



## 93RD GENERAL ASSEMBLY

### State of Illinois

### 2003 and 2004

Introduced 02/09/04, by Chapin Rose

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203  
110 ILCS 979/55

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Provides that, for taxable years beginning on or after January 1, 2004, moneys contributed during the taxable year by the taxpayer for the purchase of an Illinois prepaid tuition contract, excluding moneys rolled over from another qualified tuition program account, may be deducted from the taxpayer's federal adjusted gross income in arriving at base income for Illinois income tax purposes. Exempts the deduction from the sunset provisions of the Act. Amends the Illinois Prepaid Tuition Act to include a reference to the deduction. Effective immediately.

LRB093 16720 SJM 42371 b

FISCAL NOTE ACT  
MAY APPLY

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 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  
24 this Act to the extent deducted from gross income in  
25 the computation of adjusted gross income for the  
26 taxable year;

27 (C) An amount equal to the amount received during  
28 the taxable year as a recovery or refund of real  
29 property taxes paid with respect to the taxpayer's  
30 principal residence under the Revenue Act of 1939 and  
31 for which a deduction was previously taken under  
32 subparagraph (L) of this paragraph (2) prior to July 1,

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

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

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13 withdrawn by the taxpayer in the taxable year from a  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

19 (D-10) For taxable years ending after December 31,  
20 1997, an amount equal to any eligible remediation costs  
21 that the individual deducted in computing adjusted  
22 gross income and for which the individual claims a  
23 credit under subsection (l) of Section 201;

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

30 (D-16) If the taxpayer reports a capital gain or  
31 loss on the taxpayer's federal income tax return for  
32 the taxable year based on a sale or transfer of  
33 property for which the taxpayer was required in any  
34 taxable year to make an addition modification under  
35 subparagraph (D-15), then an amount equal to the  
36 aggregate amount of the deductions taken in all taxable

1 years under subparagraph (Z) with respect to that  
2 property.~~†~~

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

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

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  
27 resident in 1971 or thereafter for annual training  
28 performed pursuant to Sections 502 and 503, Title 32,  
29 United States Code as a member of the Illinois National  
30 Guard. For taxable years ending on or after December  
31, 2001, any amount included in such total in respect  
32 of any compensation (including but not limited to any  
33 compensation paid or accrued to a serviceman while a  
34 prisoner of war or missing in action) paid to a  
35 resident by reason of being a member of any component  
36 of the Armed Forces of the United States and in respect

1 of any compensation paid or accrued to a resident who  
2 as a governmental employee was a prisoner of war or  
3 missing in action, and in respect of any compensation  
4 paid to a resident in 2001 or thereafter by reason of  
5 being a member of the Illinois National Guard. The  
6 provisions of this amendatory Act of the 92nd General  
7 Assembly are exempt from the provisions of Section 250;

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

19 (G) The valuation limitation amount;

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

23 (I) An amount equal to all amounts included in such  
24 total pursuant to the provisions of Section 111 of the  
25 Internal Revenue Code as a recovery of items previously  
26 deducted from adjusted gross income in the computation  
27 of taxable income;

28 (J) An amount equal to those dividends included in  
29 such total which were paid by a corporation which  
30 conducts business operations in an Enterprise Zone or  
31 zones created under the Illinois Enterprise Zone Act,  
32 and conducts substantially all of its operations in an  
33 Enterprise Zone or zones;

34 (K) An amount equal to those dividends included in  
35 such total that were paid by a corporation that  
36 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 of  
16 1954, as now or hereafter amended, and all amounts of  
17 expenses allocable to interest and disallowed as  
18 deductions by Section 265(1) of the Internal Revenue  
19 Code of 1954, as now or hereafter amended; and (ii) for  
20 taxable years ending on or after August 13, 1999,  
21 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
22 the Internal Revenue Code; the provisions of this  
23 subparagraph are exempt from the provisions of Section  
24 250;

25 (N) An amount equal to all amounts included in such  
26 total which are exempt from taxation by this State  
27 either by reason of its statutes or Constitution or by  
28 reason of the Constitution, treaties or statutes of the  
29 United States; provided that, in the case of any  
30 statute of this State that exempts income derived from  
31 bonds or other obligations from the tax imposed under  
32 this Act, the amount exempted shall be the interest net  
33 of bond premium amortization;

34 (O) An amount equal to any contribution made to a  
35 job training project established pursuant to the Tax  
36 Increment Allocation Redevelopment Act;

1           (P) An amount equal to the amount of the deduction  
2 used to compute the federal income tax credit for  
3 restoration of substantial amounts held under claim of  
4 right for the taxable year pursuant to Section 1341 of  
5 the Internal Revenue Code of 1986;

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

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

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

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

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

34           (V) Beginning with tax years ending on or after  
35 December 31, 1995 and ending with tax years ending on  
36 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 of 1986, has not been deducted on  
9 the federal income tax return of the taxpayer, and does  
10 not 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  
27 gross income in the taxable year from amounts converted  
28 from a regular IRA to a Roth IRA. This paragraph is  
29 exempt from the provisions of Section 250;

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



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

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

36 (Z) For taxable years 2001 and thereafter, for the

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

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

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

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

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

31 The taxpayer is allowed to take the deduction under  
32 this subparagraph only once with respect to any one  
33 piece of property; ~~and~~

34 (BB) ~~(Z)~~ Any amount included in adjusted gross  
35 income, other than salary, received by a driver in a  
36 ridesharing arrangement using a motor vehicle; and

1           (CC) For taxable years beginning on or after  
2           January 1, 2004, moneys contributed during the taxable  
3           year by the taxpayer for the purchase of an Illinois  
4           prepaid tuition contract, as defined in the Illinois  
5           Prepaid Tuition Act, except that amounts excluded from  
6           gross income under Section 529(c)(3)(C)(i) of the  
7           Internal Revenue Code shall not be considered moneys  
8           contributed under this subparagraph (CC). This  
9           subparagraph is exempt from the provisions of Section  
10           250 of this Act.

11           (b) Corporations.

12           (1) In general. In the case of a corporation, 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. The taxable income referred to in  
16           paragraph (1) shall be modified by adding thereto the sum  
17           of the following amounts:

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

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

26           (C) In the case of a regulated investment company,  
27           an amount equal to the excess of (i) the net long-term  
28           capital gain for the taxable year, over (ii) the amount  
29           of the capital gain dividends designated as such in  
30           accordance with Section 852(b)(3)(C) of the Internal  
31           Revenue Code and any amount designated under Section  
32           852(b)(3)(D) of the Internal Revenue Code,  
33           attributable to the taxable year (this amendatory Act  
34           of 1995 (Public Act 89-89) is declarative of existing  
35           law and is not a new enactment);

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

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

15 (i) 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 be reduced by the amount of  
19 addition modification under this subparagraph (E)  
20 which related to that net operating loss and which  
21 was taken into account in calculating the base  
22 income of an earlier taxable year, and

23 (ii) the addition modification relating to the  
24 net operating loss carried back or forward to the  
25 taxable year from any taxable year ending prior to  
26 December 31, 1986 shall not exceed the amount of  
27 such carryback or carryforward;

28 For taxable years in which there is a net operating  
29 loss carryback or carryforward from more than one other  
30 taxable year ending prior to December 31, 1986, the  
31 addition modification provided in this subparagraph  
32 (E) shall be the sum of the amounts computed  
33 independently under the preceding provisions of this  
34 subparagraph (E) for each such taxable year;

35 (E-5) For taxable years ending after December 31,  
36 1997, an amount equal to any eligible remediation costs

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

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

10 (E-11) If the taxpayer reports a capital gain or  
11 loss on the taxpayer's federal income tax return for  
12 the taxable year based on a sale or transfer of  
13 property for which the taxpayer was required in any  
14 taxable year to make an addition modification under  
15 subparagraph (E-10), then an amount equal to the  
16 aggregate amount of the deductions taken in all taxable  
17 years under subparagraph (T) with respect to that  
18 property.

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

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

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

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

29 (H) In the case of a regulated investment company,  
30 an amount equal to the amount of exempt interest  
31 dividends as defined in subsection (b) (5) of Section  
32 852 of the Internal Revenue Code, paid to shareholders  
33 for the taxable year;

34 (I) With the exception of any amounts subtracted  
35 under subparagraph (J), an amount equal to the sum of  
36 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, as now or hereafter amended, and all  
4 amounts of expenses allocable to interest and  
5 disallowed as deductions by Section 265(a)(1) of the  
6 Internal Revenue Code, as now or hereafter amended; and  
7 (ii) for taxable years ending on or after August 13,  
8 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
9 832(b)(5)(B)(i) of the Internal Revenue Code; the  
10 provisions of this subparagraph are exempt from the  
11 provisions of Section 250;

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

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

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

36 (M) For any taxpayer that is a financial

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

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  
27 or loans that is secured by property eligible for a  
28 Section 201(h) investment credit to the borrower, the  
29 entire principal amount of the loan or loans between  
30 the taxpayer and the borrower should be divided into  
31 the basis of the Section 201(h) investment credit  
32 property which secures the loan or loans, using for  
33 this purpose the original basis of such property on the  
34 date that it was placed in service in a federally  
35 designated Foreign Trade Zone or Sub-Zone located in  
36 Illinois. No taxpayer that is eligible for the

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

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

18 (O) An amount equal to: (i) 85% for taxable years  
19 ending on or before December 31, 1992, or, a percentage  
20 equal to the percentage allowable under Section  
21 243(a)(1) of the Internal Revenue Code of 1986 for  
22 taxable years ending after December 31, 1992, of the  
23 amount by which dividends included in taxable income  
24 and received from a corporation that is not created or  
25 organized under the laws of the United States or any  
26 state or political subdivision thereof, including, for  
27 taxable years ending on or after December 31, 1988,  
28 dividends received or deemed received or paid or deemed  
29 paid under Sections 951 through 964 of the Internal  
30 Revenue Code, exceed the amount of the modification  
31 provided under subparagraph (G) of paragraph (2) of  
32 this subsection (b) which is related to such dividends;  
33 plus (ii) 100% of the amount by which dividends,  
34 included in taxable income and received, including,  
35 for taxable years ending on or after December 31, 1988,  
36 dividends received or deemed received or paid or deemed



1           paid under Sections 951 through 964 of the Internal  
2           Revenue Code, from any such corporation specified in  
3           clause (i) that would but for the provisions of Section  
4           1504 (b) (3) of the Internal Revenue Code be treated as  
5           a member of the affiliated group which includes the  
6           dividend recipient, exceed the amount of the  
7           modification provided under subparagraph (G) of  
8           paragraph (2) of this subsection (b) which is related  
9           to such dividends;

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

13           (Q) An amount equal to the amount of the deduction  
14           used to compute the federal income tax credit for  
15           restoration of substantial amounts held under claim of  
16           right for the taxable year pursuant to Section 1341 of  
17           the Internal Revenue Code of 1986;

18           (R) In the case of an attorney-in-fact with respect  
19           to whom an interinsurer or a reciprocal insurer has  
20           made the election under Section 835 of the Internal  
21           Revenue Code, 26 U.S.C. 835, an amount equal to the  
22           excess, if any, of the amounts paid or incurred by that  
23           interinsurer or reciprocal insurer in the taxable year  
24           to the attorney-in-fact over the deduction allowed to  
25           that interinsurer or reciprocal insurer with respect  
26           to the attorney-in-fact under Section 835(b) of the  
27           Internal Revenue Code for the taxable year;

28           (S) For taxable years ending on or after December  
29           31, 1997, in the case of a Subchapter S corporation, an  
30           amount equal to all amounts of income allocable to a  
31           shareholder subject to the Personal Property Tax  
32           Replacement Income Tax imposed by subsections (c) and  
33           (d) of Section 201 of this Act, including amounts  
34           allocable to organizations exempt from federal income  
35           tax by reason of Section 501(a) of the Internal Revenue  
36           Code. This subparagraph (S) is exempt from the

1 provisions of Section 250;

2 (T) For taxable years 2001 and thereafter, for the  
3 taxable year in which the bonus depreciation deduction  
4 (30% of the adjusted basis of the qualified property)  
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 (30% of  
13 the adjusted basis of the qualified property) was  
14 taken in any year under subsection (k) of Section  
15 168 of the Internal Revenue Code, but not including  
16 the bonus depreciation deduction; and

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

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 (30% of the adjusted basis of  
23 the qualified property) taken on that property on the  
24 taxpayer's federal income tax return under subsection  
25 (k) of Section 168 of the Internal Revenue Code; ~~and~~

26 (U) If the taxpayer reports a capital gain or loss  
27 on the taxpayer's federal income tax return for the  
28 taxable year based on a sale or transfer of property  
29 for which the taxpayer was required in any taxable year  
30 to make an addition modification under subparagraph  
31 (E-10), then an amount equal to that addition  
32 modification.

33 The taxpayer is allowed to take the deduction under  
34 this subparagraph only once with respect to any one  
35 piece of property; and

36 (V) For taxable years beginning on or after January

1           1, 2003, moneys contributed during the taxable year by  
2           the taxpayer for the purchase of an Illinois prepaid  
3           tuition contract, as defined in the Illinois Prepaid  
4           Tuition Act, except that amounts excluded from gross  
5           income under Section 529(c)(3)(C)(i) of the Internal  
6           Revenue Code shall not be considered moneys  
7           contributed under this subparagraph (V). This  
8           subparagraph is exempt from the provisions of Section  
9           250 of this Act.

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

14           (c) Trusts and estates.

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

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

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

26           (B) In the case of (i) an estate, \$600; (ii) a  
27           trust which, under its governing instrument, is  
28           required to distribute all of its income currently,  
29           \$300; and (iii) any other trust, \$100, but in each such  
30           case, only to the extent such amount was deducted in  
31           the computation of taxable income;

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

35           (D) The amount of any net operating loss deduction

1 taken in arriving at taxable income, other than a net  
2 operating loss carried forward from a taxable year  
3 ending prior to December 31, 1986;

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

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

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

27 For taxable years in which there is a net operating  
28 loss carryback or carryforward from more than one other  
29 taxable year ending prior to December 31, 1986, the  
30 addition modification provided in this subparagraph  
31 (E) shall be the sum of the amounts computed  
32 independently under the preceding provisions of this  
33 subparagraph (E) for each such taxable year;

34 (F) For taxable years ending on or after January 1,  
35 1989, an amount equal to the tax deducted pursuant to  
36 Section 164 of the Internal Revenue Code if the trust

1 or estate is claiming the same tax for purposes of the  
2 Illinois foreign tax credit under Section 601 of this  
3 Act;

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

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

13 (G-10) For taxable years 2001 and thereafter, an  
14 amount equal to the bonus depreciation deduction (30%  
15 of the adjusted basis of the qualified property) 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; and

19 (G-11) If the taxpayer reports a capital gain or  
20 loss on the taxpayer's federal income tax return for  
21 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 (G-10), then an amount equal to the  
25 aggregate amount of the deductions taken in all taxable  
26 years under subparagraph (R) with respect to that  
27 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 sum of the  
32 following amounts:

33 (H) An amount equal to all amounts included in such  
34 total pursuant to the provisions of Sections 402(a),  
35 402(c), 403(a), 403(b), 406(a), 407(a) and 408 of the  
36 Internal Revenue Code or included in such total as

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

8 (I) The valuation limitation amount;

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

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

23 (L) With the exception of any amounts subtracted  
24 under subparagraph (K), an amount equal to the sum of  
25 all amounts disallowed as deductions by (i) Sections  
26 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
27 as now or hereafter amended, and all amounts of  
28 expenses allocable to interest and disallowed as  
29 deductions by Section 265(1) of the Internal Revenue  
30 Code of 1954, as now or hereafter amended; and (ii) for  
31 taxable years ending on or after August 13, 1999,  
32 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
33 the Internal Revenue Code; the provisions of this  
34 subparagraph are exempt from the provisions of Section  
35 250;

36 (M) An amount equal to those dividends included in

1 such total which were paid by a corporation which  
2 conducts business operations in an Enterprise Zone or  
3 zones created under the Illinois Enterprise Zone Act  
4 and conducts substantially all of its operations in an  
5 Enterprise Zone or Zones;

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

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

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

23 (Q) For taxable year 1999 and thereafter, an amount  
24 equal to the amount of any (i) distributions, to the  
25 extent includible in gross income for federal income  
26 tax purposes, made to the taxpayer because of his or  
27 her status as a victim of persecution for racial or  
28 religious reasons by Nazi Germany or any other Axis  
29 regime or as an heir of the victim and (ii) items of  
30 income, to the extent includible in gross income for  
31 federal income tax purposes, attributable to, derived  
32 from or in any way related to assets stolen from,  
33 hidden from, or otherwise lost to a victim of  
34 persecution for racial or religious reasons by Nazi  
35 Germany or any other Axis regime immediately prior to,  
36 during, and immediately after World War II, including,

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

20 (R) For taxable years 2001 and thereafter, for the  
21 taxable year in which the bonus depreciation deduction  
22 (30% of the adjusted basis of the qualified property)  
23 is taken on the taxpayer's federal income tax return  
24 under subsection (k) of Section 168 of the Internal  
25 Revenue Code and for each applicable taxable year  
26 thereafter, an amount equal to "x", where:

27 (1) "y" equals the amount of the depreciation  
28 deduction taken for the taxable year on the  
29 taxpayer's federal income tax return on property  
30 for which the bonus depreciation deduction (30% of  
31 the adjusted basis of the qualified property) was  
32 taken in any year under subsection (k) of Section  
33 168 of the Internal Revenue Code, but not including  
34 the bonus depreciation deduction; and

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



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

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

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

18          (T) For taxable years beginning on or after January  
19          1, 2004, moneys contributed during the taxable year by  
20          the taxpayer for the purchase of an Illinois prepaid  
21          tuition contract, as defined in the Illinois Prepaid  
22          Tuition Act, except that amounts excluded from gross  
23          income under Section 529(c)(3)(C)(i) of the Internal  
24          Revenue Code shall not be considered moneys  
25          contributed under this subparagraph (T). This  
26          subparagraph is exempt from the provisions of Section  
27          250 of this Act.

28          (3) Limitation. The amount of any modification  
29          otherwise required under this subsection shall, under  
30          regulations prescribed by the Department, be adjusted by  
31          any amounts included therein which were properly paid,  
32          credited, or required to be distributed, or permanently set  
33          aside for charitable purposes pursuant to Internal Revenue  
34          Code Section 642(c) during the taxable year.

35          (d) Partnerships.

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

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

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

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

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

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

21 (D-5) For taxable years 2001 and thereafter, an  
22 amount equal to the bonus depreciation deduction (30%  
23 of the adjusted basis of the qualified property) taken  
24 on the taxpayer's federal income tax return for the  
25 taxable year under subsection (k) of Section 168 of the  
26 Internal Revenue Code; and

27 (D-6) If the taxpayer reports a capital gain or  
28 loss on the taxpayer's federal income tax return for  
29 the taxable year based on a sale or transfer of  
30 property for which the taxpayer was required in any  
31 taxable year to make an addition modification under  
32 subparagraph (D-5), then an amount equal to the  
33 aggregate amount of the deductions taken in all taxable  
34 years under subparagraph (O) with respect to that  
35 property.

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

5 (E) The valuation limitation amount;

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

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

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

25 (I) An amount equal to all amounts of income  
26 distributable to an entity subject to the Personal  
27 Property Tax Replacement Income Tax imposed by  
28 subsections (c) and (d) of Section 201 of this Act  
29 including amounts distributable to organizations  
30 exempt from federal income tax by reason of Section  
31 501(a) of the Internal Revenue Code;

32 (J) With the exception of any amounts subtracted  
33 under subparagraph (G), an amount equal to the sum of  
34 all amounts disallowed as deductions by (i) Sections  
35 171(a) (2), and 265(2) of the Internal Revenue Code of  
36 1954, as now or hereafter amended, and all amounts of

1 expenses allocable to interest and disallowed as  
2 deductions by Section 265(1) of the Internal Revenue  
3 Code, as now or hereafter amended; and (ii) for taxable  
4 years ending on or after August 13, 1999, Sections  
5 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
6 Internal Revenue Code; the provisions of this  
7 subparagraph are exempt from the provisions of Section  
8 250;

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

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

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

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

33 (O) For taxable years 2001 and thereafter, for the  
34 taxable year in which the bonus depreciation deduction  
35 (30% of the adjusted basis of the qualified property)  
36 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal  
2 Revenue Code and for each applicable taxable year  
3 thereafter, an amount equal to "x", where:

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

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

14 The aggregate amount deducted under this  
15 subparagraph in all taxable years for any one piece of  
16 property may not exceed the amount of the bonus  
17 depreciation deduction (30% of the adjusted basis of  
18 the qualified property) taken on that property on the  
19 taxpayer's federal income tax return under subsection  
20 (k) of Section 168 of the Internal Revenue Code; and

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

28 The taxpayer is allowed to take the deduction under  
29 this subparagraph only once with respect to any one  
30 piece of property; and

31 (Q) For taxable years beginning on or after January  
32 1, 2004, moneys contributed during the taxable year by  
33 the taxpayer for the purchase of an Illinois prepaid  
34 tuition contract, as defined in the Illinois Prepaid  
35 Tuition Act, except that amounts excluded from gross  
36 income under Section 529(c)(3)(C)(i) of the Internal

1           Revenue Code shall not be considered moneys  
2           contributed under this subparagraph (Q). This  
3           subparagraph is exempt from the provisions of Section  
4           250 of this Act.

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),  
26          trust, or estate is less than zero and addition  
27          modifications, other than those provided by subparagraph  
28          (E) of paragraph (2) of subsection (b) for corporations or  
29          subparagraph (E) of paragraph (2) of subsection (c) for  
30          trusts and estates, exceed subtraction modifications, an  
31          addition modification must be made under those  
32          subparagraphs for any other taxable year to which the  
33          taxable income less than zero (net operating loss) is  
34          applied under Section 172 of the Internal Revenue Code or  
35          under subparagraph (E) of paragraph (2) of this subsection

1 (e) applied in conjunction with Section 172 of the Internal  
2 Revenue Code.

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

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

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

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

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

25 (E) Consolidated corporations. In the case of a  
26 corporation which is a member of an affiliated group of  
27 corporations filing a consolidated income tax return  
28 for the taxable year for federal income tax purposes,  
29 taxable income determined as if such corporation had  
30 filed a separate return for federal income tax purposes  
31 for the taxable year and each preceding taxable year  
32 for which it was a member of an affiliated group. For  
33 purposes of this subparagraph, the taxpayer's separate  
34 taxable income shall be determined as if the election  
35 provided by Section 243(b) (2) of the Internal Revenue  
36 Code had been in effect for all such years;

1 (F) Cooperatives. In the case of a cooperative  
2 corporation or association, the taxable income of such  
3 organization determined in accordance with the  
4 provisions of Section 1381 through 1388 of the Internal  
5 Revenue Code;

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

22 (H) Partnerships. In the case of a partnership,  
23 taxable income determined in accordance with Section  
24 703 of the Internal Revenue Code, except that taxable  
25 income shall take into account those items which are  
26 required by Section 703(a)(1) to be separately stated  
27 but which would be taken into account by an individual  
28 in calculating his taxable income.

29 (f) Valuation limitation amount.

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

33 (A) The sum of the pre-August 1, 1969 appreciation  
34 amounts (to the extent consisting of gain reportable  
35 under the provisions of Section 1245 or 1250 of the



1 Internal Revenue Code) for all property in respect of  
2 which such gain was reported for the taxable year; plus

3 (B) The lesser of (i) the sum of the pre-August 1,  
4 1969 appreciation amounts (to the extent consisting of  
5 capital gain) for all property in respect of which such  
6 gain was reported for federal income tax purposes for  
7 the taxable year, or (ii) the net capital gain for the  
8 taxable year, reduced in either case by any amount of  
9 such gain included in the amount determined under  
10 subsection (a) (2) (F) or (c) (2) (H).

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

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

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

34 (C) The Department shall prescribe such  
35 regulations as may be necessary to carry out the  
36 purposes of this paragraph.

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

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

13 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
14 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
15 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
16 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
17 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
18 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

19 Section 10. The Illinois Prepaid Tuition Act is amended by  
20 changing Section 55 as follows:

21 (110 ILCS 979/55)

22 Sec. 55. Tax exemption. The assets of the Illinois Prepaid  
23 Tuition Trust Fund and its income and operation shall be exempt  
24 from all taxation by the State of Illinois and any of its  
25 subdivisions. The accrued earnings of Illinois prepaid tuition  
26 contracts once disbursed on behalf of an eligible beneficiary  
27 shall be similarly exempt from all taxation by the State of  
28 Illinois and any of its subdivisions, so long as they are used  
29 for educational purposes in accordance with the provisions of  
30 an Illinois prepaid tuition contract. In addition, for taxable  
31 years beginning on or after January 1, 2004, moneys contributed  
32 during the taxable year by the taxpayer for the purchase of an

1 Illinois prepaid tuition contract, except for amounts excluded  
2 from gross income under Section 529(c)(3)(C)(i) of the Internal  
3 Revenue Code, may be deducted from the taxpayer's adjusted  
4 gross income as provided in Section 203 of the Illinois Income  
5 Tax Act. The provisions of this Section are exempt from the  
6 provisions of Section 250 of the Illinois Income Tax Act.

7 (Source: P.A. 90-546, eff. 12-1-97; 91-867, eff. 6-22-00.)

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