment trust that is allowed to a real  
2 estate investment trust under Section 857(b)(2)(B) of  
3 the Internal Revenue Code for dividends paid;

4 (E-16) An amount equal to the credit allowable to  
5 the taxpayer under Section 218(a) of this Act,  
6 determined without regard to Section 218(c) of this  
7 Act;

8 (E-17) For taxable years ending on or after  
9 December 31, 2014, an amount equal to the deduction  
10 allowed under Section 199 of the Internal Revenue Code  
11 for the taxable year;

12 (E-18) For taxable years ending on or after  
13 December 31, 2014, any deduction allowed to the  
14 taxpayer under Sections 243 through 246A of the  
15 Internal Revenue Code;

16 and by deducting from the total so obtained the sum of the  
17 following amounts:

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

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

23 (H) In the case of a regulated investment company,  
24 an amount equal to the amount of exempt interest  
25 dividends as defined in subsection (b) (5) of Section  
26 852 of the Internal Revenue Code, paid to shareholders

1 for the taxable year;

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



1 from the provisions of Section 250;

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

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

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

1           this subparagraph (L);

2           (M) For any taxpayer that is a financial  
3 organization within the meaning of Section 304(c) of  
4 this Act, an amount included in such total as interest  
5 income from a loan or loans made by such taxpayer to a  
6 borrower, to the extent that such a loan is secured by  
7 property which is eligible for the River Edge  
8 Redevelopment Zone Investment Credit. To determine the  
9 portion of a loan or loans that is secured by property  
10 eligible for a Section 201(f) investment credit to the  
11 borrower, the entire principal amount of the loan or  
12 loans between the taxpayer and the borrower should be  
13 divided into the basis of the Section 201(f) investment  
14 credit property which secures the loan or loans, using  
15 for this purpose the original basis of such property on  
16 the date that it was placed in service in the River  
17 Edge Redevelopment Zone. The subtraction modification  
18 available to taxpayer in any year under this subsection  
19 shall be that portion of the total interest paid by the  
20 borrower with respect to such loan attributable to the  
21 eligible property as calculated under the previous  
22 sentence. This subparagraph (M) is exempt from the  
23 provisions of Section 250;

24           (M-1) For any taxpayer that is a financial  
25 organization within the meaning of Section 304(c) of  
26 this Act, an amount included in such total as interest

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

23 (N) Two times any contribution made during the  
24 taxable year to a designated zone organization to the  
25 extent that the contribution (i) qualifies as a  
26 charitable contribution under subsection (c) of

1 Section 170 of the Internal Revenue Code and (ii) must,  
2 by its terms, be used for a project approved by the  
3 Department of Commerce and Economic Opportunity under  
4 Section 11 of the Illinois Enterprise Zone Act or under  
5 Section 10-10 of the River Edge Redevelopment Zone Act.  
6 This subparagraph (N) is exempt from the provisions of  
7 Section 250;

8 (O) An amount equal to: (i) 85% for taxable years  
9 ending on or before December 31, 1992, or, a percentage  
10 equal to the percentage allowable under Section  
11 243(a)(1) of the Internal Revenue Code of 1986 for  
12 taxable years ending after December 31, 1992, of the  
13 amount by which dividends included in taxable income  
14 and received from a corporation that is not created or  
15 organized under the laws of the United States or any  
16 state or political subdivision thereof, including, for  
17 taxable years ending on or after December 31, 1988,  
18 dividends received or deemed received or paid or deemed  
19 paid under Sections 951 through 965 of the Internal  
20 Revenue Code, exceed the amount of the modification  
21 provided under subparagraph (G) of paragraph (2) of  
22 this subsection (b) which is related to such dividends,  
23 and including, for taxable years ending on or after  
24 December 31, 2008, dividends received from a captive  
25 real estate investment trust; plus (ii) 100% of the  
26 amount by which dividends, included in taxable income

1 and received, including, for taxable years ending on or  
2 after December 31, 1988, dividends received or deemed  
3 received or paid or deemed paid under Sections 951  
4 through 964 of the Internal Revenue Code and including,  
5 for taxable years ending on or after December 31, 2008,  
6 dividends received from a captive real estate  
7 investment trust, from any such corporation specified  
8 in clause (i) that would but for the provisions of  
9 Section 1504 (b) (3) of the Internal Revenue Code be  
10 treated as a member of the affiliated group which  
11 includes the dividend recipient, exceed the amount of  
12 the modification provided under subparagraph (G) of  
13 paragraph (2) of this subsection (b) which is related  
14 to such dividends. This subparagraph (O) shall not  
15 apply to taxable years ending on or after December 31,  
16 2014 is exempt from the provisions of Section 250 of  
17 this Act;

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

21 (Q) 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;

26 (R) On and after July 20, 1999, in the case of an

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

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

23 (T) For taxable years 2001 and thereafter, for the  
24 taxable year in which the bonus depreciation deduction  
25 is taken on the taxpayer's federal income tax return  
26 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year  
2 thereafter, an amount equal to "x", where:

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

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

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

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

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

25 The aggregate amount deducted under this  
26 subparagraph in all taxable years for any one piece of

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

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

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

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

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

24 (V) The amount of: (i) any interest income (net of  
25 the deductions allocable thereto) taken into account  
26 for the taxable year with respect to a transaction with



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

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

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

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

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

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

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

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

17          (c) Trusts and estates.

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

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

25           (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 taxable income;

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

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

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

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

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

9           (ii) the addition modification relating to the  
10 net operating loss carried back or forward to the  
11 taxable year from any taxable year ending prior to  
12 December 31, 1986 shall not exceed the amount of  
13 such carryback or carryforward;

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

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

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

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

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

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

22           If the taxpayer continues to own property through  
23 the last day of the last tax year for which the  
24 taxpayer may claim a depreciation deduction for  
25 federal income tax purposes and for which the taxpayer  
26 was allowed in any taxable year to make a subtraction

1 modification under subparagraph (R), then an amount  
2 equal to that subtraction modification.

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

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



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

7 This paragraph shall not apply to the following:

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

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

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

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

1 reflects an arm's-length interest rate and  
2 terms; or

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

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

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

25 (G-13) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in

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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, if the taxpayer can establish, based  
3           on a preponderance of the evidence, both of the  
4           following:

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

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

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

24                  Nothing in this subsection shall preclude the  
25                  Director from making any other adjustment  
26                  otherwise allowed under Section 404 of this Act for

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

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

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

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

11 (G-16) For taxable years ending on or after  
12 December 31, 2014, an amount equal to the deduction  
13 allowed under Section 199 of the Internal Revenue Code  
14 for the taxable year;

15 and by deducting from the total so obtained the sum of the  
16 following amounts:

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

1 thereto;

2 (I) The valuation limitation amount;

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

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

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



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

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

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

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

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

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

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

13 (R) 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 (R) is exempt from the provisions of  
22 Section 250;

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

1 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 (G-10), 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 (S) is exempt from the  
13 provisions of Section 250;

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

1           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
2           203(d)(2)(D-8), but not to exceed the amount of such  
3           addition modification. This subparagraph (T) is exempt  
4           from the provisions of Section 250;

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

25          (V) An amount equal to the income from intangible  
26          property taken into account for the taxable year (net

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

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

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

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

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



1 Code Section 642(c) during the taxable year.

2 (d) Partnerships.

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

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

9 (A) An amount equal to all amounts paid or accrued  
10 to the taxpayer as interest or dividends during the  
11 taxable year to the extent excluded from gross income  
12 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 for  
15 the taxable year;

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

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

23 (D-5) For taxable years 2001 and thereafter, an  
24 amount equal to the bonus depreciation deduction taken  
25 on the taxpayer's federal income tax return for the

1 taxable year under subsection (k) of Section 168 of the  
2 Internal Revenue Code;

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

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

17 The taxpayer is required to make the addition  
18 modification under this subparagraph only once with  
19 respect to any one piece of property;

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

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

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

2 (ii) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a person if  
4 the taxpayer can establish, based on a  
5 preponderance of the evidence, both of the  
6 following:

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

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

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

23 (iv) an item of interest paid, accrued, or  
24 incurred, directly or indirectly, to a person if  
25 the taxpayer establishes by clear and convincing  
26 evidence that the adjustments are unreasonable; or

1 if the taxpayer and the Director agree in writing  
2 to the application or use of an alternative method  
3 of apportionment under Section 304(f).

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

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

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

1 similar expenses and costs. For purposes of this  
2 subparagraph, "intangible property" includes patents,  
3 patent applications, trade names, trademarks, service  
4 marks, copyrights, mask works, trade secrets, and  
5 similar types of intangible assets;

6 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the  
24 intangible expense or cost between the  
25 taxpayer and the person did not have as a  
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract  
2 or agreement that reflects arm's-length terms;  
3 or

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

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

21 (D-9) For taxable years ending on or after December  
22 31, 2008, an amount equal to the amount of insurance  
23 premium expenses and costs otherwise allowed as a  
24 deduction in computing base income, and that were paid,  
25 accrued, or incurred, directly or indirectly, to a  
26 person who would be a member of the same unitary



1 business group but for the fact that the person is  
2 prohibited under Section 1501(a)(27) from being  
3 included in the unitary business group because he or  
4 she is ordinarily required to apportion business  
5 income under different subsections of Section 304. The  
6 addition modification required by this subparagraph  
7 shall be reduced to the extent that dividends were  
8 included in base income of the unitary group for the  
9 same taxable year and received by the taxpayer or by a  
10 member of the taxpayer's unitary business group  
11 (including amounts included in gross income under  
12 Sections 951 through 964 of the Internal Revenue Code  
13 and amounts included in gross income under Section 78  
14 of the Internal Revenue Code) with respect to the stock  
15 of the same person to whom the premiums and costs were  
16 directly or indirectly paid, incurred, or accrued. The  
17 preceding sentence does not apply to the extent that  
18 the same dividends caused a reduction to the addition  
19 modification required under Section 203(d)(2)(D-7) or  
20 Section 203(d)(2)(D-8) of this Act;

21 (D-10) An amount equal to the credit allowable to  
22 the taxpayer under Section 218(a) of this Act,  
23 determined without regard to Section 218(c) of this  
24 Act;

25 (D-11) For taxable years ending on or after  
26 December 31, 2014, an amount equal to the deduction

1           allowed under Section 199 of the Internal Revenue Code  
2           for the taxable year;

3           and by deducting from the total so obtained the following  
4           amounts:

5                     (E) The valuation limitation amount;

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

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

19                    (H) Any income of the partnership which  
20                    constitutes personal service income as defined in  
21                    Section 1348 (b) (1) of the Internal Revenue Code (as  
22                    in effect December 31, 1981) or a reasonable allowance  
23                    for compensation paid or accrued for services rendered  
24                    by partners to the partnership, whichever is greater;  
25                    this subparagraph (H) is exempt from the provisions of  
26                    Section 250;

1           (I) An amount equal to all amounts of income  
2           distributable to an entity subject to the Personal  
3           Property Tax Replacement Income Tax imposed by  
4           subsections (c) and (d) of Section 201 of this Act  
5           including amounts distributable to organizations  
6           exempt from federal income tax by reason of Section  
7           501(a) of the Internal Revenue Code; this subparagraph  
8           (I) is exempt from the provisions of Section 250;

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

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

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

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

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

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

24          (O) 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 (O) is exempt from the provisions of  
7           Section 250;

8           (P) 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 (D-5), 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 (D-5), 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 (P) is exempt from the  
24          provisions of Section 250;

25          (Q) 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 and (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. This subparagraph (Q) is exempt  
15 from Section 250;

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

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

10 (S) An amount equal to the income from intangible  
11 property taken into account for the taxable year (net  
12 of the deductions allocable thereto) with respect to  
13 transactions with (i) a foreign person who would be a  
14 member of the taxpayer's unitary business group but for  
15 the fact that the foreign person's business activity  
16 outside the United States is 80% or more of that  
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, but not to exceed the  
25 addition modification required to be made for the same  
26 taxable year under Section 203(d)(2)(D-8) for



1 intangible expenses and costs paid, accrued, or  
2 incurred, directly or indirectly, to the same person.

3 This subparagraph (S) is exempt from Section 250; and

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

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

20 (1) In general. Subject to the provisions of paragraph  
21 (2) and subsection (b) (3), for purposes of this Section  
22 and Section 803(e), a taxpayer's gross income, adjusted  
23 gross income, or taxable income for the taxable year shall  
24 mean the amount of gross income, adjusted gross income or  
25 taxable income properly reportable for federal income tax

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

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

4           (A) Certain life insurance companies. In the case  
5 of a life insurance company subject to the tax imposed  
6 by Section 801 of the Internal Revenue Code, life  
7 insurance company taxable income, plus the amount of  
8 distribution from pre-1984 policyholder surplus  
9 accounts as calculated under Section 815a of the  
10 Internal Revenue Code;

11           (B) Certain other insurance companies. In the case  
12 of mutual insurance companies subject to the tax  
13 imposed by Section 831 of the Internal Revenue Code,  
14 insurance company taxable income;

15           (C) Regulated investment companies. In the case of  
16 a regulated investment company subject to the tax  
17 imposed by Section 852 of the Internal Revenue Code,  
18 investment company taxable income;

19           (D) Real estate investment trusts. In the case of a  
20 real estate investment trust subject to the tax imposed  
21 by Section 857 of the Internal Revenue Code, real  
22 estate investment trust taxable income;

23           (E) Consolidated corporations. In the case of a  
24 corporation which is a member of an affiliated group of  
25 corporations filing a consolidated income tax return  
26 for the taxable year for federal income tax purposes,

1 taxable income determined as if such corporation had  
2 filed a separate return for federal income tax purposes  
3 for the taxable year and each preceding taxable year  
4 for which it was a member of an affiliated group. For  
5 purposes of this subparagraph, the taxpayer's separate  
6 taxable income shall be determined as if the election  
7 provided by Section 243(b) (2) of the Internal Revenue  
8 Code had been in effect for all such years;

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

1 election. In addition, the cooperative may file an  
2 amended return or returns, as allowed under this Act,  
3 to provide that the election shall be effective for  
4 losses incurred or carried forward for taxable years  
5 occurring prior to the date of the election. Once made,  
6 the election may only be revoked upon approval of the  
7 Director. The Department shall adopt rules setting  
8 forth requirements for documenting the elections and  
9 any resulting Illinois net loss and the standards to be  
10 used by the Director in evaluating requests to revoke  
11 elections. Public Act 96-932 is declaratory of  
12 existing law;

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

1 corporation determined in accordance with the federal  
2 Subchapter S rules as in effect on July 1, 1982; and

3 (H) Partnerships. In the case of a partnership,  
4 taxable income determined in accordance with Section  
5 703 of the Internal Revenue Code, except that taxable  
6 income shall take into account those items which are  
7 required by Section 703(a)(1) to be separately stated  
8 but which would be taken into account by an individual  
9 in calculating his taxable income.

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

1 (f) Valuation limitation amount.

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

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

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

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

19 (A) If the fair market value of property referred  
20 to in paragraph (1) was readily ascertainable on August  
21 1, 1969, the pre-August 1, 1969 appreciation amount for  
22 such property is the lesser of (i) the excess of such  
23 fair market value over the taxpayer's basis (for  
24 determining gain) for such property on that date  
25 (determined under the Internal Revenue Code as in

1 effect on that date), or (ii) the total gain realized  
2 and reportable for federal income tax purposes in  
3 respect of the sale, exchange or other disposition of  
4 such property.

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

16 (C) The Department shall prescribe such  
17 regulations as may be necessary to carry out the  
18 purposes of this paragraph.

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

22 (h) Legislative intention. Except as expressly provided by  
23 this Section there shall be no modifications or limitations on  
24 the amounts of income, gain, loss or deduction taken into



1 account in determining gross income, adjusted gross income or  
2 taxable income for federal income tax purposes for the taxable  
3 year, or in the amount of such items entering into the  
4 computation of base income and net income under this Act for  
5 such taxable year, whether in respect of property values as of  
6 August 1, 1969 or otherwise.

7 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
8 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
9 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
10 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
11 eff. 8-23-11; 97-905, eff. 8-7-12.)

12 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

13 Sec. 901. Collection Authority.

14 (a) In general.

15 The Department shall collect the taxes imposed by this Act.  
16 The Department shall collect certified past due child support  
17 amounts under Section 2505-650 of the Department of Revenue Law  
18 (20 ILCS 2505/2505-650). Except as provided in subsections (c),  
19 (e), (f), ~~and~~ (g), and (h) of this Section, money collected  
20 pursuant to subsections (a) and (b) of Section 201 of this Act  
21 shall be paid into the General Revenue Fund in the State  
22 treasury; money collected pursuant to subsections (c) and (d)  
23 of Section 201 of this Act shall be paid into the Personal  
24 Property Tax Replacement Fund, a special fund in the State  
25 Treasury; and money collected under Section 2505-650 of the

1 Department of Revenue Law (20 ILCS 2505/2505-650) shall be paid  
2 into the Child Support Enforcement Trust Fund, a special fund  
3 outside the State Treasury, or to the State Disbursement Unit  
4 established under Section 10-26 of the Illinois Public Aid  
5 Code, as directed by the Department of Healthcare and Family  
6 Services.

7 (b) Local Government Distributive Fund.

8 Beginning August 1, 1969, and continuing through June 30,  
9 1994, the Treasurer shall transfer each month from the General  
10 Revenue Fund to a special fund in the State treasury, to be  
11 known as the "Local Government Distributive Fund", an amount  
12 equal to 1/12 of the net revenue realized from the tax imposed  
13 by subsections (a) and (b) of Section 201 of this Act during  
14 the preceding month. Beginning July 1, 1994, and continuing  
15 through June 30, 1995, the Treasurer shall transfer each month  
16 from the General Revenue Fund to the Local Government  
17 Distributive Fund an amount equal to 1/11 of the net revenue  
18 realized from the tax imposed by subsections (a) and (b) of  
19 Section 201 of this Act during the preceding month. Beginning  
20 July 1, 1995 and continuing through January 31, 2011, the  
21 Treasurer shall transfer each month from the General Revenue  
22 Fund to the Local Government Distributive Fund an amount equal  
23 to the net of (i) 1/10 of the net revenue realized from the tax  
24 imposed by subsections (a) and (b) of Section 201 of the  
25 Illinois Income Tax Act during the preceding month (ii) minus,  
26 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,

1 and beginning July 1, 2004, zero. Beginning February 1, 2011,  
2 and continuing through January 31, 2015, the Treasurer shall  
3 transfer each month from the General Revenue Fund to the Local  
4 Government Distributive Fund an amount equal to the sum of (i)  
5 6% (10% of the ratio of the 3% individual income tax rate prior  
6 to 2011 to the 5% individual income tax rate after 2010) of the  
7 net revenue realized from the tax imposed by subsections (a)  
8 and (b) of Section 201 of this Act upon individuals, trusts,  
9 and estates during the preceding month and (ii) 6.86% (10% of  
10 the ratio of the 4.8% corporate income tax rate prior to 2011  
11 to the 7% corporate income tax rate after 2010) of the net  
12 revenue realized from the tax imposed by subsections (a) and  
13 (b) of Section 201 of this Act upon corporations during the  
14 preceding month. Beginning February 1, 2015 and continuing  
15 through January 31, 2025, the Treasurer shall transfer each  
16 month from the General Revenue Fund to the Local Government  
17 Distributive Fund an amount equal to the sum of (i) 8% (10% of  
18 the ratio of the 3% individual income tax rate prior to 2011 to  
19 the 3.75% individual income tax rate after 2014) of the net  
20 revenue realized from the tax imposed by subsections (a) and  
21 (b) of Section 201 of this Act upon individuals, trusts, and  
22 estates during the preceding month and (ii) 9.14% (10% of the  
23 ratio of the 4.8% corporate income tax rate prior to 2011 to  
24 the 5.25% corporate income tax rate after 2014) of the net  
25 revenue realized from the tax imposed by subsections (a) and  
26 (b) of Section 201 of this Act upon corporations during the

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

22 (c) Deposits Into Income Tax Refund Fund.

23 (1) Beginning on January 1, 1989 and thereafter, the  
24 Department shall deposit a percentage of the amounts  
25 collected pursuant to subsections (a) and (b) (1), (2), and  
26 (3), of Section 201 of this Act into a fund in the State

1 treasury known as the Income Tax Refund Fund. The  
2 Department shall deposit 6% of such amounts during the  
3 period beginning January 1, 1989 and ending on June 30,  
4 1989. Beginning with State fiscal year 1990 and for each  
5 fiscal year thereafter, the percentage deposited into the  
6 Income Tax Refund Fund during a fiscal year shall be the  
7 Annual Percentage. For fiscal years 1999 through 2001, the  
8 Annual Percentage shall be 7.1%. For fiscal year 2003, the  
9 Annual Percentage shall be 8%. For fiscal year 2004, the  
10 Annual Percentage shall be 11.7%. Upon the effective date  
11 of this amendatory Act of the 93rd General Assembly, the  
12 Annual Percentage shall be 10% for fiscal year 2005. For  
13 fiscal year 2006, the Annual Percentage shall be 9.75%. For  
14 fiscal year 2007, the Annual Percentage shall be 9.75%. For  
15 fiscal year 2008, the Annual Percentage shall be 7.75%. For  
16 fiscal year 2009, the Annual Percentage shall be 9.75%. For  
17 fiscal year 2010, the Annual Percentage shall be 9.75%. For  
18 fiscal year 2011, the Annual Percentage shall be 8.75%. For  
19 fiscal year 2012, the Annual Percentage shall be 8.75%. For  
20 fiscal year 2013, the Annual Percentage shall be 9.75%. For  
21 fiscal year 2014, the Annual Percentage shall be 9.5%. For  
22 all other fiscal years, the Annual Percentage shall be  
23 calculated as a fraction, the numerator of which shall be  
24 the amount of refunds approved for payment by the  
25 Department during the preceding fiscal year as a result of  
26 overpayment of tax liability under subsections (a) and

1 (b) (1), (2), and (3) of Section 201 of this Act plus the  
2 amount of such refunds remaining approved but unpaid at the  
3 end of the preceding fiscal year, minus the amounts  
4 transferred into the Income Tax Refund Fund from the  
5 Tobacco Settlement Recovery Fund, and the denominator of  
6 which shall be the amounts which will be collected pursuant  
7 to subsections (a) and (b) (1), (2), and (3) of Section 201  
8 of this Act during the preceding fiscal year; except that  
9 in State fiscal year 2002, the Annual Percentage shall in  
10 no event exceed 7.6%. The Director of Revenue shall certify  
11 the Annual Percentage to the Comptroller on the last  
12 business day of the fiscal year immediately preceding the  
13 fiscal year for which it is to be effective.

14 (2) Beginning on January 1, 1989 and thereafter, the  
15 Department shall deposit a percentage of the amounts  
16 collected pursuant to subsections (a) and (b) (6), (7), and  
17 (8), (c) and (d) of Section 201 of this Act into a fund in  
18 the State treasury known as the Income Tax Refund Fund. The  
19 Department shall deposit 18% of such amounts during the  
20 period beginning January 1, 1989 and ending on June 30,  
21 1989. Beginning with State fiscal year 1990 and for each  
22 fiscal year thereafter, the percentage deposited into the  
23 Income Tax Refund Fund during a fiscal year shall be the  
24 Annual Percentage. For fiscal years 1999, 2000, and 2001,  
25 the Annual Percentage shall be 19%. For fiscal year 2003,  
26 the Annual Percentage shall be 27%. For fiscal year 2004,

1 the Annual Percentage shall be 32%. Upon the effective date  
2 of this amendatory Act of the 93rd General Assembly, the  
3 Annual Percentage shall be 24% for fiscal year 2005. For  
4 fiscal year 2006, the Annual Percentage shall be 20%. For  
5 fiscal year 2007, the Annual Percentage shall be 17.5%. For  
6 fiscal year 2008, the Annual Percentage shall be 15.5%. For  
7 fiscal year 2009, the Annual Percentage shall be 17.5%. For  
8 fiscal year 2010, the Annual Percentage shall be 17.5%. For  
9 fiscal year 2011, the Annual Percentage shall be 17.5%. For  
10 fiscal year 2012, the Annual Percentage shall be 17.5%. For  
11 fiscal year 2013, the Annual Percentage shall be 14%. For  
12 fiscal year 2014, the Annual Percentage shall be 13.4%. For  
13 all other fiscal years, the Annual Percentage shall be  
14 calculated as a fraction, the numerator of which shall be  
15 the amount of refunds approved for payment by the  
16 Department during the preceding fiscal year as a result of  
17 overpayment of tax liability under subsections (a) and  
18 (b)(6), (7), and (8), (c) and (d) of Section 201 of this  
19 Act plus the amount of such refunds remaining approved but  
20 unpaid at the end of the preceding fiscal year, and the  
21 denominator of which shall be the amounts which will be  
22 collected pursuant to subsections (a) and (b)(6), (7), and  
23 (8), (c) and (d) of Section 201 of this Act during the  
24 preceding fiscal year; except that in State fiscal year  
25 2002, the Annual Percentage shall in no event exceed 23%.  
26 The Director of Revenue shall certify the Annual Percentage

1 to the Comptroller on the last business day of the fiscal  
2 year immediately preceding the fiscal year for which it is  
3 to be effective.

4 (3) The Comptroller shall order transferred and the  
5 Treasurer shall transfer from the Tobacco Settlement  
6 Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000  
7 in January, 2001, (ii) \$35,000,000 in January, 2002, and  
8 (iii) \$35,000,000 in January, 2003.

9 (d) Expenditures from Income Tax Refund Fund.

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

18 (2) The Director shall order payment of refunds  
19 resulting from overpayment of tax liability under Section  
20 201 of this Act from the Income Tax Refund Fund only to the  
21 extent that amounts collected pursuant to Section 201 of  
22 this Act and transfers pursuant to this subsection (d) and  
23 item (3) of subsection (c) have been deposited and retained  
24 in the Fund.

25 (3) As soon as possible after the end of each fiscal  
26 year, the Director shall order transferred and the State



1           Treasurer and State Comptroller shall transfer from the  
2           Income Tax Refund Fund to the Personal Property Tax  
3           Replacement Fund an amount, certified by the Director to  
4           the Comptroller, equal to the excess of the amount  
5           collected pursuant to subsections (c) and (d) of Section  
6           201 of this Act deposited into the Income Tax Refund Fund  
7           during the fiscal year over the amount of refunds resulting  
8           from overpayment of tax liability under subsections (c) and  
9           (d) of Section 201 of this Act paid from the Income Tax  
10          Refund Fund during the fiscal year.

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

23           (4.5) As soon as possible after the end of fiscal year  
24          1999 and of each fiscal year thereafter, the Director shall  
25          order transferred and the State Treasurer and State  
26          Comptroller shall transfer from the Income Tax Refund Fund

1 to the General Revenue Fund any surplus remaining in the  
2 Income Tax Refund Fund as of the end of such fiscal year;  
3 excluding for fiscal years 2000, 2001, and 2002 amounts  
4 attributable to transfers under item (3) of subsection (c)  
5 less refunds resulting from the earned income tax credit.

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

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

12 On July 1, 1991, and thereafter, of the amounts collected  
13 pursuant to subsections (a) and (b) of Section 201 of this Act,  
14 minus deposits into the Income Tax Refund Fund, the Department  
15 shall deposit 7.3% into the Education Assistance Fund in the  
16 State Treasury. Beginning July 1, 1991, and continuing through  
17 January 31, 1993, of the amounts collected pursuant to  
18 subsections (a) and (b) of Section 201 of the Illinois Income  
19 Tax Act, minus deposits into the Income Tax Refund Fund, the  
20 Department shall deposit 3.0% into the Income Tax Surcharge  
21 Local Government Distributive Fund in the State Treasury.  
22 Beginning February 1, 1993 and continuing through June 30,  
23 1993, of the amounts collected pursuant to subsections (a) and  
24 (b) of Section 201 of the Illinois Income Tax Act, minus  
25 deposits into the Income Tax Refund Fund, the Department shall  
26 deposit 4.4% into the Income Tax Surcharge Local Government

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

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

14 (1) beginning February 1, 2015, and prior to February  
15 1, 2025, 1/30; and

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

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

21 (g) Deposits into the Commitment to Human Services Fund.  
22 Beginning February 1, 2015, the Department shall deposit the  
23 following portions of the revenue realized from the tax imposed  
24 upon individuals, trusts, and estates by subsections (a) and  
25 (b) of Section 201 of this Act during the preceding month,  
26 minus deposits into the Income Tax Refund Fund, into the

1 Commitment to Human Services Fund:

2 (1) beginning February 1, 2015, and prior to February  
3 1, 2025, 1/30; and

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

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

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

18 (Source: P.A. 97-72, eff. 7-1-11; 97-732, eff. 6-30-12; 98-24,  
19 eff. 6-19-13.)

20 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

21 Sec. 1501. Definitions.

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

25 (1) Business income. The term "business income" means

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

10 (1.5) Captive real estate investment trust:

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

13 (i) that is considered a real estate  
14 investment trust for the taxable year under  
15 Section 856 of the Internal Revenue Code;

16 (ii) the certificates of beneficial interest  
17 or shares of which are not regularly traded on an  
18 established securities market; and

19 (iii) of which more than 50% of the voting  
20 power or value of the beneficial interest or  
21 shares, at any time during the last half of the  
22 taxable year, is owned or controlled, directly,  
23 indirectly, or constructively, by a single  
24 corporation.

25 (B) The term "captive real estate investment  
26 trust" does not include:

1 (i) a real estate investment trust of which  
2 more than 50% of the voting power or value of the  
3 beneficial interest or shares is owned or  
4 controlled, directly, indirectly, or  
5 constructively, by:

6 (a) a real estate investment trust, other  
7 than a captive real estate investment trust;

8 (b) a person who is exempt from taxation  
9 under Section 501 of the Internal Revenue Code,  
10 and who is not required to treat income  
11 received from the real estate investment trust  
12 as unrelated business taxable income under  
13 Section 512 of the Internal Revenue Code;

14 (c) a listed Australian property trust, if  
15 no more than 50% of the voting power or value  
16 of the beneficial interest or shares of that  
17 trust, at any time during the last half of the  
18 taxable year, is owned or controlled, directly  
19 or indirectly, by a single person;

20 (d) an entity organized as a trust,  
21 provided a listed Australian property trust  
22 described in subparagraph (c) owns or  
23 controls, directly or indirectly, or  
24 constructively, 75% or more of the voting power  
25 or value of the beneficial interests or shares  
26 of such entity; or

1 (e) an entity that is organized outside of  
2 the laws of the United States and that  
3 satisfies all of the following criteria:

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

13 (2) the entity is not subject to tax on  
14 amounts that are distributed to its  
15 beneficial owners or is exempt from  
16 entity-level taxation;

17 (3) the entity distributes at least  
18 85% of its taxable income (as computed in  
19 the jurisdiction in which it is organized)  
20 to the holders of its shares or  
21 certificates of beneficial interest on an  
22 annual basis;

23 (4) either (i) the shares or  
24 beneficial interests of the entity are  
25 regularly traded on an established  
26 securities market or (ii) not more than 10%

1 of the voting power or value in the entity  
2 is held, directly, indirectly, or  
3 constructively, by a single entity or  
4 individual; and

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

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

21 (C) For the purposes of this subsection (1.5), the  
22 constructive ownership rules prescribed under Section  
23 318(a) of the Internal Revenue Code, as modified by  
24 Section 856(d)(5) of the Internal Revenue Code, apply  
25 in determining the ownership of stock, assets, or net  
26 profits of any person.



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

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

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

13           (5) Department. The term "Department" means the  
14 Department of Revenue of this State.

15           (6) Director. The term "Director" means the Director of  
16 Revenue of this State.

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

20           (8) Financial organization.

21           (A) The term "financial organization" means any  
22 bank, bank holding company, trust company, savings  
23 bank, industrial bank, land bank, safe deposit  
24 company, private banker, savings and loan association,  
25 building and loan association, credit union, currency  
26 exchange, cooperative bank, small loan company, sales

1 finance company, investment company, or any person  
2 which is owned by a bank or bank holding company. For  
3 the purpose of this Section a "person" will include  
4 only those persons which a bank holding company may  
5 acquire and hold an interest in, directly or  
6 indirectly, under the provisions of the Bank Holding  
7 Company Act of 1956 (12 U.S.C. 1841, et seq.), except  
8 where interests in any person must be disposed of  
9 within certain required time limits under the Bank  
10 Holding Company Act of 1956.

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

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

21 (i) A person primarily engaged in one or more  
22 of the following businesses: the business of  
23 purchasing customer receivables, the business of  
24 making loans upon the security of customer  
25 receivables, the business of making loans for the  
26 express purpose of funding purchases of tangible

1 personal property or services by the borrower, or  
2 the business of finance leasing. For purposes of  
3 this item (i), "customer receivable" means:

4 (a) a retail installment contract or  
5 retail charge agreement within the meaning of  
6 the Sales Finance Agency Act, the Retail  
7 Installment Sales Act, or the Motor Vehicle  
8 Retail Installment Sales Act;

9 (b) an installment, charge, credit, or  
10 similar contract or agreement arising from the  
11 sale of tangible personal property or services  
12 in a transaction involving a deferred payment  
13 price payable in one or more installments  
14 subsequent to the sale; or

15 (c) the outstanding balance of a contract  
16 or agreement described in provisions (a) or (b)  
17 of this item (i).

18 A customer receivable need not provide for  
19 payment of interest on deferred payments. A sales  
20 finance company may purchase a customer receivable  
21 from, or make a loan secured by a customer  
22 receivable to, the seller in the original  
23 transaction or to a person who purchased the  
24 customer receivable directly or indirectly from  
25 that seller.

26 (ii) A corporation meeting each of the

1 following criteria:

2 (a) the corporation must be a member of an  
3 "affiliated group" within the meaning of  
4 Section 1504(a) of the Internal Revenue Code,  
5 determined without regard to Section 1504(b)  
6 of the Internal Revenue Code;

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

1 its affiliated group exceed the limitation  
2 amount, the interest income of that  
3 corporation from qualifying loans shall be  
4 equal to its interest income from loans to  
5 members of its affiliated groups times a  
6 fraction equal to the limitation amount  
7 divided by the average outstanding balances of  
8 the loans made by that corporation to members  
9 of its affiliated group;

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

19 (d) more than 50% of all interest-bearing  
20 obligations of the affiliated group payable to  
21 persons outside the group determined in  
22 accordance with generally accepted accounting  
23 principles must be obligations of the  
24 corporation.

25 This amendatory Act of the 91st General Assembly is  
26 declaratory of existing law.

1           (D) Subparagraphs (B) and (C) of this paragraph are  
2           declaratory of existing law and apply retroactively,  
3           for all tax years beginning on or before December 31,  
4           1996, to all original returns, to all amended returns  
5           filed no later than 30 days after the effective date of  
6           this amendatory Act of 1996, and to all notices issued  
7           on or before the effective date of this amendatory Act  
8           of 1996 under subsection (a) of Section 903, subsection  
9           (a) of Section 904, subsection (e) of Section 909, or  
10          Section 912. A taxpayer that is a "financial  
11          organization" that engages in any transaction with an  
12          affiliate shall be a "financial organization" for all  
13          purposes of this Act.

14          (E) For all tax years beginning on or before  
15          December 31, 1996, a taxpayer that falls within the  
16          definition of a "financial organization" under  
17          subparagraphs (B) or (C) of this paragraph, but who  
18          does not fall within the definition of a "financial  
19          organization" under the Proposed Regulations issued by  
20          the Department of Revenue on July 19, 1996, may  
21          irrevocably elect to apply the Proposed Regulations  
22          for all of those years as though the Proposed  
23          Regulations had been lawfully promulgated, adopted,  
24          and in effect for all of those years. For purposes of  
25          applying subparagraphs (B) or (C) of this paragraph to  
26          all of those years, the election allowed by this

1           subparagraph applies only to the taxpayer making the  
2           election and to those members of the taxpayer's unitary  
3           business group who are ordinarily required to  
4           apportion business income under the same subsection of  
5           Section 304 of this Act as the taxpayer making the  
6           election. No election allowed by this subparagraph  
7           shall be made under a claim filed under subsection (d)  
8           of Section 909 more than 30 days after the effective  
9           date of this amendatory Act of 1996.

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

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

24           (9.5) Fixed place of business. The term "fixed place of  
25           business" has the same meaning as that term is given in  
26           Section 864 of the Internal Revenue Code and the related

1 Treasury regulations.

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

6 (11) Internal Revenue Code. The term "Internal Revenue  
7 Code" means the United States Internal Revenue Code of 1954  
8 or any successor law or laws relating to federal income  
9 taxes in effect for the taxable year.

10 (11.5) Investment partnership.

11 (A) The term "investment partnership" means any  
12 entity that is treated as a partnership for federal  
13 income tax purposes that meets the following  
14 requirements:

15 (i) no less than 90% of the partnership's cost  
16 of its total assets consists of qualifying  
17 investment securities, deposits at banks or other  
18 financial institutions, and office space and  
19 equipment reasonably necessary to carry on its  
20 activities as an investment partnership;

21 (ii) no less than 90% of its gross income  
22 consists of interest, dividends, and gains from  
23 the sale or exchange of qualifying investment  
24 securities; and

25 (iii) the partnership is not a dealer in  
26 qualifying investment securities.



1 (B) For purposes of this paragraph (11.5), the term  
2 "qualifying investment securities" includes all of the  
3 following:

4 (i) common stock, including preferred or debt  
5 securities convertible into common stock, and  
6 preferred stock;

7 (ii) bonds, debentures, and other debt  
8 securities;

9 (iii) foreign and domestic currency deposits  
10 secured by federal, state, or local governmental  
11 agencies;

12 (iv) mortgage or asset-backed securities  
13 secured by federal, state, or local governmental  
14 agencies;

15 (v) repurchase agreements and loan  
16 participations;

17 (vi) foreign currency exchange contracts and  
18 forward and futures contracts on foreign  
19 currencies;

20 (vii) stock and bond index securities and  
21 futures contracts and other similar financial  
22 securities and futures contracts on those  
23 securities;

24 (viii) options for the purchase or sale of any  
25 of the securities, currencies, contracts, or  
26 financial instruments described in items (i) to

- 1 (vii), inclusive;
- 2 (ix) regulated futures contracts;
- 3 (x) commodities (not described in Section
- 4 1221(a)(1) of the Internal Revenue Code) or
- 5 futures, forwards, and options with respect to
- 6 such commodities, provided, however, that any item
- 7 of a physical commodity to which title is actually
- 8 acquired in the partnership's capacity as a dealer
- 9 in such commodity shall not be a qualifying
- 10 investment security;
- 11 (xi) derivatives; and
- 12 (xii) a partnership interest in another
- 13 partnership that is an investment partnership.

14 (12) Mathematical error. The term "mathematical error"

15 includes the following types of errors, omissions, or

16 defects in a return filed by a taxpayer which prevents

17 acceptance of the return as filed for processing:

- 18 (A) arithmetic errors or incorrect computations on
- 19 the return or supporting schedules;
- 20 (B) entries on the wrong lines;
- 21 (C) omission of required supporting forms or
- 22 schedules or the omission of the information in whole
- 23 or in part called for thereon; and
- 24 (D) an attempt to claim, exclude, deduct, or
- 25 improperly report, in a manner directly contrary to the
- 26 provisions of the Act and regulations thereunder any

1 item of income, exemption, deduction, or credit.

2 (13) Nonbusiness income. The term "nonbusiness income"  
3 means all income other than business income or  
4 compensation.

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

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

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

19 The term "partnership" includes any entity, including  
20 a limited liability company formed under the Illinois  
21 Limited Liability Company Act, classified as a partnership  
22 for federal income tax purposes.

23 The term "partnership" does not include a syndicate,  
24 group, pool, joint venture, or other unincorporated  
25 organization established for the sole purpose of playing  
26 the Illinois State Lottery.

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

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

22           (18A) Records. The term "records" includes all data  
23 maintained by the taxpayer, whether on paper, microfilm,  
24 microfiche, or any type of machine-sensible data  
25 compilation.

26           (19) Regulations. The term "regulations" includes

1 rules promulgated and forms prescribed by the Department.

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

3 (A) an individual (i) who is in this State for  
4 other than a temporary or transitory purpose during the  
5 taxable year; or (ii) who is domiciled in this State  
6 but is absent from the State for a temporary or  
7 transitory purpose during the taxable year;

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

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

12 (D) An irrevocable trust, the grantor of which was  
13 domiciled in this State at the time such trust became  
14 irrevocable. For purpose of this subparagraph, a trust  
15 shall be considered irrevocable to the extent that the  
16 grantor is not treated as the owner thereof under  
17 Sections 671 through 678 of the Internal Revenue Code.

18 (21) Sales. The term "sales" means all gross receipts  
19 of the taxpayer not allocated under Sections 301, 302 and  
20 303.

21 (22) State. The term "state" when applied to a  
22 jurisdiction other than this State means any state of the  
23 United States, the District of Columbia, the Commonwealth  
24 of Puerto Rico, any Territory or Possession of the United  
25 States, and any foreign country, or any political  
26 subdivision of any of the foregoing. For purposes of the

1 foreign tax credit under Section 601, the term "state"  
2 means any state of the United States, the District of  
3 Columbia, the Commonwealth of Puerto Rico, and any  
4 territory or possession of the United States, or any  
5 political subdivision of any of the foregoing, effective  
6 for tax years ending on or after December 31, 1989.

7 (23) Taxable year. The term "taxable year" means the  
8 calendar year, or the fiscal year ending during such  
9 calendar year, upon the basis of which the base income is  
10 computed under this Act. "Taxable year" means, in the case  
11 of a return made for a fractional part of a year under the  
12 provisions of this Act, the period for which such return is  
13 made.

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

16 (25) International banking facility. The term  
17 international banking facility shall have the same meaning  
18 as is set forth in the Illinois Banking Act or as is set  
19 forth in the laws of the United States or regulations of  
20 the Board of Governors of the Federal Reserve System.

21 (26) Income Tax Return Preparer.

22 (A) The term "income tax return preparer" means any  
23 person who prepares for compensation, or who employs  
24 one or more persons to prepare for compensation, any  
25 return of tax imposed by this Act or any claim for  
26 refund of tax imposed by this Act. The preparation of a

1 substantial portion of a return or claim for refund  
2 shall be treated as the preparation of that return or  
3 claim for refund.

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

6 (i) furnish typing, reproducing, or other  
7 mechanical assistance;

8 (ii) prepare returns or claims for refunds for  
9 the employer by whom he or she is regularly and  
10 continuously employed;

11 (iii) prepare as a fiduciary returns or claims  
12 for refunds for any person; or

13 (iv) prepare claims for refunds for a taxpayer  
14 in response to any notice of deficiency issued to  
15 that taxpayer or in response to any waiver of  
16 restriction after the commencement of an audit of  
17 that taxpayer or of another taxpayer if a  
18 determination in the audit of the other taxpayer  
19 directly or indirectly affects the tax liability  
20 of the taxpayer whose claims he or she is  
21 preparing.

22 (27) Unitary business group.

23 (A) The term "unitary business group" means a group  
24 of persons related through common ownership whose  
25 business activities are integrated with, dependent  
26 upon and contribute to each other. The group will not

1 include those members whose business activity outside  
2 the United States is 80% or more of any such member's  
3 total business activity; for purposes of this  
4 paragraph and clause (a)(3)(B)(ii) of Section 304,  
5 business activity within the United States shall be  
6 measured by means of the factors ordinarily applicable  
7 under subsections (a), (b), (c), (d), or (h) of Section  
8 304 except that, in the case of members ordinarily  
9 required to apportion business income by means of the 3  
10 factor formula of property, payroll and sales  
11 specified in subsection (a) of Section 304, including  
12 the formula as weighted in subsection (h) of Section  
13 304, such members shall not use the sales factor in the  
14 computation and the results of the property and payroll  
15 factor computations of subsection (a) of Section 304  
16 shall be divided by 2 (by one if either the property or  
17 payroll factor has a denominator of zero). The  
18 computation required by the preceding sentence shall,  
19 in each case, involve the division of the member's  
20 property, payroll, or revenue miles in the United  
21 States, insurance premiums on property or risk in the  
22 United States, or financial organization business  
23 income from sources within the United States, as the  
24 case may be, by the respective worldwide figures for  
25 such items. Common ownership in the case of  
26 corporations is the direct or indirect control or



1 ownership of more than 50% of the outstanding voting  
2 stock of the persons carrying on unitary business  
3 activity. Unitary business activity can ordinarily be  
4 illustrated where the activities of the members are:  
5 (1) in the same general line (such as manufacturing,  
6 wholesaling, retailing of tangible personal property,  
7 insurance, transportation or finance); or (2) are  
8 steps in a vertically structured enterprise or process  
9 (such as the steps involved in the production of  
10 natural resources, which might include exploration,  
11 mining, refining, and marketing); and, in either  
12 instance, the members are functionally integrated  
13 through the exercise of strong centralized management  
14 (where, for example, authority over such matters as  
15 purchasing, financing, tax compliance, product line,  
16 personnel, marketing and capital investment is not  
17 left to each member).

18 (B) In no event, for taxable years ending prior to  
19 December 31, 2014, shall any unitary business group  
20 include members which are ordinarily required to  
21 apportion business income under different subsections  
22 of Section 304 except that for tax years ending on or  
23 after December 31, 1987 this prohibition shall not  
24 apply to a holding company that would otherwise be a  
25 member of a unitary business group with taxpayers that  
26 apportion business income under any of subsections

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

21 (C) Holding companies.

22 (i) For purposes of this subparagraph, a  
23 "holding company" is a corporation (other than a  
24 corporation that is a financial organization under  
25 paragraph (8) of this subsection (a) of Section  
26 1501 because it is a bank holding company under the

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

26 (ii) The income of a holding company which is a

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

13 (iii) A holding company shall apportion its  
14 business income under the subsection of Section  
15 304 used by the other members of its unitary  
16 business group. The apportionment factors of a  
17 holding company which would be a member of more  
18 than one unitary business group shall be included  
19 with the apportionment factors of each unitary  
20 business group of which it is a member on a pro  
21 rata basis using the same method used in clause  
22 (ii).

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

25 (D) If including the base income and factors of a  
26 holding company in more than one unitary business group

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

24 (E) If the unitary business group members'  
25 accounting periods differ, the common parent's  
26 accounting period or, if there is no common parent, the

1           accounting period of the member that is expected to  
2           have, on a recurring basis, the greatest Illinois  
3           income tax liability must be used to determine whether  
4           to use the apportionment method provided in subsection  
5           (a) or subsection (h) of Section 304. The prohibition  
6           against membership in a unitary business group for  
7           taxpayers ordinarily required to apportion income  
8           under different subsections of Section 304 does not  
9           apply to taxpayers required to apportion income under  
10          subsection (a) and subsection (h) of Section 304. The  
11          provisions of this amendatory Act of 1998 apply to tax  
12          years ending on or after December 31, 1998.

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

20          (30) Foreign person. The term "foreign person" means  
21          any person who is a nonresident alien individual and any  
22          nonindividual entity, regardless of where created or  
23          organized, whose business activity outside the United  
24          States is 80% or more of the entity's total business  
25          activity.

1 (b) Other definitions.

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

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

7 (B) Words importing the plural include the  
8 singular; and

9 (C) Words importing the masculine gender include  
10 the feminine as well.

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

17 (3) Other terms. Any term used in any Section of this  
18 Act with respect to the application of, or in connection  
19 with, the provisions of any other Section of this Act shall  
20 have the same meaning as in such other Section.

21 (Source: P.A. 96-641, eff. 8-24-09; 97-507, eff. 8-23-11;  
22 97-636, eff. 6-1-12.)

23 Section 10. The State Finance Act is amended by adding  
24 Sections 5.855 and 6z-100 as follows:

1 (30 ILCS 105/5.855 new)

2 Sec. 5.855. The Bill Payment Trust Fund.

3 (30 ILCS 105/6z-100 new)

4 Sec. 6z-100. Bill Payment Trust Fund; creation. The Bill  
5 Payment Trust Fund is created as a special fund in the State  
6 Treasury. Moneys in the Fund shall be used to make payments to  
7 bona fide creditors of the State who:

8 (1) have submitted a bill or invoice to the State that  
9 (A) was properly approved under rules adopted under Section  
10 3-3 of the State Prompt Payment Act, and (B) is more than  
11 90 days past due; or

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

19 The Bill Payment Trust Fund is not subject to  
20 administrative charges or chargebacks, including, but not  
21 limited to, those authorized under Section 8h of the State  
22 Finance Act.

23 Section 99. Effective date. This Act takes effect upon  
24 becoming law.