



93RD GENERAL ASSEMBLY

State of Illinois

2003 and 2004

Introduced 02/09/04, by Robert S. Molaro

SYNOPSIS AS INTRODUCED:

15 ILCS 505/16.5

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the State Treasurer Act. Removes the requirement that the State Treasurer adjust each account at least annually to ensure compliance with the requirements of the College Savings Pool. Provides that the Treasurer shall limit the contributions that may be made on behalf of a designated College Savings Pool beneficiary based on the limitations established by the Internal Revenue Service (now, based on an actuarial estimate of what is required to pay tuition, fees, and room and board for 5 undergraduate years at the highest cost eligible educational institution). Amends the Illinois Income Tax Act. Provides that for taxable years beginning on or after January 1, 2005, a distribution from a qualified tuition program under the Internal Revenue Code that is administered by a state that does not permit a sales load exceeding 4% and that has passed a law for the express purpose of exempting from its tax moneys distributed from a qualified tuition program administered by the State of Illinois, is exempt from the requirement that a distribution from an Internal Revenue Code qualified tuition program be included when determining adjusted gross income for purposes of determining base income. Makes other changes. Effective immediately.

LRB093 20749 RAS 46641 b

FISCAL NOTE ACT
MAY APPLY

1 AN ACT concerning college savings.

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

4 Section 5. The State Treasurer Act is amended by changing
5 Section 16.5 as follows:

6 (15 ILCS 505/16.5)

7 Sec. 16.5. College Savings Pool. The State Treasurer may
8 establish and administer a College Savings Pool to supplement
9 and enhance the investment opportunities otherwise available
10 to persons seeking to finance the costs of higher education.
11 The State Treasurer, in administering the College Savings Pool,
12 may receive moneys paid into the pool by a participant and may
13 serve as the fiscal agent of that participant for the purpose
14 of holding and investing those moneys.

15 "Participant", as used in this Section, means any person
16 who makes investments in the pool. "Designated beneficiary", as
17 used in this Section, means any person on whose behalf an
18 account is established in the College Savings Pool by a
19 participant. Both in-state and out-of-state persons may be
20 participants and designated beneficiaries in the College
21 Savings Pool.

22 New accounts in the College Savings Pool may ~~shall~~ be
23 processed through participating financial institutions.

24 "Participating financial institution", as used in this
25 Section, means any financial institution insured by the Federal
26 Deposit Insurance Corporation and lawfully doing business in
27 the State of Illinois and any credit union approved by the
28 State Treasurer and lawfully doing business in the State of
29 Illinois that agrees to process new accounts in the College
30 Savings Pool. Participating financial institutions may charge
31 a processing fee to participants to open an account in the pool
32 that shall not exceed \$30 until the year 2001. Beginning in

1 2001 and every year thereafter, the maximum fee limit shall be
2 adjusted by the Treasurer based on the Consumer Price Index for
3 the North Central Region as published by the United States
4 Department of Labor, Bureau of Labor Statistics for the
5 immediately preceding calendar year. Every contribution
6 received by a financial institution for investment in the
7 College Savings Pool shall be transferred from the financial
8 institution to a location selected by the State Treasurer
9 within one business day following the day that the funds must
10 be made available in accordance with federal law. All
11 communications from the State Treasurer to participants shall
12 reference the participating financial institution at which the
13 account was processed.

14 The Treasurer may invest the moneys in the College Savings
15 Pool in the same manner, in the same types of investments, and
16 subject to the same limitations provided for the investment of
17 moneys by the Illinois State Board of Investment. To enhance
18 the safety and liquidity of the College Savings Pool, to ensure
19 the diversification of the investment portfolio of the pool,
20 and in an effort to keep investment dollars in the State of
21 Illinois, the State Treasurer may ~~shall~~ make a percentage of
22 each account available for investment in participating
23 financial institutions doing business in the State. The State
24 Treasurer may ~~shall~~ deposit with the participating financial
25 institution at which the account was processed the following
26 percentage of each account at a prevailing rate offered by the
27 institution, provided that the deposit is federally insured or
28 fully collateralized and the institution accepts the deposit:
29 10% of the total amount of each account for which the current
30 age of the beneficiary is less than 7 years of age, 20% of the
31 total amount of each account for which the beneficiary is at
32 least 7 years of age and less than 12 years of age, and 50% of
33 the total amount of each account for which the current age of
34 the beneficiary is at least 12 years of age. ~~The State~~
35 ~~Treasurer shall adjust each account at least annually to ensure~~
36 ~~compliance with this Section.~~ The Treasurer shall develop,

1 publish, and implement an investment policy covering the
2 investment of the moneys in the College Savings Pool. The
3 policy shall be published (i) at least once each year in at
4 least one newspaper of general circulation in both Springfield
5 and Chicago and (ii) each year as part of the audit of the
6 College Savings Pool by the Auditor General, which shall be
7 distributed to all participants. The Treasurer shall notify all
8 participants in writing, and the Treasurer shall publish in a
9 newspaper of general circulation in both Chicago and
10 Springfield, any changes to the previously published
11 investment policy at least 30 calendar days before implementing
12 the policy. Any investment policy adopted by the Treasurer
13 shall be reviewed and updated if necessary within 90 days
14 following the date that the State Treasurer takes office.

15 Participants shall be required to use moneys distributed
16 from the College Savings Pool for qualified expenses at
17 eligible educational institutions. "Qualified expenses", as
18 used in this Section, means the following: (i) tuition, fees,
19 and the costs of books, supplies, and equipment required for
20 enrollment or attendance at an eligible educational
21 institution and (ii) certain room and board expenses incurred
22 while attending an eligible educational institution at least
23 half-time. "Eligible educational institutions", as used in
24 this Section, means public and private colleges, junior
25 colleges, graduate schools, and certain vocational
26 institutions that are described in Section 481 of the Higher
27 Education Act of 1965 (20 U.S.C. 1088) and that are eligible to
28 participate in Department of Education student aid programs. A
29 student shall be considered to be enrolled at least half-time
30 if the student is enrolled for at least half the full-time
31 academic work load for the course of study the student is
32 pursuing as determined under the standards of the institution
33 at which the student is enrolled. Distributions made from the
34 pool for qualified expenses shall be made directly to the
35 eligible educational institution, directly to a vendor, or in
36 the form of a check payable to both the beneficiary and the

1 institution or vendor. Any moneys that are distributed in any
2 other manner or that are used for expenses other than qualified
3 expenses at an eligible educational institution shall be
4 subject to a penalty of 10% of the earnings unless the
5 beneficiary dies, becomes disabled, or receives a scholarship
6 that equals or exceeds the distribution. Penalties shall be
7 withheld at the time the distribution is made.

8 The Treasurer shall limit the contributions that may be
9 made on behalf of a designated beneficiary based on the
10 limitations established by the Internal Revenue Service. ~~an~~
11 ~~actuarial estimate of what is required to pay tuition, fees,~~
12 ~~and room and board for 5 undergraduate years at the highest~~
13 ~~cost eligible educational institution.~~ The contributions made
14 on behalf of a beneficiary who is also a beneficiary under the
15 Illinois Prepaid Tuition Program shall be further restricted to
16 ensure that the contributions in both programs combined do not
17 exceed the limit established for the College Savings Pool. The
18 Treasurer shall provide the Illinois Student Assistance
19 Commission each year at a time designated by the Commission, an
20 electronic report of all participant accounts in the
21 Treasurer's College Savings Pool, listing total contributions
22 and disbursements from each individual account during the
23 previous calendar year. As soon thereafter as is possible
24 following receipt of the Treasurer's report, the Illinois
25 Student Assistance Commission shall, in turn, provide the
26 Treasurer with an electronic report listing those College
27 Savings Pool participants who also participate in the State's
28 prepaid tuition program, administered by the Commission. The
29 Commission shall be responsible for filing any combined tax
30 reports regarding State qualified savings programs required by
31 the United States Internal Revenue Service. The Treasurer shall
32 work with the Illinois Student Assistance Commission to
33 coordinate the marketing of the College Savings Pool and the
34 Illinois Prepaid Tuition Program when considered beneficial by
35 the Treasurer and the Director of the Illinois Student
36 Assistance Commission. The Treasurer's office shall not

1 publicize or otherwise market the College Savings Pool or
2 accept any moneys into the College Savings Pool prior to March
3 1, 2000. The Treasurer shall provide a separate accounting for
4 each designated beneficiary to each participant, the Illinois
5 Student Assistance Commission, and the participating financial
6 institution at which the account was processed. No interest in
7 the program may be pledged as security for a loan.

8 The assets of the College Savings Pool and its income and
9 operation shall be exempt from all taxation by the State of
10 Illinois and any of its subdivisions. The accrued earnings on
11 investments in the Pool once disbursed on behalf of a
12 designated beneficiary shall be similarly exempt from all
13 taxation by the State of Illinois and its subdivisions, so long
14 as they are used for qualified expenses. Contributions to a
15 College Savings Pool account during the taxable year may be
16 deducted from adjusted gross income as provided in Section 203
17 of the Illinois Income Tax Act. The provisions of this
18 paragraph are exempt from Section 250 of the Illinois Income
19 Tax Act.

20 The Treasurer shall adopt rules he or she considers
21 necessary for the efficient administration of the College
22 Savings Pool. The rules shall provide whatever additional
23 parameters and restrictions are necessary to ensure that the
24 College Savings Pool meets all of the requirements for a
25 qualified state tuition program under Section 529 of the
26 Internal Revenue Code (26 U.S.C. 529). The rules shall provide
27 for the administration expenses of the pool to be paid from its
28 earnings and for the investment earnings in excess of the
29 expenses and all moneys collected as penalties to be credited
30 or paid monthly to the several participants in the pool in a
31 manner which equitably reflects the differing amounts of their
32 respective investments in the pool and the differing periods of
33 time for which those amounts were in the custody of the pool.
34 Also, the rules shall require the maintenance of records that
35 enable the Treasurer's office to produce a report for each
36 account in the pool at least annually that documents the

1 account balance and investment earnings. Notice of any proposed
2 amendments to the rules and regulations shall be provided to
3 all participants prior to adoption. Amendments to rules and
4 regulations shall apply only to contributions made after the
5 adoption of the amendment.

6 Upon creating the College Savings Pool, the State Treasurer
7 shall give bond with 2 or more sufficient sureties, payable to
8 and for the benefit of the participants in the College Savings
9 Pool, in the penal sum of \$1,000,000, conditioned upon the
10 faithful discharge of his or her duties in relation to the
11 College Savings Pool.

12 No contributions to the College Savings Pool authorized by
13 this Section shall be considered in evaluating the financial
14 situation of the designated beneficiary or be deemed a
15 financial resource of or a form of financial aid or assistance
16 to the designated beneficiary, for purposes of determining
17 eligibility for any scholarship, grant, or monetary assistance
18 awarded by the Illinois Student Assistance Commission, the
19 State, or any agency thereof; nor shall contributions to the
20 College Savings Pool reduce the amount of any scholarship,
21 grant, or monetary assistance that the designated beneficiary
22 is eligible to be awarded by the Illinois Student Assistance
23 Commission, the State, or any agency thereof in accordance with
24 the provisions of any State law.

25 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01; 92-16,
26 eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff. 7-11-02.)

27 Section 10. The Illinois Income Tax Act is amended by
28 changing Section 203 as follows:

29 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

30 Sec. 203. Base income defined.

31 (a) Individuals.

32 (1) In general. In the case of an individual, base
33 income means an amount equal to the taxpayer's adjusted
34 gross income for the taxable year as modified by paragraph

1 (2).

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

5 (A) An amount equal to all amounts paid or accrued
6 to the taxpayer as interest or dividends during the
7 taxable year to the extent excluded from gross income
8 in the computation of adjusted gross income, except
9 stock dividends of qualified public utilities
10 described in Section 305(e) of the Internal Revenue
11 Code;

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

16 (C) An amount equal to the amount received during
17 the taxable year as a recovery or refund of real
18 property taxes paid with respect to the taxpayer's
19 principal residence under the Revenue Act of 1939 and
20 for which a deduction was previously taken under
21 subparagraph (L) of this paragraph (2) prior to July 1,
22 1991, the retrospective application date of Article 4
23 of Public Act 87-17. In the case of multi-unit or
24 multi-use structures and farm dwellings, the taxes on
25 the taxpayer's principal residence shall be that
26 portion of the total taxes for the entire property
27 which is attributable to such principal residence;

28 (D) An amount equal to the amount of the capital
29 gain deduction allowable under the Internal Revenue
30 Code, to the extent deducted from gross income in the
31 computation of adjusted gross income;

32 (D-5) An amount, to the extent not included in
33 adjusted gross income, equal to the amount of money
34 withdrawn by the taxpayer in the taxable year from a
35 medical care savings account and the interest earned on
36 the account in the taxable year of a withdrawal

1 pursuant to subsection (b) of Section 20 of the Medical
2 Care Savings Account Act or subsection (b) of Section
3 20 of the Medical Care Savings Account Act of 2000;

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

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

15 (D-16) If the taxpayer reports a capital gain or
16 loss on the taxpayer's federal income tax return for
17 the taxable year based on a sale or transfer of
18 property for which the taxpayer was required in any
19 taxable year to make an addition modification under
20 subparagraph (D-15), then an amount equal to the
21 aggregate amount of the deductions taken in all taxable
22 years under subparagraph (Z) with respect to that
23 property.†

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

27 (D-20) ~~(D-15)~~ For taxable years beginning on or
28 after January 1, 2002 and ending on or before December
29 31, 2004, in the case of a distribution from a
30 qualified tuition program under Section 529 of the
31 Internal Revenue Code, other than (i) a distribution
32 from a College Savings Pool created under Section 16.5
33 of the State Treasurer Act or (ii) a distribution from
34 the Illinois Prepaid Tuition Trust Fund, an amount
35 equal to the amount excluded from gross income under
36 Section 529(c)(3)(B). For taxable years beginning on

1 or after January 1, 2005, in the case of a distribution
2 from a qualified tuition program under Section 529 of
3 the Internal Revenue Code, other than (i) a
4 distribution from a College Savings Pool created under
5 Section 16.5 of the State Treasurer Act, (ii) a
6 distribution from the Illinois Prepaid Tuition Trust
7 Fund, or (iii) a distribution from a qualified tuition
8 program under Section 529 of the Internal Revenue Code
9 that is administered by a state that does not permit a
10 sales load exceeding 4% and that has passed a law for
11 the express purpose of exempting from its income tax
12 moneys distributed from a qualified tuition program
13 administered by the State of Illinois, an amount equal
14 to the amount excluded from gross income under Section
15 529(c)(3)(B);

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

18 (E) For taxable years ending before December 31,
19 2001, any amount included in such total in respect of
20 any compensation (including but not limited to any
21 compensation paid or accrued to a serviceman while a
22 prisoner of war or missing in action) paid to a
23 resident by reason of being on active duty in the Armed
24 Forces of the United States and in respect of any
25 compensation paid or accrued to a resident who as a
26 governmental employee was a prisoner of war or missing
27 in action, and in respect of any compensation paid to a
28 resident in 1971 or thereafter for annual training
29 performed pursuant to Sections 502 and 503, Title 32,
30 United States Code as a member of the Illinois National
31 Guard. For taxable years ending on or after December
32 31, 2001, any amount included in such total in respect
33 of any compensation (including but not limited to any
34 compensation paid or accrued to a serviceman while a
35 prisoner of war or missing in action) paid to a
36 resident by reason of being a member of any component

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

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

20 (G) The valuation limitation amount;

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

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

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

35 (K) An amount equal to those dividends included in
36 such total that were paid by a corporation that

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

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

13 (M) With the exception of any amounts subtracted
14 under subparagraph (N), an amount equal to the sum of
15 all amounts disallowed as deductions by (i) Sections
16 171(a) (2), and 265(2) of the Internal Revenue Code of
17 1954, as now or hereafter amended, and all amounts of
18 expenses allocable to interest and disallowed as
19 deductions by Section 265(1) of the Internal Revenue
20 Code of 1954, as now or hereafter amended; and (ii) for
21 taxable years ending on or after August 13, 1999,
22 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
23 the Internal Revenue Code; the provisions of this
24 subparagraph are exempt from the provisions of Section
25 250;

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

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

1 Increment Allocation Redevelopment Act;

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

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

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

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

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

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

35 (V) Beginning with tax years ending on or after
36 December 31, 1995 and ending with tax years ending on

1 or before December 31, 2004, an amount equal to the
2 amount paid by a taxpayer who is a self-employed
3 taxpayer, a partner of a partnership, or a shareholder
4 in a Subchapter S corporation for health insurance or
5 long-term care insurance for that taxpayer or that
6 taxpayer's spouse or dependents, to the extent that the
7 amount paid for that health insurance or long-term care
8 insurance may be deducted under Section 213 of the
9 Internal Revenue Code of 1986, has not been deducted on
10 the federal income tax return of the taxpayer, and does
11 not exceed the taxable income attributable to that
12 taxpayer's income, self-employment income, or
13 Subchapter S corporation income; except that no
14 deduction shall be allowed under this item (V) if the
15 taxpayer is eligible to participate in any health
16 insurance or long-term care insurance plan of an
17 employer of the taxpayer or the taxpayer's spouse. The
18 amount of the health insurance and long-term care
19 insurance subtracted under this item (V) shall be
20 determined by multiplying total health insurance and
21 long-term care insurance premiums paid by the taxpayer
22 times a number that represents the fractional
23 percentage of eligible medical expenses under Section
24 213 of the Internal Revenue Code of 1986 not actually
25 deducted on the taxpayer's federal income tax return;

26 (W) For taxable years beginning on or after January
27 1, 1998, all amounts included in the taxpayer's federal
28 gross income in the taxable year from amounts converted
29 from a regular IRA to a Roth IRA. This paragraph is
30 exempt from the provisions of Section 250;

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

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

28 (Y) For taxable years beginning on or after January
29 1, 2002 and ending on or before December 31, 2004,
30 moneys contributed in the taxable year to a College
31 Savings Pool account under Section 16.5 of the State
32 Treasurer Act, except that amounts excluded from gross
33 income under Section 529(c)(3)(C)(i) of the Internal
34 Revenue Code shall not be considered moneys
35 contributed under this subparagraph (Y). For taxable
36 years beginning on or after January 1, 2005, moneys

1 contributed in the taxable year to (i) a College
2 Savings Pool account under Section 16.5 of the State
3 Treasurer Act or (ii) the Illinois Prepaid Tuition
4 Trust Fund, except that (i) amounts excluded from gross
5 income under Section 529(c)(3)(C)(i) of the Internal
6 Revenue Code and (ii) moneys contributed to and rolled
7 over from an out-of-state qualified tuition program
8 under Section 529 of the Internal Revenue Code, shall
9 not be considered moneys contributed under this
10 subparagraph (Y). This subparagraph (Y) is exempt from
11 the provisions of Section 250;

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

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

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

29 The aggregate amount deducted under this
30 subparagraph in all taxable years for any one piece of
31 property may not exceed the amount of the bonus
32 depreciation deduction (30% of the adjusted basis of
33 the qualified property) taken on that property on the
34 taxpayer's federal income tax return under subsection
35 (k) of Section 168 of the Internal Revenue Code; ~~and~~

36 (AA) If the taxpayer reports a capital gain or loss

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

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

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

13 (b) Corporations.

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

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

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

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

28 (C) In the case of a regulated investment company,
29 an amount equal to the excess of (i) the net long-term
30 capital gain for the taxable year, over (ii) the amount
31 of the capital gain dividends designated as such in
32 accordance with Section 852(b)(3)(C) of the Internal
33 Revenue Code and any amount designated under Section
34 852(b)(3)(D) of the Internal Revenue Code,
35 attributable to the taxable year (this amendatory Act

1 of 1995 (Public Act 89-89) is declarative of existing
2 law and is not a new enactment);

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

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

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

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

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

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

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

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

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

24 and by deducting from the total so obtained the sum of the
25 following amounts:

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

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

31 (H) In the case of a regulated investment company,
32 an amount equal to the amount of exempt interest
33 dividends as defined in subsection (b) (5) of Section
34 852 of the Internal Revenue Code, paid to shareholders
35 for the taxable year;

36 (I) With the exception of any amounts subtracted

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

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

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

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

1 this subparagraph (L);

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

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

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

11 (N) Two times any contribution made during the
12 taxable year to a designated zone organization to the
13 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) must,
16 by its terms, be used for a project approved by the
17 Department of Commerce and Economic Opportunity
18 ~~Community Affairs~~ under Section 11 of the Illinois
19 Enterprise Zone Act;

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

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

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

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

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

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

1 tax by reason of Section 501(a) of the Internal Revenue
2 Code. This subparagraph (S) is exempt from the
3 provisions of Section 250;

4 (T) For taxable years 2001 and thereafter, for the
5 taxable year in which the bonus depreciation deduction
6 (30% of the adjusted basis of the qualified property)
7 is taken on the taxpayer's federal income tax return
8 under subsection (k) of Section 168 of the Internal
9 Revenue Code and for each applicable taxable year
10 thereafter, an amount equal to "x", where:

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

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

21 The aggregate amount deducted under this
22 subparagraph in all taxable years for any one piece of
23 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 the
26 taxpayer's federal income tax return under subsection
27 (k) of Section 168 of the Internal Revenue Code; and

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

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

1 piece of property.

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

6 (c) Trusts and estates.

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

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

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

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

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

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

31 (E) For taxable years in which a net operating loss
32 carryback or carryforward from a taxable year ending
33 prior to December 31, 1986 is an element of taxable
34 income under paragraph (1) of subsection (e) or
35 subparagraph (E) of paragraph (2) of subsection (e),

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

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

14 (ii) 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 not exceed the amount of
18 such carryback or carryforward;

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

26 (F) For taxable years ending on or after January 1,
27 1989, an amount equal to the tax deducted pursuant to
28 Section 164 of the Internal Revenue Code if the trust
29 or estate is claiming the same tax for purposes of the
30 Illinois foreign tax credit under Section 601 of this
31 Act;

32 (G) An amount equal to the amount of the capital
33 gain deduction allowable under the Internal Revenue
34 Code, to the extent deducted from gross income in the
35 computation of taxable income;

36 (G-5) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation costs
2 that the trust or estate deducted in computing adjusted
3 gross income and for which the trust or estate claims a
4 credit under subsection (l) of Section 201;

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

11 (G-11) If the taxpayer reports a capital gain or
12 loss on the taxpayer's federal income tax return for
13 the taxable year based on a sale or transfer of
14 property for which the taxpayer was required in any
15 taxable year to make an addition modification under
16 subparagraph (G-10), then an amount equal to the
17 aggregate amount of the deductions taken in all taxable
18 years under subparagraph (R) with respect to that
19 property.

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

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

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

36 (I) The valuation limitation amount;

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

4 (K) An amount equal to all amounts included in
5 taxable income as modified by subparagraphs (A), (B),
6 (C), (D), (E), (F) and (G) which are exempt from
7 taxation by this State either by reason of its statutes
8 or 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 obligations
12 from the tax imposed under this Act, the amount
13 exempted shall be the interest net of bond premium
14 amortization;

15 (L) With the exception of any amounts subtracted
16 under subparagraph (K), an amount equal to the sum of
17 all amounts disallowed as deductions by (i) Sections
18 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
19 as now or hereafter amended, and all amounts of
20 expenses allocable to interest and disallowed as
21 deductions by Section 265(1) of the Internal Revenue
22 Code of 1954, as now or hereafter amended; and (ii) for
23 taxable years ending on or after August 13, 1999,
24 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
25 the Internal Revenue Code; the provisions of this
26 subparagraph are exempt from the provisions of Section
27 250;

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

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

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

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

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

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

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

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

29 The aggregate amount deducted under this
30 subparagraph in all taxable years for any one piece of
31 property may not exceed the amount of the bonus
32 depreciation deduction (30% of the adjusted basis of
33 the qualified property) taken on that property on the
34 taxpayer's federal income tax return under subsection
35 (k) of Section 168 of the Internal Revenue Code; and

36 (S) If the taxpayer reports a capital gain or loss

1 on the taxpayer's federal income tax return for the
2 taxable year based on a sale or transfer of property
3 for which the taxpayer was required in any taxable year
4 to make an addition modification under subparagraph
5 (G-10), then an amount equal to that addition
6 modification.

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

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

17 (d) Partnerships.

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

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

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

28 (B) An amount equal to the amount of tax imposed by
29 this Act to the extent deducted from gross income for
30 the taxable year;

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

34 (D) An amount equal to the amount of the capital
35 gain deduction allowable under the Internal Revenue

1 Code, to the extent deducted from gross income in the
2 computation of taxable income;

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

9 (D-6) If the taxpayer reports a capital gain or
10 loss on the taxpayer's federal income tax return for
11 the taxable year based on a sale or transfer of
12 property for which the taxpayer was required in any
13 taxable year to make an addition modification under
14 subparagraph (D-5), then an amount equal to the
15 aggregate amount of the deductions taken in all taxable
16 years under subparagraph (O) with respect to that
17 property.

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

21 and by deducting from the total so obtained the following
22 amounts:

23 (E) The valuation limitation amount;

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 all amounts included in
28 taxable income as modified by subparagraphs (A), (B),
29 (C) and (D) which are exempt from taxation by this
30 State either by reason of its statutes or Constitution
31 or by reason of the Constitution, treaties or statutes
32 of the United States; provided that, in the case of any
33 statute of this State that exempts income derived from
34 bonds or other obligations from the tax imposed under
35 this Act, the amount exempted shall be the interest net
36 of bond premium amortization;

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

7 (I) An amount equal to all amounts of income
8 distributable to an entity subject to the Personal
9 Property Tax Replacement Income Tax imposed by
10 subsections (c) and (d) of Section 201 of this Act
11 including amounts distributable to organizations
12 exempt from federal income tax by reason of Section
13 501(a) of the Internal Revenue Code;

14 (J) With the exception of any amounts subtracted
15 under subparagraph (G), an amount equal to the sum of
16 all amounts disallowed as deductions by (i) Sections
17 171(a) (2), and 265(2) of the Internal Revenue Code of
18 1954, as now or hereafter amended, and all amounts of
19 expenses allocable to interest and disallowed as
20 deductions by Section 265(1) of the Internal Revenue
21 Code, as now or hereafter amended; and (ii) for taxable
22 years ending on or after August 13, 1999, Sections
23 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the
24 Internal Revenue Code; the provisions of this
25 subparagraph are exempt from the provisions of Section
26 250;

27 (K) An amount equal to those dividends included in
28 such total which were paid by a corporation which
29 conducts business operations in an Enterprise Zone or
30 zones created under the Illinois Enterprise Zone Act,
31 enacted by the 82nd General Assembly, and conducts
32 substantially all of its operations in an Enterprise
33 Zone or Zones;

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

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

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

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

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

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

32 The aggregate amount deducted under this
33 subparagraph in all taxable years for any one piece of
34 property may not exceed the amount of the bonus
35 depreciation deduction (30% of the adjusted basis of
36 the qualified property) taken on that property on the

1 taxpayer's federal income tax return under subsection
2 (k) of Section 168 of the Internal Revenue Code; and

3 (P) If the taxpayer reports a capital gain or loss
4 on the taxpayer's federal income tax return for the
5 taxable year based on a sale or transfer of property
6 for which the taxpayer was required in any taxable year
7 to make an addition modification under subparagraph
8 (D-5), then an amount equal to that addition
9 modification.

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

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

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

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

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

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

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

25 (C) Regulated investment companies. In the case of
26 a regulated investment company subject to the tax
27 imposed by Section 852 of the Internal Revenue Code,
28 investment company taxable income;

29 (D) Real estate investment trusts. In the case of a
30 real estate investment trust subject to the tax imposed
31 by Section 857 of the Internal Revenue Code, real
32 estate investment trust taxable income;

33 (E) Consolidated corporations. In the case of a
34 corporation which is a member of an affiliated group of
35 corporations filing a consolidated income tax return
36 for the taxable year for federal income tax purposes,

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

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

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

30 (H) Partnerships. In the case of a partnership,
31 taxable income determined in accordance with Section
32 703 of the Internal Revenue Code, except that taxable
33 income shall take into account those items which are
34 required by Section 703(a)(1) to be separately stated
35 but which would be taken into account by an individual
36 in calculating his taxable income.

1 (f) Valuation limitation amount.

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

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

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

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

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

30 (B) If the fair market value of property referred
31 to in paragraph (1) was not readily ascertainable on
32 August 1, 1969, the pre-August 1, 1969 appreciation
33 amount for such property is that amount which bears the
34 same ratio to the total gain reported in respect of the
35 property for federal income tax purposes for the

1 taxable year, as the number of full calendar months in
2 that part of the taxpayer's holding period for the
3 property ending July 31, 1969 bears to the number of
4 full calendar months in the taxpayer's entire holding
5 period for the property.

6 (C) The Department shall prescribe such
7 regulations as may be necessary to carry out the
8 purposes of this paragraph.

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

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

21 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
22 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
23 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
24 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
25 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
26 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)

27 Section 99. Effective date. This Act takes effect upon
28 becoming law.