

1 AN ACT concerning taxes.

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  
12 paragraph (2).

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

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

23 (B) An amount equal to the amount of tax  
24 imposed by this Act to the extent deducted from  
25 gross income in the computation of adjusted gross  
26 income for the taxable year;

27 (C) An amount equal to the amount received  
28 during the taxable year as a recovery or refund of  
29 real property taxes paid with respect to the  
30 taxpayer's principal residence under the Revenue Act  
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)  
2 prior to July 1, 1991, the retrospective application  
3 date of Article 4 of Public Act 87-17. In the case  
4 of multi-unit or multi-use structures and farm  
5 dwellings, the taxes on the taxpayer's principal  
6 residence shall be that portion of the total taxes  
7 for the entire property which is attributable to  
8 such principal residence;

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

13 (D-5) An amount, to the extent not included in  
14 adjusted gross income, equal to the amount of money  
15 withdrawn by the taxpayer in the taxable year from a  
16 medical care savings account and the interest earned  
17 on the account in the taxable year of a withdrawal  
18 pursuant to subsection (b) of Section 20 of the  
19 Medical Care Savings Account Act or subsection (b)  
20 of Section 20 of the Medical Care Savings Account  
21 Act of 2000;

22 (D-10) For taxable years ending after December  
23 31, 1997, an amount equal to any eligible  
24 remediation costs that the individual deducted in  
25 computing adjusted gross income and for which the  
26 individual claims a credit under subsection (l) of  
27 Section 201;

28 (D-15) For taxable years 2001 and thereafter,  
29 an amount equal to the bonus depreciation deduction  
30 (30% of the adjusted basis of the qualified  
31 property) taken on the taxpayer's federal income tax  
32 return for the taxable year under subsection (k) of  
33 Section 168 of the Internal Revenue Code; and

34 (D-16) If the taxpayer reports a capital gain

1 or loss on the taxpayer's federal income tax return  
 2 for the taxable year based on a sale or transfer of  
 3 property for which the taxpayer was required in any  
 4 taxable year to make an addition modification under  
 5 subparagraph (D-15), then an amount equal to the  
 6 aggregate amount of the deductions taken in all  
 7 taxable years under subparagraph (Z) with respect to  
 8 that property.†

9 The taxpayer is required to make the addition  
 10 modification under this subparagraph only once with  
 11 respect to any one piece of property;‡ and

12 (D-20) ~~(D-15)~~ For taxable years beginning on  
 13 or after January 1, 2002, in the case of a  
 14 distribution from a qualified tuition program under  
 15 Section 529 of the Internal Revenue Code, other than  
 16 (i) a distribution from a College Savings Pool  
 17 created under Section 16.5 of the State Treasurer  
 18 Act or (ii) a distribution from the Illinois Prepaid  
 19 Tuition Trust Fund, an amount equal to the amount  
 20 excluded from gross income under Section  
 21 529(c)(3)(B);

22 and by deducting from the total so obtained the sum of  
 23 the following amounts:

24 (E) For taxable years ending before December  
 25 31, 2001, any amount included in such total in  
 26 respect of any compensation (including but not  
 27 limited to any compensation paid or accrued to a  
 28 serviceman while a prisoner of war or missing in  
 29 action) paid to a resident by reason of being on  
 30 active duty in the Armed Forces of the United States  
 31 and in respect of any compensation paid or accrued  
 32 to a resident who as a governmental employee was a  
 33 prisoner of war or missing in action, and in respect  
 34 of any compensation paid to a resident in 1971 or

1 thereafter for annual training performed pursuant to  
2 Sections 502 and 503, Title 32, United States Code  
3 as a member of the Illinois National Guard. For  
4 taxable years ending on or after December 31, 2001,  
5 any amount included in such total in respect of any  
6 compensation (including but not limited to any  
7 compensation paid or accrued to a serviceman while a  
8 prisoner of war or missing in action) paid to a  
9 resident by reason of being a member of any  
10 component of the Armed Forces of the United States  
11 and in respect of any compensation paid or accrued  
12 to a resident who as a governmental employee was a  
13 prisoner of war or missing in action, and in respect  
14 of any compensation paid to a resident in 2001 or  
15 thereafter by reason of being a member of the  
16 Illinois National Guard. The provisions of this  
17 amendatory Act of the 92nd General Assembly are  
18 exempt from the provisions of Section 250;

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

30 (G) The valuation limitation amount;

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

1           (I) An amount equal to all amounts included in  
2 such total pursuant to the provisions of Section 111  
3 of the Internal Revenue Code as a recovery of items  
4 previously deducted from adjusted gross income in  
5 the computation of taxable income;

6           (J) An amount equal to those dividends  
7 included in such total which were paid by a  
8 corporation which conducts business operations in an  
9 Enterprise Zone or zones created under the Illinois  
10 Enterprise Zone Act, and conducts substantially all  
11 of its operations in an Enterprise Zone or zones;

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

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

27           (M) With the exception of any amounts  
28 subtracted under subparagraph (N), an amount equal  
29 to the sum of all amounts disallowed as deductions  
30 by (i) Sections 171(a) (2), and 265(2) of the  
31 Internal Revenue Code of 1954, as now or hereafter  
32 amended, and all amounts of expenses allocable to  
33 interest and disallowed as deductions by Section  
34 265(1) of the Internal Revenue Code of 1954, as now

1 or hereafter amended; and (ii) for taxable years  
2 ending on or after August 13, 1999, Sections  
3 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
4 Internal Revenue Code; the provisions of this  
5 subparagraph are exempt from the provisions of  
6 Section 250;

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

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

20 (P) An amount equal to the amount of the  
21 deduction used to compute the federal income tax  
22 credit for restoration of substantial amounts held  
23 under claim of right for the taxable year pursuant  
24 to Section 1341 of the Internal Revenue Code of  
25 1986;

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

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

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

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

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

24           (V) Beginning with tax years ending on or  
25 after December 31, 1995 and ending with tax years  
26 ending on or before December 31, 2004, an amount  
27 equal to the amount paid by a taxpayer who is a  
28 self-employed taxpayer, a partner of a partnership,  
29 or a shareholder in a Subchapter S corporation for  
30 health insurance or long-term care insurance for  
31 that taxpayer or that taxpayer's spouse or  
32 dependents, to the extent that the amount paid for  
33 that health insurance or long-term care insurance  
34 may be deducted under Section 213 of the Internal

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

19 (W) For taxable years beginning on or after  
20 January 1, 1998, all amounts included in the  
21 taxpayer's federal gross income in the taxable year  
22 from amounts converted from a regular IRA to a Roth  
23 IRA. This paragraph is exempt from the provisions of  
24 Section 250;

25 (X) For taxable year 1999 and thereafter, an  
26 amount equal to the amount of any (i) distributions,  
27 to the extent includible in gross income for federal  
28 income tax purposes, made to the taxpayer because of  
29 his or her status as a victim of persecution for  
30 racial or religious reasons by Nazi Germany or any  
31 other Axis regime or as an heir of the victim and  
32 (ii) items of income, to the extent includible in  
33 gross income for federal income tax purposes,  
34 attributable to, derived from or in any way related



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

26 (Y) For taxable years beginning on or after  
27 January 1, 2002, moneys contributed in the taxable  
28 year to a College Savings Pool account under Section  
29 16.5 of the State Treasurer Act, except that amounts  
30 excluded from gross income under Section  
31 529(c)(3)(C)(i) of the Internal Revenue Code shall  
32 not be considered moneys contributed under this  
33 subparagraph (Y). This subparagraph (Y) is exempt  
34 from the provisions of Section 250;

1           (Z) For taxable years 2001 and thereafter, for  
2 the taxable year in which the bonus depreciation  
3 deduction (30% of the adjusted basis of the  
4 qualified property) is taken on the taxpayer's  
5 federal income tax return under subsection (k) of  
6 Section 168 of the Internal Revenue Code and for  
7 each applicable taxable year thereafter, an amount  
8 equal to "x", where:

9           (1) "y" equals the amount of the  
10 depreciation deduction taken for the taxable  
11 year on the taxpayer's federal income tax  
12 return on property for which the bonus  
13 depreciation deduction (30% of the adjusted  
14 basis of the qualified property) was taken in  
15 any year under subsection (k) of Section 168 of  
16 the Internal Revenue Code, but not including  
17 the bonus depreciation deduction; and

18           (2) "x" equals "y" multiplied by 30 and  
19 then divided by 70 (or "y" multiplied by  
20 0.429).

21           The aggregate amount deducted under this  
22 subparagraph in all taxable years for any one piece  
23 of property may not exceed the amount of the bonus  
24 depreciation deduction (30% of the adjusted basis of  
25 the qualified property) taken on that property on  
26 the taxpayer's federal income tax return under  
27 subsection (k) of Section 168 of the Internal  
28 Revenue Code; and

29           (AA) If the taxpayer reports a capital gain or  
30 loss on the taxpayer's federal income tax return for  
31 the taxable year based on a sale or transfer of  
32 property for which the taxpayer was required in any  
33 taxable year to make an addition modification under  
34 subparagraph (D-15), then an amount equal to that

1 addition modification.

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

5 (BB) †Z‡ Any amount included in adjusted gross  
6 income, other than salary, received by a driver in a  
7 ridesharing arrangement using a motor vehicle ; and

8 (CC) For taxable years ending on or after  
9 December 31, 2003, any amount included in adjusted  
10 gross income received by a teacher for work at a  
11 qualifying school. For purposes of this  
12 subparagraph, "teacher" means a person employed in  
13 an instructional position at a qualifying school and  
14 "qualifying school" means either (i) a nonprofit  
15 elementary or secondary school in Illinois, other  
16 than a public school, that is in compliance with  
17 Title VI of the Civil Rights Act of 1964 and  
18 attendance at which satisfies the requirements of  
19 Section 26-1 of the School Code or (ii) a public  
20 elementary or secondary school. This subparagraph is  
21 exempt from the provisions of Section 250.

22 (b) Corporations.

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

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

29 (A) An amount equal to all amounts paid or  
30 accrued to the taxpayer as interest and all  
31 distributions received from regulated investment  
32 companies during the taxable year to the extent  
33 excluded from gross income in the computation of  
34 taxable income;

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

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

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

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

30               (i) the addition modification relating to  
31 the net operating loss carried back or forward  
32 to the taxable year from any taxable year  
33 ending prior to December 31, 1986 shall be  
34 reduced by the amount of addition modification

1 under this subparagraph (E) which related to  
2 that net operating loss and which was taken  
3 into account in calculating the base income of  
4 an earlier taxable year, and

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

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

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

25 (E-10) For taxable years 2001 and thereafter,  
26 an amount equal to the bonus depreciation deduction  
27 (30% of the adjusted basis of the qualified  
28 property) taken on the taxpayer's federal income tax  
29 return for the taxable year under subsection (k) of  
30 Section 168 of the Internal Revenue Code; and

31 (E-11) If the taxpayer reports a capital gain  
32 or loss on the taxpayer's federal income tax return  
33 for the taxable year based on a sale or transfer of  
34 property for which the taxpayer was required in any

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

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

9 and by deducting from the total so obtained the sum of  
10 the following amounts:

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

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

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

23 (I) With the exception of any amounts  
24 subtracted under subparagraph (J), an amount equal  
25 to the sum of all amounts disallowed as deductions  
26 by (i) Sections 171(a) (2), and 265(a)(2) and  
27 amounts disallowed as interest expense by Section  
28 291(a)(3) of the Internal Revenue Code, as now or  
29 hereafter amended, and all amounts of expenses  
30 allocable to interest and disallowed as deductions  
31 by Section 265(a)(1) of the Internal Revenue Code,  
32 as now or hereafter amended; and (ii) for taxable  
33 years ending on or after August 13, 1999, Sections  
34 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)

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

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

14 (K) An amount equal to those dividends  
15 included in such total which were paid by a  
16 corporation which conducts business operations in an  
17 Enterprise Zone or zones created under the Illinois  
18 Enterprise Zone Act and conducts substantially all  
19 of its operations in an Enterprise Zone or zones;

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

30 (M) For any taxpayer that is a financial  
31 organization within the meaning of Section 304(c) of  
32 this Act, an amount included in such total as  
33 interest income from a loan or loans made by such  
34 taxpayer to a borrower, to the extent that such a

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

18 (M-1) For any taxpayer that is a financial  
19 organization within the meaning of Section 304(c) of  
20 this Act, an amount included in such total as  
21 interest income from a loan or loans made by such  
22 taxpayer to a borrower, to the extent that such a  
23 loan is secured by property which is eligible for  
24 the High Impact Business Investment Credit. To  
25 determine the portion of a loan or loans that is  
26 secured by property eligible for a Section 201(h)  
27 investment credit to the borrower, the entire  
28 principal amount of the loan or loans between the  
29 taxpayer and the borrower should be divided into the  
30 basis of the Section 201(h) investment credit  
31 property which secures the loan or loans, using for  
32 this purpose the original basis of such property on  
33 the date that it was placed in service in a  
34 federally designated Foreign Trade Zone or Sub-Zone



1 located in Illinois. No taxpayer that is eligible  
2 for the deduction provided in subparagraph (M) of  
3 paragraph (2) of this subsection shall be eligible  
4 for the deduction provided under this subparagraph  
5 (M-1). The subtraction modification available to  
6 taxpayers in any year under this subsection shall be  
7 that portion of the total interest paid by the  
8 borrower with respect to such loan attributable to  
9 the eligible property as calculated under the  
10 previous sentence;

11 (N) Two times any contribution made during the  
12 taxable year to a designated zone organization to  
13 the extent that the contribution (i) qualifies as a  
14 charitable contribution under subsection (c) of  
15 Section 170 of the Internal Revenue Code and (ii)  
16 must, by its terms, be used for a project approved  
17 by the Department of Commerce and Community Affairs  
18 under Section 11 of the Illinois Enterprise Zone  
19 Act;

20 (O) An amount equal to: (i) 85% for taxable  
21 years ending on or before December 31, 1992, or, a  
22 percentage equal to the percentage allowable under  
23 Section 243(a)(1) of the Internal Revenue Code of  
24 1986 for taxable years ending after December 31,  
25 1992, of the amount by which dividends included in  
26 taxable income and received from a corporation that  
27 is not created or organized under the laws of the  
28 United States or any state or political subdivision  
29 thereof, including, for taxable years ending on or  
30 after December 31, 1988, dividends received or  
31 deemed received or paid or deemed paid under  
32 Sections 951 through 964 of the Internal Revenue  
33 Code, exceed the amount of the modification provided  
34 under subparagraph (G) of paragraph (2) of this

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

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

19 (Q) An amount equal to the amount of the  
20 deduction used to compute the federal income tax  
21 credit for restoration of substantial amounts held  
22 under claim of right for the taxable year pursuant  
23 to Section 1341 of the Internal Revenue Code of  
24 1986;

25 (R) In the case of an attorney-in-fact with  
26 respect to whom an interinsurer or a reciprocal  
27 insurer has made the election under Section 835 of  
28 the Internal Revenue Code, 26 U.S.C. 835, an amount  
29 equal to the excess, if any, of the amounts paid or  
30 incurred by that interinsurer or reciprocal insurer  
31 in the taxable year to the attorney-in-fact over the  
32 deduction allowed to that interinsurer or reciprocal  
33 insurer with respect to the attorney-in-fact under  
34 Section 835(b) of the Internal Revenue Code for the

1 taxable year;

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

13 (T) For taxable years 2001 and thereafter, for  
14 the taxable year in which the bonus depreciation  
15 deduction (30% of the adjusted basis of the  
16 qualified property) is taken on the taxpayer's  
17 federal income tax return under subsection (k) of  
18 Section 168 of the Internal Revenue Code and for  
19 each applicable taxable year thereafter, an amount  
20 equal to "x", where:

21 (1) "y" equals the amount of the  
22 depreciation deduction taken for the taxable  
23 year on the taxpayer's federal income tax  
24 return on property for which the bonus  
25 depreciation deduction (30% of the adjusted  
26 basis of the qualified property) was taken in  
27 any year under subsection (k) of Section 168 of  
28 the Internal Revenue Code, but not including  
29 the bonus depreciation deduction; and

30 (2) "x" equals "y" multiplied by 30 and  
31 then divided by 70 (or "y" multiplied by  
32 0.429).

33 The aggregate amount deducted under this  
34 subparagraph in all taxable years for any one piece

1 of property may not exceed the amount of the bonus  
2 depreciation deduction (30% of the adjusted basis of  
3 the qualified property) taken on that property on  
4 the taxpayer's federal income tax return under  
5 subsection (k) of Section 168 of the Internal  
6 Revenue Code; and

7 (U) If the taxpayer reports a capital gain or  
8 loss on the taxpayer's federal income tax return for  
9 the taxable year based on a sale or transfer of  
10 property for which the taxpayer was required in any  
11 taxable year to make an addition modification under  
12 subparagraph (E-10), then an amount equal to that  
13 addition modification.

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

17 (3) Special rule. For purposes of paragraph (2)  
18 (A), "gross income" in the case of a life insurance  
19 company, for tax years ending on and after December 31,  
20 1994, shall mean the gross investment income for the  
21 taxable year.

22 (c) Trusts and estates.

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

27 (2) Modifications. Subject to the provisions of  
28 paragraph (3), the taxable income referred to in  
29 paragraph (1) shall be modified by adding thereto the sum  
30 of the following amounts:

31 (A) An amount equal to all amounts paid or  
32 accrued to the taxpayer as interest or dividends  
33 during the taxable year to the extent excluded from  
34 gross income in the computation of taxable income;

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

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

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

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

25 (i) the addition modification relating to  
26 the net operating loss carried back or forward  
27 to the taxable year from any taxable year  
28 ending prior to December 31, 1986 shall be  
29 reduced by the amount of addition modification  
30 under this subparagraph (E) which related to  
31 that net operating loss and which was taken  
32 into account in calculating the base income of  
33 an earlier taxable year, and

34 (ii) the addition modification relating

1 to the net operating loss carried back or  
2 forward to the taxable year from any taxable  
3 year ending prior to December 31, 1986 shall  
4 not exceed the amount of such carryback or  
5 carryforward;

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

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

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

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

30 (G-10) For taxable years 2001 and thereafter,  
31 an amount equal to the bonus depreciation deduction  
32 (30% of the adjusted basis of the qualified  
33 property) taken on the taxpayer's federal income tax  
34 return for the taxable year under subsection (k) of

1 Section 168 of the Internal Revenue Code; and

2 (G-11) If the taxpayer reports a capital gain  
3 or loss on the taxpayer's federal income tax return  
4 for the taxable year based on a sale or transfer of  
5 property for which the taxpayer was required in any  
6 taxable year to make an addition modification under  
7 subparagraph (G-10), then an amount equal to the  
8 aggregate amount of the deductions taken in all  
9 taxable years under subparagraph (R) with respect to  
10 that property.†

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

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

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

27 (I) The valuation limitation amount;

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

32 (K) An amount equal to all amounts included in  
33 taxable income as modified by subparagraphs (A),  
34 (B), (C), (D), (E), (F) and (G) which are exempt

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

9 (L) With the exception of any amounts  
10 subtracted under subparagraph (K), an amount equal  
11 to the sum of all amounts disallowed as deductions  
12 by (i) Sections 171(a) (2) and 265(a)(2) of the  
13 Internal Revenue Code, as now or hereafter amended,  
14 and all amounts of expenses allocable to interest  
15 and disallowed as deductions by Section 265(1) of  
16 the Internal Revenue Code of 1954, as now or  
17 hereafter amended; and (ii) for taxable years ending  
18 on or after August 13, 1999, Sections 171(a)(2),  
19 265, 280C, and 832(b)(5)(B)(i) of the Internal  
20 Revenue Code; the provisions of this subparagraph  
21 are exempt from the provisions of Section 250;

22 (M) An amount equal to those dividends  
23 included in such total which were paid by a  
24 corporation which conducts business operations in an  
25 Enterprise Zone or zones created under the Illinois  
26 Enterprise Zone Act and conducts substantially all  
27 of its operations in an Enterprise Zone or Zones;

28 (N) An amount equal to any contribution made  
29 to a job training project established pursuant to  
30 the Tax Increment Allocation Redevelopment Act;

31 (O) An amount equal to those dividends  
32 included in such total that were paid by a  
33 corporation that conducts business operations in a  
34 federally designated Foreign Trade Zone or Sub-Zone



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

7 (P) An amount equal to the amount of the  
8 deduction used to compute the federal income tax  
9 credit for restoration of substantial amounts held  
10 under claim of right for the taxable year pursuant  
11 to Section 1341 of the Internal Revenue Code of  
12 1986;

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

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

14 (R) For taxable years 2001 and thereafter, for  
15 the taxable year in which the bonus depreciation  
16 deduction (30% of the adjusted basis of the  
17 qualified property) is taken on the taxpayer's  
18 federal income tax return under subsection (k) of  
19 Section 168 of the Internal Revenue Code and for  
20 each applicable taxable year thereafter, an amount  
21 equal to "x", where:

22 (1) "y" equals the amount of the  
23 depreciation deduction taken for the taxable  
24 year on the taxpayer's federal income tax  
25 return on property for which the bonus  
26 depreciation deduction (30% of the adjusted  
27 basis of the qualified property) was taken in  
28 any year under subsection (k) of Section 168 of  
29 the Internal Revenue Code, but not including  
30 the bonus depreciation deduction; and

31 (2) "x" equals "y" multiplied by 30 and  
32 then divided by 70 (or "y" multiplied by  
33 0.429).

34 The aggregate amount deducted under this

1           subparagraph in all taxable years for any one piece  
2           of property may not exceed the amount of the bonus  
3           depreciation deduction (30% of the adjusted basis of  
4           the qualified property) taken on that property on  
5           the taxpayer's federal income tax return under  
6           subsection (k) of Section 168 of the Internal  
7           Revenue Code; and

8           (S) If the taxpayer reports a capital gain or  
9           loss on the taxpayer's federal income tax return for  
10          the taxable year based on a sale or transfer of  
11          property for which the taxpayer was required in any  
12          taxable year to make an addition modification under  
13          subparagraph (G-10), then an amount equal to that  
14          addition modification.

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

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

25          (d) Partnerships.

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

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

32                         (A) An amount equal to all amounts paid or  
33                         accrued to the taxpayer as interest or dividends  
34                         during the taxable year to the extent excluded from

1 gross income in the computation of taxable income;

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

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

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

13 (D-5) For taxable years 2001 and thereafter,  
14 an amount equal to the bonus depreciation deduction  
15 (30% of the adjusted basis of the qualified  
16 property) taken on the taxpayer's federal income tax  
17 return for the taxable year under subsection (k) of  
18 Section 168 of the Internal Revenue Code; and

19 (D-6) If the taxpayer reports a capital gain  
20 or loss on the taxpayer's federal income tax return  
21 for the taxable year based on a sale or transfer of  
22 property for which the taxpayer was required in any  
23 taxable year to make an addition modification under  
24 subparagraph (D-5), then an amount equal to the  
25 aggregate amount of the deductions taken in all  
26 taxable years under subparagraph (D) with respect to  
27 that property.†

28 The taxpayer is required to make the addition  
29 modification under this subparagraph only once with  
30 respect to any one piece of property;

31 and by deducting from the total so obtained the following  
32 amounts:

33 (E) The valuation limitation amount;

34 (F) An amount equal to the amount of any tax

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

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

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

22 (I) An amount equal to all amounts of income  
23 distributable to an entity subject to the Personal  
24 Property Tax Replacement Income Tax imposed by  
25 subsections (c) and (d) of Section 201 of this Act  
26 including amounts distributable to organizations  
27 exempt from federal income tax by reason of Section  
28 501(a) of the Internal Revenue Code;

29 (J) With the exception of any amounts  
30 subtracted under subparagraph (G), an amount equal  
31 to the sum of all amounts disallowed as deductions  
32 by (i) Sections 171(a) (2), and 265(2) of the  
33 Internal Revenue Code of 1954, as now or hereafter  
34 amended, and all amounts of expenses allocable to

1 interest and disallowed as deductions by Section  
2 265(1) of the Internal Revenue Code, as now or  
3 hereafter amended; and (ii) for taxable years ending  
4 on or after August 13, 1999, Sections 171(a)(2),  
5 265, 280C, and 832(b)(5)(B)(i) of the Internal  
6 Revenue Code; the provisions of this subparagraph  
7 are exempt from the provisions of Section 250;

8 (K) An amount equal to those dividends  
9 included in such total which were paid by a  
10 corporation which conducts business operations in an  
11 Enterprise Zone or zones created under the Illinois  
12 Enterprise Zone Act, enacted by the 82nd General  
13 Assembly, and conducts substantially all of its  
14 operations in an Enterprise Zone or Zones;

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

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

29 (N) An amount equal to the amount of the  
30 deduction used to compute the federal income tax  
31 credit for restoration of substantial amounts held  
32 under claim of right for the taxable year pursuant  
33 to Section 1341 of the Internal Revenue Code of  
34 1986;

1           (O) For taxable years 2001 and thereafter, for  
2 the taxable year in which the bonus depreciation  
3 deduction (30% of the adjusted basis of the  
4 qualified property) is taken on the taxpayer's  
5 federal income tax return under subsection (k) of  
6 Section 168 of the Internal Revenue Code and for  
7 each applicable taxable year thereafter, an amount  
8 equal to "x", where:

9           (1) "y" equals the amount of the  
10 depreciation deduction taken for the taxable  
11 year on the taxpayer's federal income tax  
12 return on property for which the bonus  
13 depreciation deduction (30% of the adjusted  
14 basis of the qualified property) was taken in  
15 any year under subsection (k) of Section 168 of  
16 the Internal Revenue Code, but not including  
17 the bonus depreciation deduction; and

18           (2) "x" equals "y" multiplied by 30 and  
19 then divided by 70 (or "y" multiplied by  
20 0.429).

21           The aggregate amount deducted under this  
22 subparagraph in all taxable years for any one piece  
23 of property may not exceed the amount of the bonus  
24 depreciation deduction (30% of the adjusted basis of  
25 the qualified property) taken on that property on  
26 the taxpayer's federal income tax return under  
27 subsection (k) of Section 168 of the Internal  
28 Revenue Code; and

29           (P) If the taxpayer reports a capital gain or  
30 loss on the taxpayer's federal income tax return for  
31 the taxable year based on a sale or transfer of  
32 property for which the taxpayer was required in any  
33 taxable year to make an addition modification under  
34 subparagraph (D-5), then an amount equal to that

1 addition modification.

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

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

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



1 applied under Section 172 of the Internal Revenue Code or  
2 under subparagraph (E) of paragraph (2) of this  
3 subsection (e) applied in conjunction with Section 172 of  
4 the Internal Revenue Code.

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

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

15 (B) Certain other insurance companies. In the  
16 case of mutual insurance companies subject to the  
17 tax imposed by Section 831 of the Internal Revenue  
18 Code, insurance company taxable income;

19 (C) Regulated investment companies. In the  
20 case of a regulated investment company subject to  
21 the tax imposed by Section 852 of the Internal  
22 Revenue Code, investment company taxable income;

23 (D) Real estate investment trusts. In the  
24 case of a real estate investment trust subject to  
25 the tax imposed by Section 857 of the Internal  
26 Revenue Code, real estate investment trust taxable  
27 income;

28 (E) Consolidated corporations. In the case of  
29 a corporation which is a member of an affiliated  
30 group of corporations filing a consolidated income  
31 tax return for the taxable year for federal income  
32 tax purposes, taxable income determined as if such  
33 corporation had filed a separate return for federal  
34 income tax purposes for the taxable year and each

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

7 (F) Cooperatives. In the case of a  
8 cooperative corporation or association, the taxable  
9 income of such organization determined in accordance  
10 with the provisions of Section 1381 through 1388 of  
11 the Internal Revenue Code;

12 (G) Subchapter S corporations. In the case  
13 of: (i) a Subchapter S corporation for which there  
14 is in effect an election for the taxable year under  
15 Section 1362 of the Internal Revenue Code, the  
16 taxable income of such corporation determined in  
17 accordance with Section 1363(b) of the Internal  
18 Revenue Code, except that taxable income shall take  
19 into account those items which are required by  
20 Section 1363(b)(1) of the Internal Revenue Code to  
21 be separately stated; and (ii) a Subchapter S  
22 corporation for which there is in effect a federal  
23 election to opt out of the provisions of the  
24 Subchapter S Revision Act of 1982 and have applied  
25 instead the prior federal Subchapter S rules as in  
26 effect on July 1, 1982, the taxable income of such  
27 corporation determined in accordance with the  
28 federal Subchapter S rules as in effect on July 1,  
29 1982; and

30 (H) Partnerships. In the case of a  
31 partnership, taxable income determined in accordance  
32 with Section 703 of the Internal Revenue Code,  
33 except that taxable income shall take into account  
34 those items which are required by Section 703(a)(1)

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

4 (f) Valuation limitation amount.

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

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

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

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

24 (A) If the fair market value of property  
25 referred to in paragraph (1) was readily  
26 ascertainable on August 1, 1969, the pre-August 1,  
27 1969 appreciation amount for such property is the  
28 lesser of (i) the excess of such fair market value  
29 over the taxpayer's basis (for determining gain) for  
30 such property on that date (determined under the  
31 Internal Revenue Code as in effect on that date), or  
32 (ii) the total gain realized and reportable for  
33 federal income tax purposes in respect of the sale,  
34 exchange or other disposition of such property.

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

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

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

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

28 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
29 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
30 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
31 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
32 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
33 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

1           Section 99. Effective date. This Act takes effect upon  
2 becoming law.