

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 404 as follows:

6 (35 ILCS 5/404) (from Ch. 120, par. 4-404)

7 Sec. 404. Reallocation of Items.

8 (a) If it appears to the Director that any agreement,  
9 understanding or arrangement exists between any persons which  
10 causes any person's base income allocable to this State to be  
11 improperly or inaccurately reflected, the Director may adjust  
12 such items of income and deduction, and any factor taken into  
13 account in allocating non-business income to this State, to  
14 such extent as may reasonably be required to determine the base  
15 income of such person properly allocable to this State.

16 (b) The Director may not make any adjustment under  
17 subsection (a) before the Department adopts rules setting forth  
18 the methods and standards by which the Director may exercise  
19 authority under this Section. The rules must set forth the  
20 types of agreements, understandings, and arrangements that the  
21 Director will consider to cause a person's base income  
22 allocable to this State to be improperly or inaccurately  
23 reflected.

1       (c) Unless the principal purpose of the agreement,  
2       understanding, or arrangement is for the avoidance of federal  
3       or state income tax, any adjustment made under this Section and  
4       the rules required to be adopted under subsection (b) must be  
5       in accordance with Section 482 of the Internal Revenue Code, as  
6       amended, and the related Treasury Regulations.

7       (Source: P.A. 76-261.)

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