

**SB1737**



**99TH GENERAL ASSEMBLY**

**State of Illinois**

**2015 and 2016**

**SB1737**

Introduced 2/20/2015, by Sen. Linda Holmes

**SYNOPSIS AS INTRODUCED:**

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Makes changes concerning the bonus depreciation deduction for property acquired by a small business. Effective immediately.

LRB099 10115 HLH 30338 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; except that, for taxable years  
12 beginning on or after January 1, 2015, for property  
13 acquired by purchase, as defined in subsection (d) of  
14 Section 179 of the Internal Revenue Code, by a small  
15 business, the modification shall be in an amount equal  
16 to the depreciation deduction taken on the taxpayer's  
17 federal income tax return for property that is  
18 depreciable pursuant to Section 167 of the Internal  
19 Revenue Code; for purposes of this paragraph (D-15),  
20 "small business" means an individual sole proprietor,  
21 corporation, trust, or partnership, including its  
22 affiliates, that is independently owned and operated,  
23 not dominant in its field, and has average gross annual  
24 sales for the taxable year and the 2 previous taxable  
25 years of less than \$10,000,000;

26 (D-16) If the taxpayer sells, transfers, abandons,

1 or otherwise disposes of property for which the  
2 taxpayer was required in any taxable year to make an  
3 addition modification under subparagraph (D-15), then  
4 an amount equal to the aggregate amount of the  
5 deductions taken in all taxable years under  
6 subparagraph (Z) 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 (Z), then an amount  
13 equal to that subtraction modification.

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

17 (D-17) 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 that 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           preponderance of the evidence, both of the  
2           following:

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

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

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

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

26                  Nothing in this subsection shall preclude the

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

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



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

1 assets.

2 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) any item of intangible expense or cost

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

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

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

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

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

1 January 1, 2007, in the case of a distribution from a  
2 qualified tuition program under Section 529 of the  
3 Internal Revenue Code, other than (i) a distribution  
4 from a College Savings Pool created under Section 16.5  
5 of the State Treasurer Act, (ii) a distribution from  
6 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
7 distribution from a qualified tuition program under  
8 Section 529 of the Internal Revenue Code that (I)  
9 adopts and determines that its offering materials  
10 comply with the College Savings Plans Network's  
11 disclosure principles and (II) has made reasonable  
12 efforts to inform in-state residents of the existence  
13 of in-state qualified tuition programs by informing  
14 Illinois residents directly and, where applicable, to  
15 inform financial intermediaries distributing the  
16 program to inform in-state residents of the existence  
17 of in-state qualified tuition programs at least  
18 annually, an amount equal to the amount excluded from  
19 gross income under Section 529(c)(3)(B).

20 For the purposes of this subparagraph (D-20), a  
21 qualified tuition program has made reasonable efforts  
22 if it makes disclosures (which may use the term  
23 "in-state program" or "in-state plan" and need not  
24 specifically refer to Illinois or its qualified  
25 programs by name) (i) directly to prospective  
26 participants in its offering materials or makes a

1 public disclosure, such as a website posting; and (ii)  
2 where applicable, to intermediaries selling the  
3 out-of-state program in the same manner that the  
4 out-of-state program distributes its offering  
5 materials;

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

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

25 (D-23) An amount equal to the credit allowable to  
26 the taxpayer under Section 218(a) of this Act,

1           determined without regard to Section 218(c) of this  
2           Act;

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

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

1 of any compensation paid or accrued to a resident who  
2 as a governmental employee was a prisoner of war or  
3 missing in action, and in respect of any compensation  
4 paid to a resident in 2001 or thereafter by reason of  
5 being a member of the Illinois National Guard or,  
6 beginning with taxable years ending on or after  
7 December 31, 2007, the National Guard of any other  
8 state. The provisions of this subparagraph (E) are  
9 exempt from the provisions of Section 250;

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

21 (G) The valuation limitation amount;

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

25 (I) An amount equal to all amounts included in such  
26 total pursuant to the provisions of Section 111 of the



1 Internal Revenue Code as a recovery of items previously  
2 deducted from adjusted gross income in the computation  
3 of taxable income;

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

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

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

26 (M) With the exception of any amounts subtracted

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

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

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

1 Increment Allocation Redevelopment Act;

2 (P) An amount equal to the amount of the deduction  
3 used to compute the federal income tax credit for  
4 restoration of substantial amounts held under claim of  
5 right for the taxable year pursuant to Section 1341 of  
6 the Internal Revenue Code or of any itemized deduction  
7 taken from adjusted gross income in the computation of  
8 taxable income for restoration of substantial amounts  
9 held under claim of right for the taxable year;

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

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

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

25 (T) An amount, to the extent included in adjusted  
26 gross income, equal to the amount of interest earned in

1 the taxable year on a medical care savings account  
2 established under the Medical Care Savings Account Act  
3 or the Medical Care Savings Account Act of 2000 on  
4 behalf of the taxpayer, other than interest added  
5 pursuant to item (D-5) of this paragraph (2);

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

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

1 deduction shall be allowed under this item (V) if the  
2 taxpayer is eligible to participate in any health  
3 insurance or long-term care insurance plan of an  
4 employer of the taxpayer or the taxpayer's spouse. The  
5 amount of the health insurance and long-term care  
6 insurance subtracted under this item (V) shall be  
7 determined by multiplying total health insurance and  
8 long-term care insurance premiums paid by the taxpayer  
9 times a number that represents the fractional  
10 percentage of eligible medical expenses under Section  
11 213 of the Internal Revenue Code of 1986 not actually  
12 deducted on the taxpayer's federal income tax return;

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

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

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

25 (Y) For taxable years beginning on or after January  
26 1, 2002 and ending on or before December 31, 2004,

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

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

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

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

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

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

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

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

22 (4) for taxable years beginning on and after  
23 January 1, 2015, in the case of a small business,  
24 for property acquired by purchase as defined in  
25 subsection (d) of Section 179 of the Internal  
26 Revenue Code, "x" equals the basis of the property



1           used to compute the depreciation deduction for  
2           federal income tax purposes; for purposes of this  
3           paragraph (Z)(4), "small business" means an  
4           individual sole proprietor, corporation, trust, or  
5           partnership, including its affiliates, that is  
6           independently owned and operated, not dominant in  
7           its field, and has average gross annual sales for  
8           the taxable year and the 2 previous taxable years  
9           of less than \$10,000,000.

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

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

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

1 was required in any taxable year to make an addition  
2 modification under subparagraph (D-15), then an amount  
3 equal to that addition modification.

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

7 This subparagraph (AA) is exempt from the  
8 provisions of Section 250;

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

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

1 addition modification. This subparagraph (CC) is  
2 exempt from the provisions of Section 250;

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

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

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

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

24 (GG) For taxable years ending on or after December  
25 31, 2011, in the case of a taxpayer who was required to  
26 add back any insurance premiums under Section

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

13          (b) Corporations.

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

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

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

25           (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 taxable income for the taxable year;

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

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

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

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

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

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

21           (E-5) For taxable years ending after December 31,  
22 1997, an amount equal to any eligible remediation costs  
23 that the corporation deducted in computing adjusted  
24 gross income and for which the corporation claims a  
25 credit under subsection (l) of Section 201;

26           (E-10) For taxable years 2001 and thereafter, an

1 amount equal to the bonus depreciation deduction taken  
2 on the taxpayer's federal income tax return for the  
3 taxable year under subsection (k) of Section 168 of the  
4 Internal Revenue Code; except that, for taxable years  
5 beginning on or after January 1, 2015, for property  
6 acquired by purchase, as defined in subsection (d) of  
7 Section 179 of the Internal Revenue Code, by a small  
8 business, the modification shall be in an amount equal  
9 to the depreciation deduction taken on the taxpayer's  
10 federal income tax return for property that is  
11 depreciable pursuant to Section 167 of the Internal  
12 Revenue Code; for purposes of this paragraph (E-10),  
13 "small business" means an individual sole proprietor,  
14 corporation, trust, or partnership, including its  
15 affiliates, that is independently owned and operated,  
16 not dominant in its field, and has average gross annual  
17 sales for the taxable year and the 2 previous taxable  
18 years of less than \$10,000,000;

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

26 If the taxpayer continues to own property through



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

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

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

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

11 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

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

22 This paragraph shall not apply to the following:

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

1 state which requires mandatory unitary reporting,  
2 to a tax on or measured by net income with respect  
3 to such item; or

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

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

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

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

1 method of apportionment under Section 304(f);

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

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

1 (including amounts included in gross income under  
2 Sections 951 through 964 of the Internal Revenue Code  
3 and amounts included in gross income under Section 78  
4 of the Internal Revenue Code) with respect to the stock  
5 of the same person to whom the premiums and costs were  
6 directly or indirectly paid, incurred, or accrued. The  
7 preceding sentence does not apply to the extent that  
8 the same dividends caused a reduction to the addition  
9 modification required under Section 203(b) (2) (E-12) or  
10 Section 203(b) (2) (E-13) of this Act;

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

16 (E-16) 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 (F) An amount equal to the amount of any tax  
23 imposed by this Act which was refunded to the taxpayer  
24 and included in such total for the taxable year;

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



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

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

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

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

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

23 (L) 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 (K) of paragraph 2 of this subsection  
4 shall not be eligible for the deduction provided under  
5 this subparagraph (L);

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

1 provisions of Section 250;

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

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

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

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

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

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

1 the Internal Revenue Code;

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

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

25 (T) For taxable years 2001 and thereafter, for the  
26 taxable year in which the bonus depreciation deduction

1 is taken on the taxpayer's federal income tax return  
2 under subsection (k) of Section 168 of the Internal  
3 Revenue Code and for each applicable taxable year  
4 thereafter, an amount equal to "x", where:

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

12 (2) for taxable years ending on or before  
13 December 31, 2005, "x" equals "y" multiplied by 30  
14 and then divided by 70 (or "y" multiplied by  
15 0.429); ~~and~~

16 (3) for taxable years ending after December  
17 31, 2005:

18 (i) for property on which a bonus  
19 depreciation deduction of 30% of the adjusted  
20 basis was taken, "x" equals "y" multiplied by  
21 30 and then divided by 70 (or "y" multiplied by  
22 0.429); and

23 (ii) for property on which a bonus  
24 depreciation deduction of 50% of the adjusted  
25 basis was taken, "x" equals "y" multiplied by  
26 1.0; and =



1                   (4) for taxable years beginning on and after  
2                   January 1, 2015, in the case of a small business,  
3                   for property acquired by purchase as defined in  
4                   subsection (d) of Section 179 of the Internal  
5                   Revenue Code, "x" equals the basis of the property  
6                   used to compute the depreciation deduction for  
7                   federal income tax purposes; for purposes of this  
8                   paragraph (T)(4), "small business" means an  
9                   individual sole proprietor, corporation, trust, or  
10                   partnership, including its affiliates, that is  
11                   independently owned and operated, not dominant in  
12                   its field, and has average gross annual sales for  
13                   the taxable year and the 2 previous taxable years  
14                   of less than \$10,000,000.

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

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

1 equal to that addition modification.

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

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

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

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

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

13           (W) 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(b)(2)(E-12) for  
4 interest paid, accrued, or incurred, directly or  
5 indirectly, to the same person. This subparagraph (W)  
6 is exempt from the provisions of Section 250;

7 (X) 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(b)(2)(E-13) for  
24 intangible expenses and costs paid, accrued, or  
25 incurred, directly or indirectly, to the same foreign  
26 person. This subparagraph (X) is exempt from the

1 provisions of Section 250;

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

17 (Z) The difference between the nondeductible  
18 controlled foreign corporation dividends under Section  
19 965(e) (3) of the Internal Revenue Code over the taxable  
20 income of the taxpayer, computed without regard to  
21 Section 965(e) (2) (A) of the Internal Revenue Code, and  
22 without regard to any net operating loss deduction.  
23 This subparagraph (Z) is exempt from the provisions of  
24 Section 250.

25 (3) Special rule. For purposes of paragraph (2) (A),  
26 "gross income" in the case of a life insurance company, for

1 tax years ending on and after December 31, 1994, and prior  
2 to December 31, 2011, shall mean the gross investment  
3 income for the taxable year and, for tax years ending on or  
4 after December 31, 2011, shall mean all amounts included in  
5 life insurance gross income under Section 803(a)(3) of the  
6 Internal Revenue Code.

7 (c) Trusts and estates.

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

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

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

19 (B) In the case of (i) an estate, \$600; (ii) a  
20 trust which, under its governing instrument, is  
21 required to distribute all of its income currently,  
22 \$300; and (iii) any other trust, \$100, but in each such  
23 case, only to the extent such amount was deducted in  
24 the computation of taxable income;

25 (C) 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 taxable income for the taxable year;

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

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

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

25                 (ii) the addition modification relating to the  
26                 net operating loss carried back or forward to the

1 taxable year from any taxable year ending prior to  
2 December 31, 1986 shall not exceed the amount of  
3 such carryback or carryforward;

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

11 (F) For taxable years ending on or after January 1,  
12 1989, an amount equal to the tax deducted pursuant to  
13 Section 164 of the Internal Revenue Code if the trust  
14 or estate is claiming the same tax for purposes of the  
15 Illinois foreign tax credit under Section 601 of this  
16 Act;

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

21 (G-5) For taxable years ending after December 31,  
22 1997, an amount equal to any eligible remediation costs  
23 that the trust or estate deducted in computing adjusted  
24 gross income and for which the trust or estate claims a  
25 credit under subsection (1) of Section 201;

26 (G-10) For taxable years 2001 and thereafter, an



1 amount equal to the bonus depreciation deduction taken  
2 on the taxpayer's federal income tax return for the  
3 taxable year under subsection (k) of Section 168 of the  
4 Internal Revenue Code; except that, for taxable years  
5 beginning on or after January 1, 2015, for property  
6 acquired by purchase, as defined in subsection (d) of  
7 Section 179 of the Internal Revenue Code, by a small  
8 business, the modification shall be in an amount equal  
9 to the depreciation deduction taken on the taxpayer's  
10 federal income tax return for property that is  
11 depreciable pursuant to Section 167 of the Internal  
12 Revenue Code; for purposes of this paragraph (G-10),  
13 "small business" means an individual sole proprietor,  
14 corporation, trust, or partnership, including its  
15 affiliates, that is independently owned and operated,  
16 not dominant in its field, and has average gross annual  
17 sales for the taxable year and the 2 previous taxable  
18 years of less than \$10,000,000; and

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

26 If the taxpayer continues to own property through

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

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

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

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

11 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

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

22 This paragraph shall not apply to the following:

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

1 state which requires mandatory unitary reporting,  
2 to a tax on or measured by net income with respect  
3 to such item; or

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

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

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

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

1 method of apportionment under Section 304(f);

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

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



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

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

1 thereto;

2 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

26 (2) for taxable years ending on or before

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

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

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

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

15 (4) for taxable years beginning on and after  
16 January 1, 2015, in the case of a small business,  
17 for property acquired by purchase as defined in  
18 subsection (d) of Section 179 of the Internal  
19 Revenue Code, "x" equals the basis of the property  
20 used to compute the depreciation deduction for  
21 federal income tax purposes; for purposes of this  
22 paragraph (R)(4), "small business" means an  
23 individual sole proprietor, corporation, trust, or  
24 partnership, including its affiliates, that is  
25 independently owned and operated, not dominant in  
26 its field, and has average gross annual sales for

1           the taxable year and the 2 previous taxable years  
2           of less than \$10,000,000.

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

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

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

23          The taxpayer is allowed to take the deduction under  
24          this subparagraph only once with respect to any one  
25          piece of property.

26          This subparagraph (S) is exempt from the

1 provisions of Section 250;

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

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



1 years ending on or after December 31, 2008, to a person  
2 who would be a member of the same unitary business  
3 group but for the fact that the person is prohibited  
4 under Section 1501(a)(27) from being included in the  
5 unitary business group because he or she is ordinarily  
6 required to apportion business income under different  
7 subsections of Section 304, but not to exceed the  
8 addition modification required to be made for the same  
9 taxable year under Section 203(c)(2)(G-12) for  
10 interest paid, accrued, or incurred, directly or  
11 indirectly, to the same person. This subparagraph (U)  
12 is exempt from the provisions of Section 250;

13 (V) An amount equal to the income from intangible  
14 property taken into account for the taxable year (net  
15 of the 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(c)(2)(G-13) for  
4 intangible expenses and costs paid, accrued, or  
5 incurred, directly or indirectly, to the same foreign  
6 person. This subparagraph (V) is exempt from the  
7 provisions of Section 250;

8 (W) in the case of an estate, an amount equal to  
9 all amounts included in such total pursuant to the  
10 provisions of Section 111 of the Internal Revenue Code  
11 as a recovery of items previously deducted by the  
12 decedent from adjusted gross income in the computation  
13 of taxable income. This subparagraph (W) is exempt from  
14 Section 250;

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

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

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

9           (3) Limitation. The amount of any modification  
10          otherwise required under this subsection shall, under  
11          regulations prescribed by the Department, be adjusted by  
12          any amounts included therein which were properly paid,  
13          credited, or required to be distributed, or permanently set  
14          aside for charitable purposes pursuant to Internal Revenue  
15          Code Section 642(c) during the taxable year.

16          (d) Partnerships.

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

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

23           (A) An amount equal to all amounts paid or accrued  
24          to the taxpayer as interest or dividends during the  
25          taxable year to the extent excluded from gross income

1 in the computation of taxable income;

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

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

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

12 (D-5) For taxable years 2001 and thereafter, an  
13 amount equal to the bonus depreciation deduction taken  
14 on the taxpayer's federal income tax return for the  
15 taxable year under subsection (k) of Section 168 of the  
16 Internal Revenue Code; except that, for taxable years  
17 beginning on or after January 1, 2015, for property  
18 acquired by purchase, as defined in subsection (d) of  
19 Section 179 of the Internal Revenue Code, by a small  
20 business, the modification shall be in an amount equal  
21 to the depreciation deduction taken on the taxpayer's  
22 federal income tax return for property that is  
23 depreciable pursuant to Section 167 of the Internal  
24 Revenue Code; for purposes of this paragraph (D-5),  
25 "small business" means an individual sole proprietor,  
26 corporation, trust, or partnership, including its

1 affiliates, that is independently owned and operated,  
2 not dominant in its field, and has average gross annual  
3 sales for the taxable year and the 2 previous taxable  
4 years of less than \$10,000,000;

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

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

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

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

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

23 This paragraph shall not apply to the following:

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

1 than a state which requires mandatory unitary  
2 reporting, to a tax on or measured by net income  
3 with respect to such interest; or

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

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

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

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

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

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

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

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



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

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

8 This paragraph shall not apply to the following:

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

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

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

25 (b) the transaction giving rise to the  
26 intangible expense or cost between the

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

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

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

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

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

23 (D-10) 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 following  
2 amounts:

3 (E) The valuation limitation amount;

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

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

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

25 (I) An amount equal to all amounts of income  
26 distributable to an entity subject to the Personal

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

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

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

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

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

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

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

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

1 thereafter, an amount equal to "x", where:

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

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

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

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

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

24 (4) for taxable years beginning on and after  
25 January 1, 2015, in the case of a small business,  
26 for property acquired by purchase as defined in



1           subsection (d) of Section 179 of the Internal  
2           Revenue Code, "x" equals the basis of the property  
3           used to compute the depreciation deduction for  
4           federal income tax purposes; for purposes of this  
5           paragraph (O)(4), "small business" means an  
6           individual sole proprietor, corporation, trust, or  
7           partnership, including its affiliates, that is  
8           independently owned and operated, not dominant in  
9           its field, and has average gross annual sales for  
10           the taxable year and the 2 previous taxable years  
11           of less than \$10,000,000.

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

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

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

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

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

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

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

1 from Section 250;

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

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

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

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

1 insurer to which the premiums were paid must add back  
2 to income the amount subtracted by the taxpayer  
3 pursuant to this subparagraph (T). This subparagraph  
4 (T) is exempt from the provisions of Section 250.

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

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

1 trust, or estate is less than zero and addition  
2 modifications, other than those provided by subparagraph  
3 (E) of paragraph (2) of subsection (b) for corporations or  
4 subparagraph (E) of paragraph (2) of subsection (c) for  
5 trusts and estates, exceed subtraction modifications, an  
6 addition modification must be made under those  
7 subparagraphs for any other taxable year to which the  
8 taxable income less than zero (net operating loss) is  
9 applied under Section 172 of the Internal Revenue Code or  
10 under subparagraph (E) of paragraph (2) of this subsection  
11 (e) applied in conjunction with Section 172 of the Internal  
12 Revenue Code.

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

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

23 (B) Certain other insurance companies. In the case  
24 of mutual insurance companies subject to the tax  
25 imposed by Section 831 of the Internal Revenue Code,  
26 insurance company taxable income;

1 (C) Regulated investment companies. In the case of  
2 a regulated investment company subject to the tax  
3 imposed by Section 852 of the Internal Revenue Code,  
4 investment company taxable income;

5 (D) Real estate investment trusts. In the case of a  
6 real estate investment trust subject to the tax imposed  
7 by Section 857 of the Internal Revenue Code, real  
8 estate investment trust taxable income;

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

21 (F) Cooperatives. In the case of a cooperative  
22 corporation or association, the taxable income of such  
23 organization determined in accordance with the  
24 provisions of Section 1381 through 1388 of the Internal  
25 Revenue Code, but without regard to the prohibition  
26 against offsetting losses from patronage activities

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

25                 (G) Subchapter S corporations. In the case of: (i)  
26          a Subchapter S corporation for which there is in effect



1 an election for the taxable year under Section 1362 of  
2 the Internal Revenue Code, the taxable income of such  
3 corporation determined in accordance with Section  
4 1363(b) of the Internal Revenue Code, except that  
5 taxable income shall take into account those items  
6 which are required by Section 1363(b)(1) of the  
7 Internal Revenue Code to be separately stated; and (ii)  
8 a Subchapter S corporation for which there is in effect  
9 a federal election to opt out of the provisions of the  
10 Subchapter S Revision Act of 1982 and have applied  
11 instead the prior federal Subchapter S rules as in  
12 effect on July 1, 1982, the taxable income of such  
13 corporation determined in accordance with the federal  
14 Subchapter S rules as in effect on July 1, 1982; and

15 (H) Partnerships. In the case of a partnership,  
16 taxable income determined in accordance with Section  
17 703 of the Internal Revenue Code, except that taxable  
18 income shall take into account those items which are  
19 required by Section 703(a)(1) to be separately stated  
20 but which would be taken into account by an individual  
21 in calculating his taxable income.

22 (3) Recapture of business expenses on disposition of  
23 asset or business. Notwithstanding any other law to the  
24 contrary, if in prior years income from an asset or  
25 business has been classified as business income and in a  
26 later year is demonstrated to be non-business income, then

1 all expenses, without limitation, deducted in such later  
2 year and in the 2 immediately preceding taxable years  
3 related to that asset or business that generated the  
4 non-business income shall be added back and recaptured as  
5 business income in the year of the disposition of the asset  
6 or business. Such amount shall be apportioned to Illinois  
7 using the greater of the apportionment fraction computed  
8 for the business under Section 304 of this Act for the  
9 taxable year or the average of the apportionment fractions  
10 computed for the business under Section 304 of this Act for  
11 the taxable year and for the 2 immediately preceding  
12 taxable years.

13 (f) Valuation limitation amount.

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

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

22 (B) The lesser of (i) the sum of the pre-August 1,  
23 1969 appreciation amounts (to the extent consisting of  
24 capital gain) for all property in respect of which such  
25 gain was reported for federal income tax purposes for

1 the taxable year, or (ii) the net capital gain for the  
2 taxable year, reduced in either case by any amount of  
3 such gain included in the amount determined under  
4 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

1 period for the property.

2 (C) The Department shall prescribe such  
3 regulations as may be necessary to carry out the  
4 purposes of this paragraph.

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

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

17 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
18 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
19 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
20 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
21 eff. 8-23-11; 97-905, eff. 8-7-12.)

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