

HB2784



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

HB2784

by Rep. Dwight Kay

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction for expenses paid or incurred by an eligible educator in connection with certain materials used by the educator in the classroom. Provides that the deduction may not exceed \$500 in any taxable year. Provides that the deduction is exempt from the Act's automatic sunset provision. Effective immediately.

LRB099 07698 HLH 27831 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 Section 203 as follows:

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

16 (A) An amount equal to all amounts paid or accrued
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 and by deducting from the total so obtained the sum of the
16 following amounts:

17 (E) For taxable years ending before December 31,
18 2001, any amount included in such total in respect of
19 any compensation (including but not limited to any
20 compensation paid or accrued to a serviceman while a
21 prisoner of war or missing in action) paid to a
22 resident by reason of being on active duty in the Armed
23 Forces of the United States and in respect of any
24 compensation paid or accrued to a resident who as a
25 governmental employee was a prisoner of war or missing
26 in action, and in respect of any compensation paid to a

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

22 (F) An amount equal to all amounts included in such
23 total pursuant to the provisions of Sections 402(a),
24 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
25 Internal Revenue Code, or included in such total as
26 distributions under the provisions of any retirement

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

7 (G) The valuation limitation amount;

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

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

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

24 (K) An amount equal to those dividends included in
25 such total that were paid by a corporation that
26 conducts business operations in a federally designated

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

7 (L) For taxable years ending after December 31,
8 1983, an amount equal to all social security benefits
9 and railroad retirement benefits included in such
10 total pursuant to Sections 72(r) and 86 of the Internal
11 Revenue Code;

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

1 provisions of Section 250;

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

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

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

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

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

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

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

24 (V) Beginning with tax years ending on or after
25 December 31, 1995 and ending with tax years ending on
26 or before December 31, 2004, an amount equal to the

1 amount paid by a taxpayer who is a self-employed
2 taxpayer, a partner of a partnership, or a shareholder
3 in a Subchapter S corporation for health insurance or
4 long-term care insurance for that taxpayer or that
5 taxpayer's spouse or dependents, to the extent that the
6 amount paid for that health insurance or long-term care
7 insurance may be deducted under Section 213 of the
8 Internal Revenue Code, has not been deducted on the
9 federal income tax return of the taxpayer, and does not
10 exceed the taxable income attributable to that
11 taxpayer's income, self-employment income, or
12 Subchapter S corporation income; except that no
13 deduction shall be allowed under this item (V) if the
14 taxpayer is eligible to participate in any health
15 insurance or long-term care insurance plan of an
16 employer of the taxpayer or the taxpayer's spouse. The
17 amount of the health insurance and long-term care
18 insurance subtracted under this item (V) shall be
19 determined by multiplying total health insurance and
20 long-term care insurance premiums paid by the taxpayer
21 times a number that represents the fractional
22 percentage of eligible medical expenses under Section
23 213 of the Internal Revenue Code of 1986 not actually
24 deducted on the taxpayer's federal income tax return;

25 (W) For taxable years beginning on or after January
26 1, 1998, all amounts included in the taxpayer's federal

1 gross income in the taxable year from amounts converted
2 from a regular IRA to a Roth IRA. This paragraph is
3 exempt from the provisions of Section 250;

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

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

11 (Y) For taxable years beginning on or after January
12 1, 2002 and ending on or before December 31, 2004,
13 moneys contributed in the taxable year to a College
14 Savings Pool account under Section 16.5 of the State
15 Treasurer Act, except that amounts excluded from gross
16 income under Section 529(c)(3)(C)(i) of the Internal
17 Revenue Code shall not be considered moneys
18 contributed under this subparagraph (Y). For taxable
19 years beginning on or after January 1, 2005, a maximum
20 of \$10,000 contributed in the taxable year to (i) a
21 College Savings Pool account under Section 16.5 of the
22 State Treasurer Act or (ii) the Illinois Prepaid
23 Tuition Trust Fund, except that amounts excluded from
24 gross income under Section 529(c)(3)(C)(i) of the
25 Internal Revenue Code shall not be considered moneys
26 contributed under this subparagraph (Y). For purposes

1 of this subparagraph, contributions made by an
2 employer on behalf of an employee, or matching
3 contributions made by an employee, shall be treated as
4 made by the employee. This subparagraph (Y) is exempt
5 from the provisions of Section 250;

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

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

19 (2) for taxable years ending on or before
20 December 31, 2005, "x" equals "y" multiplied by 30
21 and then divided by 70 (or "y" multiplied by
22 0.429); and

23 (3) for taxable years ending after December
24 31, 2005:

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied by
3 0.429); and

4 (ii) for property on which a bonus
5 depreciation deduction of 50% of the adjusted
6 basis was taken, "x" equals "y" multiplied by
7 1.0.

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

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

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which the
23 taxpayer may claim a depreciation deduction for
24 federal income tax purposes and for which the taxpayer
25 was required in any taxable year to make an addition
26 modification under subparagraph (D-15), then an amount

1 equal to that addition modification.

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

5 This subparagraph (AA) is exempt from the
6 provisions of Section 250;

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

10 (CC) The amount of (i) any interest income (net of
11 the deductions allocable thereto) taken into account
12 for the taxable year with respect to a transaction with
13 a taxpayer that is required to make an addition
14 modification with respect to such transaction under
15 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
16 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
17 the amount of that addition modification, and (ii) any
18 income from intangible property (net of the deductions
19 allocable thereto) taken into account for the taxable
20 year with respect to a transaction with a taxpayer that
21 is required to make an addition modification with
22 respect to such transaction under Section
23 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
24 203(d)(2)(D-8), but not to exceed the amount of that
25 addition modification. This subparagraph (CC) is
26 exempt from the provisions of Section 250;

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

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

1 outside the United States is 80% or more of that
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, but not to exceed the
10 addition modification required to be made for the same
11 taxable year under Section 203(a)(2)(D-18) for
12 intangible expenses and costs paid, accrued, or
13 incurred, directly or indirectly, to the same foreign
14 person. This subparagraph (EE) is exempt from the
15 provisions of Section 250;

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

22 (GG) For taxable years ending on or after December
23 31, 2011, in the case of a taxpayer who was required to
24 add back any insurance premiums under Section
25 203(a)(2)(D-19), such taxpayer may elect to subtract
26 that part of a reimbursement received from the

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

11 -

12 (HH) For taxable years ending on or after December
13 31, 2015, unreimbursed expenses, not in excess of \$500,
14 paid or incurred by an eligible educator in connection
15 with books, supplies (other than nonathletic supplies
16 for courses of instruction in health or physical
17 education), computer equipment (including related
18 software and services), and other equipment, and
19 supplementary materials used by the eligible educator
20 in the classroom.

21 For the purposes of this subparagraph (HH):

22 "Eligible educator" means, with respect to any
23 taxable year, an individual who is a kindergarten
24 through grade 12 teacher, instructor, counselor,
25 principal, or aide in a school for at least 900 hours
26 during a school year.

1 "School" means any public or nonpublic elementary
2 or secondary school in Illinois that is in compliance
3 with Title VI of the Civil Rights Act of 1964 and
4 attendance at which satisfies the requirements of
5 Section 26-1 of the School Code.

6 This subparagraph (HH) is exempt from the
7 provisions of Section 250.

8 (b) Corporations.

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

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

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

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

23 (C) In the case of a regulated investment company,
24 an amount equal to the excess of (i) the net long-term
25 capital gain for the taxable year, over (ii) the amount

1 of the capital gain dividends designated as such in
2 accordance with Section 852(b)(3)(C) of the Internal
3 Revenue Code and any amount designated under Section
4 852(b)(3)(D) of the Internal Revenue Code,
5 attributable to the taxable year (this amendatory Act
6 of 1995 (Public Act 89-89) is declarative of existing
7 law and is not a new enactment);

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

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

22 (i) the addition modification relating to the
23 net operating loss carried back or forward to the
24 taxable year from any taxable year ending prior to
25 December 31, 1986 shall be reduced by the amount of
26 addition modification under this subparagraph (E)

1 which related to that net operating loss and which
2 was taken into account in calculating the base
3 income of an earlier taxable year, and

4 (ii) the addition modification relating to the
5 net operating loss carried back or forward to the
6 taxable year from any taxable year ending prior to
7 December 31, 1986 shall not exceed the amount of
8 such carryback or carryforward;

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

16 (E-5) For taxable years ending after December 31,
17 1997, an amount equal to any eligible remediation costs
18 that the corporation deducted in computing adjusted
19 gross income and for which the corporation claims a
20 credit under subsection (l) of Section 201;

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

26 (E-11) If the taxpayer sells, transfers, abandons,

1 or otherwise disposes of property for which the
2 taxpayer was required in any taxable year to make an
3 addition modification under subparagraph (E-10), then
4 an amount equal to the aggregate amount of the
5 deductions taken in all taxable years under
6 subparagraph (T) with respect to that property.

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

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

17 (E-12) An amount equal to the amount otherwise
18 allowed as a deduction in computing base income for
19 interest paid, accrued, or incurred, directly or
20 indirectly, (i) for taxable years ending on or after
21 December 31, 2004, to a foreign person who would be a
22 member of the same unitary business group but for the
23 fact the foreign person's business activity outside
24 the United States is 80% or more of the foreign
25 person's total business activity and (ii) for taxable
26 years ending on or after December 31, 2008, to a person

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

18 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

18 (E-14) For taxable years ending on or after
19 December 31, 2008, an amount equal to the amount of
20 insurance premium expenses and costs otherwise allowed
21 as a deduction in computing base income, and that were
22 paid, accrued, or incurred, directly or indirectly, to
23 a person who would be a member of the same unitary
24 business group but for the fact that the person is
25 prohibited under Section 1501(a)(27) from being
26 included in the unitary business group because he or

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

18 (E-15) For taxable years beginning after December
19 31, 2008, any deduction for dividends paid by a captive
20 real estate investment trust that is allowed to a real
21 estate investment trust under Section 857(b)(2)(B) of
22 the Internal Revenue Code for dividends paid;

23 (E-16) An amount equal to the credit allowable to
24 the taxpayer under Section 218(a) of this Act,
25 determined without regard to Section 218(c) of this
26 Act;

1 and by deducting from the total so obtained the sum of the
2 following amounts:

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

8 (H) In the case of a regulated investment company,
9 an amount equal to the amount of exempt interest
10 dividends as defined in subsection (b) (5) of Section
11 852 of the Internal Revenue Code, paid to shareholders
12 for the taxable year;

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

1 ending on or after December 31, 2008, any amount
2 included in gross income under Section 87 of the
3 Internal Revenue Code and the policyholders' share of
4 tax-exempt interest of a life insurance company under
5 Section 807(a)(2)(B) of the Internal Revenue Code (in
6 the case of a life insurance company with gross income
7 from a decrease in reserves for the tax year) or
8 Section 807(b)(1)(B) of the Internal Revenue Code (in
9 the case of a life insurance company allowed a
10 deduction for an increase in reserves for the tax
11 year); the provisions of this subparagraph are exempt
12 from the provisions of Section 250;

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

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

1 all of its operations in a River Edge Redevelopment
2 Zone or zones. This subparagraph (K) is exempt from the
3 provisions of Section 250;

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

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

1 the date that it was placed in service in the River
2 Edge Redevelopment Zone. The subtraction modification
3 available to taxpayer in any year under this subsection
4 shall be that portion of the total interest paid by the
5 borrower with respect to such loan attributable to the
6 eligible property as calculated under the previous
7 sentence. This subparagraph (M) is exempt from the
8 provisions of Section 250;

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

1 (2) of this subsection shall be eligible for the
2 deduction provided under this subparagraph (M-1). The
3 subtraction modification available to taxpayers in any
4 year under this subsection shall be that portion of the
5 total interest paid by the borrower with respect to
6 such loan attributable to the eligible property as
7 calculated under the previous sentence;

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

19 (O) An amount equal to: (i) 85% for taxable years
20 ending on or before December 31, 1992, or, a percentage
21 equal to the percentage allowable under Section
22 243(a)(1) of the Internal Revenue Code of 1986 for
23 taxable years ending after December 31, 1992, of the
24 amount by which dividends included in taxable income
25 and received from a corporation that is not created or
26 organized under the laws of the United States or any

1 state or political subdivision thereof, including, for
2 taxable years ending on or after December 31, 1988,
3 dividends received or deemed received or paid or deemed
4 paid under Sections 951 through 965 of the Internal
5 Revenue Code, exceed the amount of the modification
6 provided under subparagraph (G) of paragraph (2) of
7 this subsection (b) which is related to such dividends,
8 and including, for taxable years ending on or after
9 December 31, 2008, dividends received from a captive
10 real estate investment trust; plus (ii) 100% of the
11 amount by which dividends, included in taxable income
12 and received, including, for taxable years ending on or
13 after December 31, 1988, dividends received or deemed
14 received or paid or deemed paid under Sections 951
15 through 964 of the Internal Revenue Code and including,
16 for taxable years ending on or after December 31, 2008,
17 dividends received from a captive real estate
18 investment trust, from any such corporation specified
19 in clause (i) that would but for the provisions of
20 Section 1504 (b) (3) of the Internal Revenue Code be
21 treated as a member of the affiliated group which
22 includes the dividend recipient, exceed the amount of
23 the modification provided under subparagraph (G) of
24 paragraph (2) of this subsection (b) which is related
25 to such dividends. This subparagraph (O) is exempt from
26 the provisions of Section 250 of this Act;

1 (P) An amount equal to any contribution made to a
2 job training project established pursuant to the Tax
3 Increment Allocation Redevelopment Act;

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

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

22 (S) For taxable years ending on or after December
23 31, 1997, in the case of a Subchapter S corporation, an
24 amount equal to all amounts of income allocable to a
25 shareholder subject to the Personal Property Tax
26 Replacement Income Tax imposed by subsections (c) and

1 (d) of Section 201 of this Act, including amounts
2 allocable to organizations exempt from federal income
3 tax by reason of Section 501(a) of the Internal Revenue
4 Code. This subparagraph (S) is exempt from the
5 provisions of Section 250;

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

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

19 (2) for taxable years ending on or before
20 December 31, 2005, "x" equals "y" multiplied by 30
21 and then divided by 70 (or "y" multiplied by
22 0.429); and

23 (3) for taxable years ending after December
24 31, 2005:

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied by
3 0.429); and

4 (ii) for property on which a bonus
5 depreciation deduction of 50% of the adjusted
6 basis was taken, "x" equals "y" multiplied by
7 1.0.

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

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

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

1 equal to that addition modification.

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

5 This subparagraph (U) is exempt from the
6 provisions of Section 250;

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

1 under Section 203(a)(2)(D-19), Section
2 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
3 203(d)(2)(D-9), but not to exceed the amount of that
4 addition modification. This subparagraph (V) is exempt
5 from the provisions of Section 250;

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

26 (X) An amount equal to the income from intangible

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

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

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

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

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

1 (c) Trusts and estates.

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

5 (2) Modifications. Subject to the provisions of
6 paragraph (3), the taxable income referred to in paragraph
7 (1) shall be modified by adding thereto the sum of the
8 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) In the case of (i) an estate, \$600; (ii) a
14 trust which, under its governing instrument, is
15 required to distribute all of its income currently,
16 \$300; and (iii) any other trust, \$100, but in each such
17 case, only to the extent such amount was deducted in
18 the computation of taxable income;

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

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

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

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

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

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

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

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

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

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

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

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

24 (G-11) If the taxpayer sells, transfers, abandons,
25 or otherwise disposes of property for which the
26 taxpayer was required in any taxable year to make an

1 addition modification under subparagraph (G-10), then
2 an amount equal to the aggregate amount of the
3 deductions taken in all taxable years under
4 subparagraph (R) with respect to that property.

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

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

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

16 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

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

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

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

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

1 This paragraph shall not apply to the following:

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

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

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

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

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

1 indirectly, from a transaction with a person if the
2 taxpayer establishes by clear and convincing
3 evidence, that the adjustments are unreasonable;
4 or if the taxpayer and the Director agree in
5 writing to the application or use of an alternative
6 method of apportionment under Section 304(f);

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

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

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

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

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

22 (H) An amount equal to all amounts included in such
23 total pursuant to the provisions of Sections 402(a),
24 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the
25 Internal Revenue Code or included in such total as
26 distributions under the provisions of any retirement

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

7 (I) The valuation limitation amount;

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

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

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

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

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

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

23 (O) An amount equal to those dividends included in
24 such total that were paid by a corporation that
25 conducts business operations in a federally designated
26 Foreign Trade Zone or Sub-Zone and that is designated a

1 High Impact Business located in Illinois; provided
2 that dividends eligible for the deduction provided in
3 subparagraph (M) of paragraph (2) of this subsection
4 shall not be eligible for the deduction provided under
5 this subparagraph (O);

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

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

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

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

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

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

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

9 (3) for taxable years ending after December
10 31, 2005:

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

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

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

1 Section 250;

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

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

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

17 This subparagraph (S) is exempt from the
18 provisions of Section 250;

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

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

10 (U) An amount equal to the interest income taken
11 into account for the taxable year (net of the
12 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 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(c)(2)(G-12) for

1 interest paid, accrued, or incurred, directly or
2 indirectly, to the same person. This subparagraph (U)
3 is exempt from the provisions of Section 250;

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

25 (W) in the case of an estate, an amount equal to
26 all amounts included in such total pursuant to the

1 provisions of Section 111 of the Internal Revenue Code
2 as a recovery of items previously deducted by the
3 decedent from adjusted gross income in the computation
4 of taxable income. This subparagraph (W) is exempt from
5 Section 250;

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

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

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

1 31, 2015, unreimbursed expenses, not in excess of \$500,
2 paid or incurred by an eligible educator in connection
3 with books, supplies (other than nonathletic supplies
4 for courses of instruction in health or physical
5 education), computer equipment (including related
6 software and services), and other equipment, and
7 supplementary materials used by the eligible educator
8 in the classroom.

9 For the purposes of this subparagraph (Z):

10 "Eligible educator" means, with respect to any
11 taxable year, an individual who is a kindergarten
12 through grade 12 teacher, instructor, counselor,
13 principal, or aide in a school for at least 900 hours
14 during a school year.

15 "School" means any public or nonpublic elementary
16 or secondary school in Illinois that is in compliance
17 with Title VI of the Civil Rights Act of 1964 and
18 attendance at which satisfies the requirements of
19 Section 26-1 of the School Code.

20 This subparagraph (Z) is exempt from the
21 provisions of Section 250.

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

1 aside for charitable purposes pursuant to Internal Revenue
2 Code Section 642(c) during the taxable year.

3 (d) Partnerships.

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

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

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

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

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

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

24 (D-5) For taxable years 2001 and thereafter, an
25 amount equal to the bonus depreciation deduction taken

1 on the taxpayer's federal income tax return for the
2 taxable year under subsection (k) of Section 168 of the
3 Internal Revenue Code;

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

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

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

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

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

22 This paragraph shall not apply to the following:

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

1 reporting, to a tax on or measured by net income
2 with respect to such interest; or

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

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

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

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

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

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

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

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

1 principal purpose the avoidance of Illinois
2 income tax, and is paid pursuant to a contract
3 or agreement that reflects arm's-length terms;
4 or

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

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

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

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

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

26 and by deducting from the total so obtained the following

1 amounts:

2 (E) The valuation limitation amount;

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

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

24 (I) An amount equal to all amounts of income
25 distributable to an entity subject to the Personal
26 Property Tax Replacement Income Tax imposed by

1 subsections (c) and (d) of Section 201 of this Act
2 including amounts distributable to organizations
3 exempt from federal income tax by reason of Section
4 501(a) of the Internal Revenue Code; this subparagraph
5 (I) is exempt from the provisions of Section 250;

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

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

1 all of its operations from a River Edge Redevelopment
2 Zone or zones. This subparagraph (K) is exempt from the
3 provisions of Section 250;

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

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

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

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

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

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

12 (3) for taxable years ending after December
13 31, 2005:

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

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

23 The aggregate amount deducted under this
24 subparagraph in all taxable years for any one piece of
25 property may not exceed the amount of the bonus
26 depreciation deduction taken on that property on the

1 taxpayer's federal income tax return under subsection
2 (k) of Section 168 of the Internal Revenue Code. This
3 subparagraph (O) is exempt from the provisions of
4 Section 250;

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

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 required in any taxable year to make an addition
15 modification under subparagraph (D-5), then an amount
16 equal to that addition modification.

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

20 This subparagraph (P) is exempt from the
21 provisions of Section 250;

22 (Q) The amount of (i) any interest income (net of
23 the deductions allocable thereto) taken into account
24 for the taxable year with respect to a transaction with
25 a taxpayer that is required to make an addition
26 modification with respect to such transaction under

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

13 (R) An amount equal to the interest income taken
14 into account for the taxable year (net of the
15 deductions allocable thereto) with respect to
16 transactions with (i) a foreign person who would be a
17 member of the taxpayer's unitary business group but for
18 the fact that the foreign person's business activity
19 outside the United States is 80% or more of that
20 person's total business activity and (ii) for taxable
21 years ending on or after December 31, 2008, to a person
22 who would be a member of the same unitary business
23 group but for the fact that the person is prohibited
24 under Section 1501(a)(27) from being included in the
25 unitary business group because he or she is ordinarily
26 required to apportion business income under different

1 subsections of Section 304, but not to exceed the
2 addition modification required to be made for the same
3 taxable year under Section 203(d)(2)(D-7) for interest
4 paid, accrued, or incurred, directly or indirectly, to
5 the same person. This subparagraph (R) is exempt from
6 Section 250;

7 (S) An amount equal to the income from intangible
8 property taken into account for the taxable year (net
9 of the deductions allocable thereto) with respect to
10 transactions with (i) a foreign person who would be a
11 member of the taxpayer's unitary business group but for
12 the fact that the foreign person's business activity
13 outside the United States is 80% or more of that
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, but not to exceed the
22 addition modification required to be made for the same
23 taxable year under Section 203(d)(2)(D-8) for
24 intangible expenses and costs paid, accrued, or
25 incurred, directly or indirectly, to the same person.
26 This subparagraph (S) is exempt from Section 250; and

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

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

17 (1) In general. Subject to the provisions of paragraph
18 (2) and subsection (b) (3), for purposes of this Section
19 and Section 803(e), a taxpayer's gross income, adjusted
20 gross income, or taxable income for the taxable year shall
21 mean the amount of gross income, adjusted gross income or
22 taxable income properly reportable for federal income tax
23 purposes for the taxable year under the provisions of the
24 Internal Revenue Code. Taxable income may be less than
25 zero. However, for taxable years ending on or after

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

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

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

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

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

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

20 (E) Consolidated corporations. In the case of a
21 corporation which is a member of an affiliated group of
22 corporations filing a consolidated income tax return
23 for the taxable year for federal income tax purposes,
24 taxable income determined as if such corporation had
25 filed a separate return for federal income tax purposes
26 for the taxable year and each preceding taxable year

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

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

1 losses incurred or carried forward for taxable years
2 occurring prior to the date of the election. Once made,
3 the election may only be revoked upon approval of the
4 Director. The Department shall adopt rules setting
5 forth requirements for documenting the elections and
6 any resulting Illinois net loss and the standards to be
7 used by the Director in evaluating requests to revoke
8 elections. Public Act 96-932 is declaratory of
9 existing law;

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

26 (H) Partnerships. In the case of a partnership,

1 taxable income determined in accordance with Section
2 703 of the Internal Revenue Code, except that taxable
3 income shall take into account those items which are
4 required by Section 703(a)(1) to be separately stated
5 but which would be taken into account by an individual
6 in calculating his taxable income.

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

24 (f) Valuation limitation amount.

25 (1) In general. The valuation limitation amount

1 referred to in subsections (a) (2) (G), (c) (2) (I) and
2 (d) (2) (E) is an amount equal to:

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

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

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

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

1 such property.

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

13 (C) The Department shall prescribe such
14 regulations as may be necessary to carry out the
15 purposes of this paragraph.

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

19 (h) Legislative intention. Except as expressly provided by
20 this Section there shall be no modifications or limitations on
21 the amounts of income, gain, loss or deduction taken into
22 account in determining gross income, adjusted gross income or
23 taxable income for federal income tax purposes for the taxable
24 year, or in the amount of such items entering into the

1 computation of base income and net income under this Act for
2 such taxable year, whether in respect of property values as of
3 August 1, 1969 or otherwise.

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

9 Section 99. Effective date. This Act takes effect upon
10 becoming law.