

**SB2978**



**99TH GENERAL ASSEMBLY**

**State of Illinois**

**2015 and 2016**

**SB2978**

Introduced 2/18/2016, by Sen. Neil Anderson

**SYNOPSIS AS INTRODUCED:**

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction in an amount equal to any overtime wages paid to the taxpayer during the taxable year. Effective immediately.

LRB099 18490 HLH 42869 b

FISCAL NOTE ACT  
MAY APPLY

**A BILL FOR**

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 203 as follows:

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

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

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

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

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

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

26 The taxpayer is required to make the addition

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

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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



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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (G) The valuation limitation amount;

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

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

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

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



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

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

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

1 provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1 equal to that addition modification.

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

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

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

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

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

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

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

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

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

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

11 -

12 (HH) For taxable years beginning on or after  
13 January 1, 2016, an amount equal to any overtime wages  
14 paid to the taxpayer during the taxable year, at  
15 regular or overtime rates, in excess of the taxpayer's  
16 regular and normal monthly or weekly salary. This  
17 subparagraph (HH) is exempt from the provisions of  
18 Section 250.

19 (b) Corporations.

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

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

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

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

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

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

23           (E) For taxable years in which a net operating loss  
24 carryback or carryforward from a taxable year ending  
25 prior to December 31, 1986 is an element of taxable  
26 income under paragraph (1) of subsection (e) or

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

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

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

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

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

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

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

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

25 The taxpayer is required to make the addition  
26 modification under this subparagraph only once with

1 respect to any one piece of property;

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



1 same person to whom the interest was paid, accrued, or  
2 incurred.

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

21          (E-13) An amount equal to the amount of intangible  
22          expenses and costs otherwise allowed as a deduction in  
23          computing base income, and that were paid, accrued, or  
24          incurred, directly or indirectly, (i) for taxable  
25          years ending on or after December 31, 2004, to a  
26          foreign person who would be a member of the same

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

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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

1 modification required under Section 203(b) (2) (E-12) or  
2 Section 203(b) (2) (E-13) of this Act;

3 (E-15) For taxable years beginning after December  
4 31, 2008, any deduction for dividends paid by a captive  
5 real estate investment trust that is allowed to a real  
6 estate investment trust under Section 857(b) (2) (B) of  
7 the Internal Revenue Code for dividends paid;

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

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

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

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

19 (H) In the case of a regulated investment company,  
20 an amount equal to the amount of exempt interest  
21 dividends as defined in subsection (b) (5) of Section  
22 852 of the Internal Revenue Code, paid to shareholders  
23 for the taxable year;

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

1 171(a) (2), and 265(a)(2) and amounts disallowed as  
2 interest expense by Section 291(a)(3) of the Internal  
3 Revenue Code, and all amounts of expenses allocable to  
4 interest and disallowed as deductions by Section  
5 265(a)(1) of the Internal Revenue Code; and (ii) for  
6 taxable years ending on or after August 13, 1999,  
7 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
8 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
9 for tax years ending on or after December 31, 2011,  
10 amounts disallowed as deductions by Section 45G(e)(3)  
11 of the Internal Revenue Code and, for taxable years  
12 ending on or after December 31, 2008, any amount  
13 included in gross income under Section 87 of the  
14 Internal Revenue Code and the policyholders' share of  
15 tax-exempt interest of a life insurance company under  
16 Section 807(a)(2)(B) of the Internal Revenue Code (in  
17 the case of a life insurance company with gross income  
18 from a decrease in reserves for the tax year) or  
19 Section 807(b)(1)(B) of the Internal Revenue Code (in  
20 the case of a life insurance company allowed a  
21 deduction for an increase in reserves for the tax  
22 year); the provisions of this subparagraph are exempt  
23 from the provisions of Section 250;

24 (J) An amount equal to all amounts included in such  
25 total which are exempt from taxation by this State  
26 either by reason of its statutes or Constitution or by



1 reason of the Constitution, treaties or statutes of the  
2 United States; provided that, in the case of any  
3 statute of this State that exempts income derived from  
4 bonds or other obligations from the tax imposed under  
5 this Act, the amount exempted shall be the interest net  
6 of bond premium amortization;

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

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

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

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

20 (M-1) For any taxpayer that is a financial  
21 organization within the meaning of Section 304(c) of  
22 this Act, an amount included in such total as interest  
23 income from a loan or loans made by such taxpayer to a  
24 borrower, to the extent that such a loan is secured by  
25 property which is eligible for the High Impact Business  
26 Investment Credit. To determine the portion of a loan

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

19 (N) Two times any contribution made during the  
20 taxable year to a designated zone organization to the  
21 extent that the contribution (i) qualifies as a  
22 charitable contribution under subsection (c) of  
23 Section 170 of the Internal Revenue Code and (ii) must,  
24 by its terms, be used for a project approved by the  
25 Department of Commerce and Economic Opportunity under  
26 Section 11 of the Illinois Enterprise Zone Act or under

1 Section 10-10 of the River Edge Redevelopment Zone Act.  
2 This subparagraph (N) is exempt from the provisions of  
3 Section 250;

4 (O) An amount equal to: (i) 85% for taxable years  
5 ending on or before December 31, 1992, or, a percentage  
6 equal to the percentage allowable under Section  
7 243(a)(1) of the Internal Revenue Code of 1986 for  
8 taxable years ending after December 31, 1992, of the  
9 amount by which dividends included in taxable income  
10 and received from a corporation that is not created or  
11 organized under the laws of the United States or any  
12 state or political subdivision thereof, including, for  
13 taxable years ending on or after December 31, 1988,  
14 dividends received or deemed received or paid or deemed  
15 paid under Sections 951 through 965 of the Internal  
16 Revenue Code, exceed the amount of the modification  
17 provided under subparagraph (G) of paragraph (2) of  
18 this subsection (b) which is related to such dividends,  
19 and including, for taxable years ending on or after  
20 December 31, 2008, dividends received from a captive  
21 real estate investment trust; plus (ii) 100% of the  
22 amount by which dividends, included in taxable income  
23 and received, including, for taxable years ending on or  
24 after December 31, 1988, dividends received or deemed  
25 received or paid or deemed paid under Sections 951  
26 through 964 of the Internal Revenue Code and including,

1 for taxable years ending on or after December 31, 2008,  
2 dividends received from a captive real estate  
3 investment trust, from any such corporation specified  
4 in clause (i) that would but for the provisions of  
5 Section 1504 (b) (3) of the Internal Revenue Code be  
6 treated as a member of the affiliated group which  
7 includes the dividend recipient, exceed the amount of  
8 the modification provided under subparagraph (G) of  
9 paragraph (2) of this subsection (b) which is related  
10 to such dividends. This subparagraph (O) is exempt from  
11 the provisions of Section 250 of this Act;

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

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

20 (R) On and after July 20, 1999, in the case of an  
21 attorney-in-fact with respect to whom an interinsurer  
22 or a reciprocal insurer has made the election under  
23 Section 835 of the Internal Revenue Code, 26 U.S.C.  
24 835, an amount equal to the excess, if any, of the  
25 amounts paid or incurred by that interinsurer or  
26 reciprocal insurer in the taxable year to the

1 attorney-in-fact over the deduction allowed to that  
2 interinsurer or reciprocal insurer with respect to the  
3 attorney-in-fact under Section 835(b) of the Internal  
4 Revenue Code for the taxable year; the provisions of  
5 this subparagraph are exempt from the provisions of  
6 Section 250;

7 (S) For taxable years ending on or after December  
8 31, 1997, in the case of a Subchapter S corporation, an  
9 amount equal to all amounts of income allocable to a  
10 shareholder subject to the Personal Property Tax  
11 Replacement Income Tax imposed by subsections (c) and  
12 (d) of Section 201 of this Act, including amounts  
13 allocable to organizations exempt from federal income  
14 tax by reason of Section 501(a) of the Internal Revenue  
15 Code. This subparagraph (S) is exempt from the  
16 provisions of Section 250;

17 (T) For taxable years 2001 and thereafter, for the  
18 taxable year in which the bonus depreciation deduction  
19 is taken on the taxpayer's federal income tax return  
20 under subsection (k) of Section 168 of the Internal  
21 Revenue Code and for each applicable taxable year  
22 thereafter, an amount equal to "x", where:

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

1 taxable year under Section 203(b)(2)(E-13) for  
2 intangible expenses and costs paid, accrued, or  
3 incurred, directly or indirectly, to the same foreign  
4 person. This subparagraph (X) is exempt from the  
5 provisions of Section 250;

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

21 (Z) The difference between the nondeductible  
22 controlled foreign corporation dividends under Section  
23 965(e)(3) of the Internal Revenue Code over the taxable  
24 income of the taxpayer, computed without regard to  
25 Section 965(e)(2)(A) of the Internal Revenue Code, and  
26 without regard to any net operating loss deduction.

1           This subparagraph (Z) is exempt from the provisions of  
2           Section 250.

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

11          (c) Trusts and estates.

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

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

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

23           (B) In the case of (i) an estate, \$600; (ii) a  
24           trust which, under its governing instrument, is  
25           required to distribute all of its income currently,

1           \$300; and (iii) any other trust, \$100, but in each such  
2 case, only to the extent such amount was deducted in  
3 the computation of taxable income;

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

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

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

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

1           was taken into account in calculating the base  
2           income of an earlier taxable year, and

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

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

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

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

25                  (G-5) For taxable years ending after December 31,  
26          1997, an amount equal to any eligible remediation costs

1           that the trust or estate deducted in computing adjusted  
2           gross income and for which the trust or estate claims a  
3           credit under subsection (l) of Section 201;

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

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

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 allowed in any taxable year to make a subtraction  
21          modification under subparagraph (R), then an amount  
22          equal to that subtraction modification.

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

26          (G-12) An amount equal to the amount otherwise

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



1 This paragraph shall not apply to the following:

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

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

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

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

23 (iii) the taxpayer can establish, based on  
24 clear and convincing evidence, that the interest  
25 paid, accrued, or incurred relates to a contract or  
26 agreement entered into at arm's-length rates and

1 terms and the principal purpose for the payment is  
2 not federal or Illinois tax avoidance; or

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

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

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

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

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

12 This paragraph shall not apply to the following:

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

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

25 (a) the person during the same taxable  
26 year paid, accrued, or incurred, the

1 intangible expense or cost to a person that is  
2 not a related member, and

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

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

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

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

1           (G-15) An amount equal to the credit allowable to  
2           the taxpayer under Section 218(a) of this Act,  
3           determined without regard to Section 218(c) of this  
4           Act;

5           and by deducting from the total so obtained the sum of the  
6           following amounts:

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

18          (I) The valuation limitation amount;

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

22          (K) An amount equal to all amounts included in  
23          taxable income as modified by subparagraphs (A), (B),  
24          (C), (D), (E), (F) and (G) which are exempt from  
25          taxation by this State either by reason of its statutes  
26          or Constitution or by reason of the Constitution,

1 treaties or statutes of the United States; provided  
2 that, in the case of any statute of this State that  
3 exempts income derived from bonds or other obligations  
4 from the tax imposed under this Act, the amount  
5 exempted shall be the interest net of bond premium  
6 amortization;

7 (L) With the exception of any amounts subtracted  
8 under subparagraph (K), an amount equal to the sum of  
9 all amounts disallowed as deductions by (i) Sections  
10 171(a) (2) and 265(a) (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 (M) 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 in a River Edge Redevelopment  
3 Zone or zones. This subparagraph (M) is exempt from the  
4 provisions of Section 250;

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

8 (O) 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 (M) of paragraph (2) of this subsection  
15 shall not be eligible for the deduction provided under  
16 this subparagraph (O);

17 (P) 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 (Q) For taxable year 1999 and thereafter, an amount  
23 equal to the amount of any (i) distributions, to the  
24 extent includible in gross income for federal income  
25 tax purposes, made to the taxpayer because of his or  
26 her status as a victim of persecution for racial or

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

1 purposes. This paragraph is exempt from the provisions  
2 of Section 250;

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

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

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

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

22 (i) for property on which a bonus  
23 depreciation deduction of 30% of the adjusted  
24 basis was taken, "x" equals "y" multiplied by  
25 30 and then divided by 70 (or "y" multiplied by  
26 0.429); and

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

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

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

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

25                  The taxpayer is allowed to take the deduction under  
26                  this subparagraph only once with respect to any one

1 piece of property.

2 This subparagraph (S) is exempt from the  
3 provisions of Section 250;

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

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

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

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

1 unitary business group because he or she is ordinarily  
2 required to apportion business income under different  
3 subsections of Section 304, but not to exceed the  
4 addition modification required to be made for the same  
5 taxable year under Section 203(c)(2)(G-13) for  
6 intangible expenses and costs paid, accrued, or  
7 incurred, directly or indirectly, to the same foreign  
8 person. This subparagraph (V) is exempt from the  
9 provisions of Section 250;

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

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

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

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

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

18 (d) Partnerships.

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

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

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



1 to the taxpayer as interest or dividends during the  
2 taxable year to the extent excluded from gross income  
3 in the computation of taxable income;

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

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

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

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

19 (D-6) If the taxpayer sells, transfers, abandons,  
20 or otherwise disposes of property for which the  
21 taxpayer was required in any taxable year to make an  
22 addition modification under subparagraph (D-5), then  
23 an amount equal to the aggregate amount of the  
24 deductions taken in all taxable years under  
25 subparagraph (D) 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 (O), then an amount  
6 equal to that subtraction modification.

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

10 (D-7) 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; and

3           (D-8) 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(d)(2)(D-7) 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 (D-9) For taxable years ending on or after December  
12 31, 2008, an amount equal to the amount of insurance  
13 premium expenses and costs otherwise allowed as a  
14 deduction in computing base income, and that were paid,  
15 accrued, or incurred, directly or indirectly, to a  
16 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(d)(2)(D-7) or  
10 Section 203(d)(2)(D-8) of this Act;

11 (D-10) 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 following  
16 amounts:

17 (E) The valuation limitation amount;

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

21 (G) An amount equal to all amounts included in  
22 taxable income as modified by subparagraphs (A), (B),  
23 (C) and (D) which are exempt from taxation by this  
24 State either by reason of its statutes or Constitution  
25 or by reason of the Constitution, treaties or statutes  
26 of the United States; provided that, in the case of any

1 statute of this State that exempts income derived from  
2 bonds or other obligations from the tax imposed under  
3 this Act, the amount exempted shall be the interest net  
4 of bond premium amortization;

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

13 (I) An amount equal to all amounts of income  
14 distributable to an entity subject to the Personal  
15 Property Tax Replacement Income Tax imposed by  
16 subsections (c) and (d) of Section 201 of this Act  
17 including amounts distributable to organizations  
18 exempt from federal income tax by reason of Section  
19 501(a) of the Internal Revenue Code; this subparagraph  
20 (I) is exempt from the provisions of Section 250;

21 (J) With the exception of any amounts subtracted  
22 under subparagraph (G), an amount equal to the sum of  
23 all amounts disallowed as deductions by (i) Sections  
24 171(a) (2), and 265(2) of the Internal Revenue Code,  
25 and all amounts of expenses allocable to interest and  
26 disallowed as deductions by Section 265(1) of the

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

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

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

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

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

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

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

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

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

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

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

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

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