



**Filed: 3/12/2009**

09600HB3682ham001

LRB096 10377 HLH 23544 a

1 AMENDMENT TO HOUSE BILL 3682

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 3682 by replacing  
3 everything after the enacting clause with the following:

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

1 to the taxpayer as interest or dividends during the  
2 taxable year to the extent excluded from gross income  
3 in the computation of adjusted gross income, except  
4 stock dividends of qualified public utilities  
5 described in Section 305(e) of the Internal Revenue  
6 Code;

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

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

23 (D) An amount equal to the amount of the capital  
24 gain deduction allowable under the Internal Revenue  
25 Code, to the extent deducted from gross income in the  
26 computation of adjusted gross income;

1           (D-5) An amount, to the extent not included in  
2 adjusted gross income, equal to the amount of money  
3 withdrawn by the taxpayer in the taxable year from a  
4 medical care savings account and the interest earned on  
5 the account in the taxable year of a withdrawal  
6 pursuant to subsection (b) of Section 20 of the Medical  
7 Care Savings Account Act or subsection (b) of Section  
8 20 of the Medical Care Savings Account Act of 2000;

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

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

19           (D-16) If the taxpayer sells, transfers, abandons,  
20 or otherwise disposes of property for which the  
21 taxpayer was required in any taxable year to make an  
22 addition modification under subparagraph (D-15), then  
23 an amount equal to the aggregate amount of the  
24 deductions taken in all taxable years under  
25 subparagraph (Z) with respect to that property.

26           If the taxpayer continues to own property through

1           the last day of the last tax year for which the  
2           taxpayer may claim a depreciation deduction for  
3           federal income tax purposes and for which the taxpayer  
4           was allowed in any taxable year to make a subtraction  
5           modification under subparagraph (Z), then an amount  
6           equal to that subtraction modification.

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

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

1 extent that dividends were included in base income of  
2 the unitary group for the same taxable year and  
3 received by the taxpayer or by a member of the  
4 taxpayer's unitary business group (including amounts  
5 included in gross income under Sections 951 through 964  
6 of the Internal Revenue Code and amounts included in  
7 gross income under Section 78 of the Internal Revenue  
8 Code) with respect to the stock of the same person to  
9 whom the interest was paid, accrued, or incurred.

10 This paragraph shall not apply to the following:

11 (i) an item of interest paid, accrued, or  
12 incurred, directly or indirectly, to a person who  
13 is subject in a foreign country or state, other  
14 than a state which requires mandatory unitary  
15 reporting, to a tax on or measured by net income  
16 with respect to such interest; or

17 (ii) an item of interest paid, accrued, or  
18 incurred, directly or indirectly, to a person if  
19 the taxpayer can establish, based on a  
20 preponderance of the evidence, both of the  
21 following:

22 (a) the person, during the same taxable  
23 year, paid, accrued, or incurred, the interest  
24 to a person that is not a related member, and

25 (b) the transaction giving rise to the  
26 interest expense between the taxpayer and the

1 person did not have as a principal purpose the  
2 avoidance of Illinois income tax, and is paid  
3 pursuant to a contract or agreement that  
4 reflects an arm's-length interest rate and  
5 terms; or

6 (iii) the taxpayer can establish, based on  
7 clear and convincing evidence, that the interest  
8 paid, accrued, or incurred relates to a contract or  
9 agreement entered into at arm's-length rates and  
10 terms and the principal purpose for the payment is  
11 not federal or Illinois tax avoidance; or

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

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

1 under Section 404 of this Act;

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

1 to the stock of the same person to whom the intangible  
2 expenses and costs were directly or indirectly paid,  
3 incurred, or accrued. The preceding sentence does not  
4 apply to the extent that the same dividends caused a  
5 reduction to the addition modification required under  
6 Section 203(a)(2)(D-17) of this Act. As used in this  
7 subparagraph, the term "intangible expenses and costs"  
8 includes (1) expenses, losses, and costs for, or  
9 related to, the direct or indirect acquisition, use,  
10 maintenance or management, ownership, sale, exchange,  
11 or any other disposition of intangible property; (2)  
12 losses incurred, directly or indirectly, from  
13 factoring transactions or discounting transactions;  
14 (3) royalty, patent, technical, and copyright fees;  
15 (4) licensing fees; and (5) other similar expenses and  
16 costs. For purposes of this subparagraph, "intangible  
17 property" includes patents, patent applications, trade  
18 names, trademarks, service marks, copyrights, mask  
19 works, trade secrets, and similar types of intangible  
20 assets.

21 This paragraph shall not apply to the following:

22 (i) any item of intangible expenses or costs  
23 paid, accrued, or incurred, directly or  
24 indirectly, from a transaction with a person who is  
25 subject in a foreign country or state, other than a  
26 state which requires mandatory unitary reporting,



1 to a tax on or measured by net income with respect  
2 to such item; or

3 (ii) any item of intangible expense or cost  
4 paid, accrued, or incurred, directly or  
5 indirectly, if the taxpayer can establish, based  
6 on a preponderance of the evidence, both of the  
7 following:

8 (a) the person during the same taxable  
9 year paid, accrued, or incurred, the  
10 intangible expense or cost to a person that is  
11 not a related member, and

12 (b) the transaction giving rise to the  
13 intangible expense or cost between the  
14 taxpayer and the person did not have as a  
15 principal purpose the avoidance of Illinois  
16 income tax, and is paid pursuant to a contract  
17 or agreement that reflects arm's-length terms;  
18 or

19 (iii) any item of intangible expense or cost  
20 paid, accrued, or incurred, directly or  
21 indirectly, from a transaction with a person if the  
22 taxpayer establishes by clear and convincing  
23 evidence, that the adjustments are unreasonable;  
24 or if the taxpayer and the Director agree in  
25 writing to the application or use of an alternative  
26 method of apportionment under Section 304(f);

1           Nothing in this subsection shall preclude the  
2           Director from making any other adjustment  
3           otherwise allowed under Section 404 of this Act for  
4           any tax year beginning after the effective date of  
5           this amendment provided such adjustment is made  
6           pursuant to regulation adopted by the Department  
7           and such regulations provide methods and standards  
8           by which the Department will utilize its authority  
9           under Section 404 of this Act;

10           (D-19) For taxable years ending on or after  
11           December 31, 2008, an amount equal to the amount of  
12           insurance premium expenses and costs otherwise allowed  
13           as a deduction in computing base income, and that were  
14           paid, accrued, or incurred, directly or indirectly, to  
15           a person who would be a member of the same unitary  
16           business group but for the fact that the person is  
17           prohibited under Section 1501(a)(27) from being  
18           included in the unitary business group because he or  
19           she is ordinarily required to apportion business  
20           income under different subsections of Section 304. The  
21           addition modification required by this subparagraph  
22           shall be reduced to the extent that dividends were  
23           included in base income of the unitary group for the  
24           same taxable year and received by the taxpayer or by a  
25           member of the taxpayer's unitary business group  
26           (including amounts included in gross income under

1 Sections 951 through 964 of the Internal Revenue Code  
2 and amounts included in gross income under Section 78  
3 of the Internal Revenue Code) with respect to the stock  
4 of the same person to whom the premiums and costs were  
5 directly or indirectly paid, incurred, or accrued. The  
6 preceding sentence does not apply to the extent that  
7 the same dividends caused a reduction to the addition  
8 modification required under Section 203(a) (2) (D-17) or  
9 Section 203(a) (2) (D-18) of this Act.

10 (D-20) For taxable years beginning on or after  
11 January 1, 2002 and ending on or before December 31,  
12 2006, in the case of a distribution from a qualified  
13 tuition program under Section 529 of the Internal  
14 Revenue Code, other than (i) a distribution from a  
15 College Savings Pool created under Section 16.5 of the  
16 State Treasurer Act or (ii) a distribution from the  
17 Illinois Prepaid Tuition Trust Fund, an amount equal to  
18 the amount excluded from gross income under Section  
19 529(c) (3) (B). For taxable years beginning on or after  
20 January 1, 2007, in the case of a distribution from a  
21 qualified tuition program under Section 529 of the  
22 Internal Revenue Code, other than (i) a distribution  
23 from a College Savings Pool created under Section 16.5  
24 of the State Treasurer Act, (ii) a distribution from  
25 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
26 distribution from a qualified tuition program under

1 Section 529 of the Internal Revenue Code that (I)  
2 adopts and determines that its offering materials  
3 comply with the College Savings Plans Network's  
4 disclosure principles and (II) has made reasonable  
5 efforts to inform in-state residents of the existence  
6 of in-state qualified tuition programs by informing  
7 Illinois residents directly and, where applicable, to  
8 inform financial intermediaries distributing the  
9 program to inform in-state residents of the existence  
10 of in-state qualified tuition programs at least  
11 annually, an amount equal to the amount excluded from  
12 gross income under Section 529(c) (3) (B) .

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

25 (D-21) For taxable years beginning on or after  
26 January 1, 2007, in the case of transfer of moneys from

1 a qualified tuition program under Section 529 of the  
2 Internal Revenue Code that is administered by the State  
3 to an out-of-state program, an amount equal to the  
4 amount of moneys previously deducted from base income  
5 under subsection (a) (2) (Y) of this Section.

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

8 (E) For taxable years ending before December 31,  
9 2001, any amount included in such total in respect of  
10 any compensation (including but not limited to any  
11 compensation paid or accrued to a serviceman while a  
12 prisoner of war or missing in action) paid to a  
13 resident by reason of being on active duty in the Armed  
14 Forces of the United States and in respect of any  
15 compensation paid or accrued to a resident who as a  
16 governmental employee was a prisoner of war or missing  
17 in action, and in respect of any compensation paid to a  
18 resident in 1971 or thereafter for annual training  
19 performed pursuant to Sections 502 and 503, Title 32,  
20 United States Code as a member of the Illinois National  
21 Guard or, beginning with taxable years ending on or  
22 after December 31, 2007, the National Guard of any  
23 other state. For taxable years ending on or after  
24 December 31, 2001, any amount included in such total in  
25 respect of any compensation (including but not limited  
26 to any compensation paid or accrued to a serviceman

1 while a prisoner of war or missing in action) paid to a  
2 resident by reason of being a member of any component  
3 of the Armed Forces of the United States and in respect  
4 of any compensation paid or accrued to a resident who  
5 as a governmental employee was a prisoner of war or  
6 missing in action, and in respect of any compensation  
7 paid to a resident in 2001 or thereafter by reason of  
8 being a member of the Illinois National Guard or,  
9 beginning with taxable years ending on or after  
10 December 31, 2007, the National Guard of any other  
11 state. The provisions of this amendatory Act of the  
12 92nd General Assembly are exempt from the provisions of  
13 Section 250;

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

25 (G) The valuation limitation amount;

26 (H) An amount equal to the amount of any tax

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

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

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

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

1           (L) For taxable years ending after December 31,  
2           1983, an amount equal to all social security benefits  
3           and railroad retirement benefits included in such  
4           total pursuant to Sections 72(r) and 86 of the Internal  
5           Revenue Code;

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

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



1 of bond premium amortization;

2 (O) An amount equal to any contribution made to a  
3 job training project established pursuant to the Tax  
4 Increment Allocation Redevelopment Act;

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

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

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

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

25 (T) An amount, to the extent included in adjusted  
26 gross income, equal to the amount of interest earned in

1           the taxable year on a medical care savings account  
2           established under the Medical Care Savings Account Act  
3           or the Medical Care Savings Account Act of 2000 on  
4           behalf of the taxpayer, other than interest added  
5           pursuant to item (D-5) of this paragraph (2);

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

12          (V) Beginning with tax years ending on or after  
13          December 31, 1995 and ending with tax years ending on  
14          or before December 31, 2004, an amount equal to the  
15          amount paid by a taxpayer who is a self-employed  
16          taxpayer, a partner of a partnership, or a shareholder  
17          in a Subchapter S corporation for health insurance or  
18          long-term care insurance for that taxpayer or that  
19          taxpayer's spouse or dependents, to the extent that the  
20          amount paid for that health insurance or long-term care  
21          insurance may be deducted under Section 213 of the  
22          Internal Revenue Code of 1986, has not been deducted on  
23          the federal income tax return of the taxpayer, and does  
24          not exceed the taxable income attributable to that  
25          taxpayer's income, self-employment income, or  
26          Subchapter S corporation income; except that no

1 deduction shall be allowed under this item (V) if the  
2 taxpayer is eligible to participate in any health  
3 insurance or long-term care insurance plan of an  
4 employer of the taxpayer or the taxpayer's spouse. The  
5 amount of the health insurance and long-term care  
6 insurance subtracted under this item (V) shall be  
7 determined by multiplying total health insurance and  
8 long-term care insurance premiums paid by the taxpayer  
9 times a number that represents the fractional  
10 percentage of eligible medical expenses under Section  
11 213 of the Internal Revenue Code of 1986 not actually  
12 deducted on the taxpayer's federal income tax return;

13 (W) For taxable years beginning on or after January  
14 1, 1998, all amounts included in the taxpayer's federal  
15 gross income in the taxable year from amounts converted  
16 from a regular IRA to a Roth IRA. This paragraph is  
17 exempt from the provisions of Section 250;

18 (X) For taxable year 1999 and thereafter, an amount  
19 equal to the amount of any (i) distributions, to the  
20 extent includible in gross income for federal income  
21 tax purposes, made to the taxpayer because of his or  
22 her status as a victim of persecution for racial or  
23 religious reasons by Nazi Germany or any other Axis  
24 regime or as an heir of the victim and (ii) items of  
25 income, to the extent includible in gross income for  
26 federal income tax purposes, attributable to, derived

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

25 (Y) For taxable years beginning on or after January  
26 1, 2002 and ending on or before December 31, 2004,

1           moneys contributed in the taxable year to a College  
2           Savings Pool account under Section 16.5 of the State  
3           Treasurer Act, except that amounts excluded from gross  
4           income under Section 529(c)(3)(C)(i) of the Internal  
5           Revenue Code shall not be considered moneys  
6           contributed under this subparagraph (Y). For taxable  
7           years beginning on or after January 1, 2005, a maximum  
8           of \$10,000 contributed in the taxable year to (i) a  
9           College Savings Pool account under Section 16.5 of the  
10          State Treasurer Act or (ii) the Illinois Prepaid  
11          Tuition Trust Fund, except that amounts excluded from  
12          gross income under Section 529(c)(3)(C)(i) of the  
13          Internal Revenue Code shall not be considered moneys  
14          contributed under this subparagraph (Y). This  
15          subparagraph (Y) is exempt from the provisions of  
16          Section 250;

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

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

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

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

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

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

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

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

1           (AA) If the taxpayer sells, transfers, abandons,  
2 or otherwise disposes of property for which the  
3 taxpayer was required in any taxable year to make an  
4 addition modification under subparagraph (D-15), then  
5 an amount equal to that addition modification.

6           If the taxpayer continues to own property through  
7 the last day of the last tax year for which the  
8 taxpayer may claim a depreciation deduction for  
9 federal income tax purposes and for which the taxpayer  
10 was required in any taxable year to make an addition  
11 modification under subparagraph (D-15), then an amount  
12 equal to that addition modification.

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

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

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

21           (CC) The amount of (i) any interest income (net of  
22 the deductions allocable thereto) taken into account  
23 for the taxable year with respect to a transaction with  
24 a taxpayer that is required to make an addition  
25 modification with respect to such transaction under  
26 Section           203(a)(2)(D-17),           203(b)(2)(E-12),

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

12           (DD) An amount equal to the interest income taken  
13          into account for the taxable year (net of the  
14          deductions allocable thereto) with respect to  
15          transactions with (i) a foreign person who would be a  
16          member of the taxpayer's unitary business group but for  
17          the fact that the foreign person's business activity  
18          outside the United States is 80% or more of that  
19          person's total business activity and (ii) for taxable  
20          years ending on or after December 31, 2008, to a person  
21          who would be a member of the same unitary business  
22          group but for the fact that the person is prohibited  
23          under Section 1501(a)(27) from being included in the  
24          unitary business group because he or she is ordinarily  
25          required to apportion business income under different  
26          subsections of Section 304, but not to exceed the



1 addition modification required to be made for the same  
2 taxable year under Section 203(a)(2)(D-17) for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, to the same person. This subparagraph (DD)  
5 is exempt from the provisions of Section 250; ~~and~~

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

1           (FF) For each taxable year ending on or after  
2           December 31, 2009, an amount equal to 10% of the amount  
3           of expenditures by the taxpayer for equipment and  
4           computer software placed in service during the taxable  
5           year for the purpose of preventing identity theft, but  
6           not to exceed \$100 per article of equipment or  
7           software.

8           (b) Corporations.

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

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

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

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

23               (C) In the case of a regulated investment company,  
24               an amount equal to the excess of (i) the net long-term  
25               capital gain for the taxable year, over (ii) the amount

1 of the capital gain dividends designated as such in  
2 accordance with Section 852(b)(3)(C) of the Internal  
3 Revenue Code and any amount designated under Section  
4 852(b)(3)(D) of the Internal Revenue Code,  
5 attributable to the taxable year (this amendatory Act  
6 of 1995 (Public Act 89-89) is declarative of existing  
7 law and is not a new enactment);

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

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

22 (i) 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 be reduced by the amount of  
26 addition modification under this subparagraph (E)

1           which related to that net operating loss and which  
2           was taken into account in calculating the base  
3           income of an earlier taxable year, and

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

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

16          (E-5) For taxable years ending after December 31,  
17          1997, an amount equal to any eligible remediation costs  
18          that the corporation deducted in computing adjusted  
19          gross income and for which the corporation claims a  
20          credit under subsection (l) of Section 201;

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

26          (E-11) If the taxpayer sells, transfers, abandons,

1 or otherwise disposes of property for which the  
2 taxpayer was required in any taxable year to make an  
3 addition modification under subparagraph (E-10), then  
4 an amount equal to the aggregate amount of the  
5 deductions taken in all taxable years under  
6 subparagraph (T) with respect to that property.

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

14 The taxpayer is required to make the addition  
15 modification under this subparagraph only once with  
16 respect to any one piece of property;

17 (E-12) An amount equal to the amount otherwise  
18 allowed as a deduction in computing base income for  
19 interest paid, accrued, or incurred, directly or  
20 indirectly, (i) for taxable years ending on or after  
21 December 31, 2004, to a foreign person who would be a  
22 member of the same unitary business group but for the  
23 fact the foreign person's business activity outside  
24 the United States is 80% or more of the foreign  
25 person's total business activity and (ii) for taxable  
26 years ending on or after December 31, 2008, to a person

1           who would be a member of the same unitary business  
2           group but for the fact that the person is prohibited  
3           under Section 1501(a)(27) from being included in the  
4           unitary business group because he or she is ordinarily  
5           required to apportion business income under different  
6           subsections of Section 304. The addition modification  
7           required by this subparagraph shall be reduced to the  
8           extent that dividends were included in base income of  
9           the unitary group for the same taxable year and  
10          received by the taxpayer or by a member of the  
11          taxpayer's unitary business group (including amounts  
12          included in gross income pursuant to Sections 951  
13          through 964 of the Internal Revenue Code and amounts  
14          included in gross income under Section 78 of the  
15          Internal Revenue Code) with respect to the stock of the  
16          same person to whom the interest was paid, accrued, or  
17          incurred.

18                 This paragraph shall not apply to the following:

19                         (i) an item of interest paid, accrued, or  
20                         incurred, directly or indirectly, to a person who  
21                         is subject in a foreign country or state, other  
22                         than a state which requires mandatory unitary  
23                         reporting, to a tax on or measured by net income  
24                         with respect to such interest; or

25                         (ii) an item of interest paid, accrued, or  
26                         incurred, directly or indirectly, to a person if

1           the taxpayer can establish, based on a  
2           preponderance of the evidence, both of the  
3           following:

4                   (a) the person, during the same taxable  
5                   year, paid, accrued, or incurred, the interest  
6                   to a person that is not a related member, and

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

14                  (iii) the taxpayer can establish, based on  
15                  clear and convincing evidence, that the interest  
16                  paid, accrued, or incurred relates to a contract or  
17                  agreement entered into at arm's-length rates and  
18                  terms and the principal purpose for the payment is  
19                  not federal or Illinois tax avoidance; or

20                  (iv) an item of interest paid, accrued, or  
21                  incurred, directly or indirectly, to a person if  
22                  the taxpayer establishes by clear and convincing  
23                  evidence that the adjustments are unreasonable; or  
24                  if the taxpayer and the Director agree in writing  
25                  to the application or use of an alternative method  
26                  of apportionment under Section 304(f).

1           Nothing in this subsection shall preclude the  
2           Director from making any other adjustment  
3           otherwise allowed under Section 404 of this Act for  
4           any tax year beginning after the effective date of  
5           this amendment provided such adjustment is made  
6           pursuant to regulation adopted by the Department  
7           and such regulations provide methods and standards  
8           by which the Department will utilize its authority  
9           under Section 404 of this Act;

10           (E-13) An amount equal to the amount of intangible  
11           expenses and costs otherwise allowed as a deduction in  
12           computing base income, and that were paid, accrued, or  
13           incurred, directly or indirectly, (i) for taxable  
14           years ending on or after December 31, 2004, to a  
15           foreign person who would be a member of the same  
16           unitary business group but for the fact that the  
17           foreign person's business activity outside the United  
18           States is 80% or more of that person's total business  
19           activity and (ii) for taxable years ending on or after  
20           December 31, 2008, to a person who would be a member of  
21           the same unitary business group but for the fact that  
22           the person is prohibited under Section 1501(a)(27)  
23           from being included in the unitary business group  
24           because he or she is ordinarily required to apportion  
25           business income under different subsections of Section  
26           304. The addition modification required by this



1           subparagraph shall be reduced to the extent that  
2           dividends were included in base income of the unitary  
3           group for the same taxable year and received by the  
4           taxpayer or by a member of the taxpayer's unitary  
5           business group (including amounts included in gross  
6           income pursuant to Sections 951 through 964 of the  
7           Internal Revenue Code and amounts included in gross  
8           income under Section 78 of the Internal Revenue Code)  
9           with respect to the stock of the same person to whom  
10          the intangible expenses and costs were directly or  
11          indirectly paid, incurred, or accrued. The preceding  
12          sentence shall not apply to the extent that the same  
13          dividends caused a reduction to the addition  
14          modification required under Section 203(b)(2)(E-12) of  
15          this Act. As used in this subparagraph, the term  
16          "intangible expenses and costs" includes (1) expenses,  
17          losses, and costs for, or related to, the direct or  
18          indirect acquisition, use, maintenance or management,  
19          ownership, sale, exchange, or any other disposition of  
20          intangible property; (2) losses incurred, directly or  
21          indirectly, from factoring transactions or discounting  
22          transactions; (3) royalty, patent, technical, and  
23          copyright fees; (4) licensing fees; and (5) other  
24          similar expenses and costs. For purposes of this  
25          subparagraph, "intangible property" includes patents,  
26          patent applications, trade names, trademarks, service

1 marks, copyrights, mask works, trade secrets, and  
2 similar types of intangible assets.

3 This paragraph shall not apply to the following:

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

11 (ii) any item of intangible expense or cost  
12 paid, accrued, or incurred, directly or  
13 indirectly, if the taxpayer can establish, based  
14 on a preponderance of the evidence, both of the  
15 following:

16 (a) the person during the same taxable  
17 year paid, accrued, or incurred, the  
18 intangible expense or cost to a person that is  
19 not a related member, and

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

1           (iii) any item of intangible expense or cost  
2           paid, accrued, or incurred, directly or  
3           indirectly, from a transaction with a person if the  
4           taxpayer establishes by clear and convincing  
5           evidence, that the adjustments are unreasonable;  
6           or if the taxpayer and the Director agree in  
7           writing to the application or use of an alternative  
8           method of apportionment under Section 304(f);

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

18          (E-14) For taxable years ending on or after  
19          December 31, 2008, an amount equal to the amount of  
20          insurance premium expenses and costs otherwise allowed  
21          as a deduction in computing base income, and that were  
22          paid, accrued, or incurred, directly or indirectly, to  
23          a person who would be a member of the same unitary  
24          business group but for the fact that the person is  
25          prohibited under Section 1501(a)(27) from being  
26          included in the unitary business group because he or

1 she is ordinarily required to apportion business  
2 income under different subsections of Section 304. The  
3 addition modification required by this subparagraph  
4 shall be reduced to the extent that dividends were  
5 included in base income of the unitary group for the  
6 same taxable year and received by the taxpayer or by a  
7 member of the taxpayer's unitary business group  
8 (including amounts included in gross income under  
9 Sections 951 through 964 of the Internal Revenue Code  
10 and amounts included in gross income under Section 78  
11 of the Internal Revenue Code) with respect to the stock  
12 of the same person to whom the premiums and costs were  
13 directly or indirectly paid, incurred, or accrued. The  
14 preceding sentence does not apply to the extent that  
15 the same dividends caused a reduction to the addition  
16 modification required under Section 203(b) (2) (E-12) or  
17 Section 203(b) (2) (E-13) of this Act;

18 (E-15) For taxable years beginning after December  
19 31, 2008, any deduction for dividends paid by a captive  
20 real estate investment trust that is allowed to a real  
21 estate investment trust under Section 857(b) (2) (B) of  
22 the Internal Revenue Code for dividends paid;

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

25 (F) An amount equal to the amount of any tax  
26 imposed by this Act which was refunded to the taxpayer

1 and included in such total for the taxable year;

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

4 (H) In the case of a regulated investment company,  
5 an amount equal to the amount of exempt interest  
6 dividends as defined in subsection (b) (5) of Section  
7 852 of the Internal Revenue Code, paid to shareholders  
8 for the taxable year;

9 (I) With the exception of any amounts subtracted  
10 under subparagraph (J), an amount equal to the sum of  
11 all amounts disallowed as deductions by (i) Sections  
12 171(a) (2), and 265(a)(2) and amounts disallowed as  
13 interest expense by Section 291(a)(3) of the Internal  
14 Revenue Code, as now or hereafter amended, and all  
15 amounts of expenses allocable to interest and  
16 disallowed as deductions by Section 265(a)(1) of the  
17 Internal Revenue Code, as now or hereafter amended; and  
18 (ii) for taxable years ending on or after August 13,  
19 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and  
20 832(b)(5)(B)(i) of the Internal Revenue Code; the  
21 provisions of this subparagraph are exempt from the  
22 provisions of Section 250;

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

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

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

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

25 (M) For any taxpayer that is a financial  
26 organization within the meaning of Section 304(c) of

1           this Act, an amount included in such total as interest  
2           income from a loan or loans made by such taxpayer to a  
3           borrower, to the extent that such a loan is secured by  
4           property which is eligible for the Enterprise Zone  
5           Investment Credit or the River Edge Redevelopment 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 or the River Edge Redevelopment Zone. The  
16          subtraction modification available to taxpayer in any  
17          year under this subsection shall be that portion of the  
18          total interest paid by the borrower with respect to  
19          such loan attributable to the eligible property as  
20          calculated under the previous sentence. This  
21          subparagraph (M) is exempt from the provisions of  
22          Section 250;

23           (M-1) For any taxpayer that is a financial  
24           organization within the meaning of Section 304(c) of  
25           this Act, an amount included in such total as interest  
26           income from a loan or loans made by such taxpayer to a

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

22 (N) Two times any contribution made during the  
23 taxable year to a designated zone organization to the  
24 extent that the contribution (i) qualifies as a  
25 charitable contribution under subsection (c) of  
26 Section 170 of the Internal Revenue Code and (ii) must,



1           by its terms, be used for a project approved by the  
2           Department of Commerce and Economic Opportunity under  
3           Section 11 of the Illinois Enterprise Zone Act or under  
4           Section 10-10 of the River Edge Redevelopment Zone Act.  
5           This subparagraph (N) is exempt from the provisions of  
6           Section 250;

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

1 after December 31, 1988, dividends received or deemed  
2 received or paid or deemed paid under Sections 951  
3 through 964 of the Internal Revenue Code and including,  
4 for taxable years ending on or after December 31, 2008,  
5 dividends received from a captive real estate  
6 investment trust, from any such corporation specified  
7 in clause (i) that would but for the provisions of  
8 Section 1504 (b) (3) of the Internal Revenue Code be  
9 treated as a member of the affiliated group which  
10 includes the dividend recipient, exceed the amount of  
11 the modification provided under subparagraph (G) of  
12 paragraph (2) of this subsection (b) which is related  
13 to such dividends. This subparagraph (O) is exempt from  
14 the provisions of Section 250 of this Act;

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

18 (Q) 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 (R) On and after July 20, 1999, in the case of an  
24 attorney-in-fact with respect to whom an interinsurer  
25 or a reciprocal insurer has made the election under  
26 Section 835 of the Internal Revenue Code, 26 U.S.C.

1           835, an amount equal to the excess, if any, of the  
2           amounts paid or incurred by that interinsurer or  
3           reciprocal insurer in the taxable year to the  
4           attorney-in-fact over the deduction allowed to that  
5           interinsurer or reciprocal insurer with respect to the  
6           attorney-in-fact under Section 835(b) of the Internal  
7           Revenue Code for the taxable year; the provisions of  
8           this subparagraph are exempt from the provisions of  
9           Section 250;

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

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

26                   (1) "y" equals the amount of the depreciation

1 deduction taken for the taxable year on the  
2 taxpayer's federal income tax return on property  
3 for which the bonus depreciation deduction was  
4 taken in any year under subsection (k) of Section  
5 168 of the Internal Revenue Code, but not including  
6 the bonus depreciation deduction;

7 (2) for taxable years ending on or before  
8 December 31, 2005, "x" equals "y" multiplied by 30  
9 and then divided by 70 (or "y" multiplied by  
10 0.429); and

11 (3) for taxable years ending after December  
12 31, 2005:

13 (i) for property on which a bonus  
14 depreciation deduction of 30% of the adjusted  
15 basis was taken, "x" equals "y" multiplied by  
16 30 and then divided by 70 (or "y" multiplied by  
17 0.429); and

18 (ii) for property on which a bonus  
19 depreciation deduction of 50% of the adjusted  
20 basis was taken, "x" equals "y" multiplied by  
21 1.0.

22 The aggregate amount deducted under this  
23 subparagraph in all taxable years for any one piece of  
24 property may not exceed the amount of the bonus  
25 depreciation deduction taken on that property on the  
26 taxpayer's federal income tax return under subsection

1 (k) of Section 168 of the Internal Revenue Code. This  
2 subparagraph (T) is exempt from the provisions of  
3 Section 250;

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

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

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

19 This subparagraph (U) is exempt from the  
20 provisions of Section 250;

21 (V) The amount of: (i) any interest income (net of  
22 the deductions allocable thereto) taken into account  
23 for the taxable year with respect to a transaction with  
24 a taxpayer that is required to make an addition  
25 modification with respect to such transaction under  
26 Section 203(a)(2)(D-17), 203(b)(2)(E-12),

1           203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
2           the amount of such addition modification, (ii) any  
3           income from intangible property (net of the deductions  
4           allocable thereto) taken into account for the taxable  
5           year with respect to a transaction with a taxpayer that  
6           is required to make an addition modification with  
7           respect to such transaction under Section  
8           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
9           203(d)(2)(D-8), but not to exceed the amount of such  
10          addition modification, and (iii) any insurance premium  
11          income (net of deductions allocable thereto) taken  
12          into account for the taxable year with respect to a  
13          transaction with a taxpayer that is required to make an  
14          addition modification with respect to such transaction  
15          under Section 203(a)(2)(D-19), Section  
16          203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
17          203(d)(2)(D-9), but not to exceed the amount of that  
18          addition modification. This subparagraph (V) is exempt  
19          from the provisions of Section 250;

20               (W) An amount equal to the interest income taken  
21          into account for the taxable year (net of the  
22          deductions allocable thereto) with respect to  
23          transactions with (i) a foreign person who would be a  
24          member of the taxpayer's unitary business group but for  
25          the fact that the foreign person's business activity  
26          outside the United States is 80% or more of that

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

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

1 required to apportion business income under different  
2 subsections of Section 304, but not to exceed the  
3 addition modification required to be made for the same  
4 taxable year under Section 203(b)(2)(E-13) for  
5 intangible expenses and costs paid, accrued, or  
6 incurred, directly or indirectly, to the same foreign  
7 person. This subparagraph (X) is exempt from the  
8 provisions of Section 250. ~~(Y)~~

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

13 (c) Trusts and estates.

14 (1) In general. In the case of a trust or estate, 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. Subject to the provisions of  
18 paragraph (3), the taxable income referred to in paragraph  
19 (1) shall be modified by adding thereto the sum of the  
20 following amounts:

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

25 (B) In the case of (i) an estate, \$600; (ii) a



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

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

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

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

23 (i) 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 be reduced by the amount of

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

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

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

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

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

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

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

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

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

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

1           respect to any one piece of property;

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

14 This paragraph shall not apply to the following:

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

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



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

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

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

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

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

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

1 modification required under Section 203(c) (2) (G-12) or  
2 Section 203(c) (2) (G-13) of this Act.

3 and by deducting from the total so obtained the sum of the  
4 following amounts:

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

16 (I) The valuation limitation amount;

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

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

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

5           (L) With the exception of any amounts subtracted  
6           under subparagraph (K), an amount equal to the sum of  
7           all amounts disallowed as deductions by (i) Sections  
8           171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
9           as now or hereafter amended, and all amounts of  
10          expenses allocable to interest and disallowed as  
11          deductions by Section 265(1) of the Internal Revenue  
12          Code of 1954, as now or hereafter amended; and (ii) for  
13          taxable years ending on or after August 13, 1999,  
14          Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of  
15          the Internal Revenue Code; the provisions of this  
16          subparagraph are exempt from the provisions of Section  
17          250;

18          (M) An amount equal to those dividends included in  
19          such total which were paid by a corporation which  
20          conducts business operations in an Enterprise Zone or  
21          zones created under the Illinois Enterprise Zone Act or  
22          a River Edge Redevelopment Zone or zones created under  
23          the River Edge Redevelopment Zone Act and conducts  
24          substantially all of its operations in an Enterprise  
25          Zone or Zones or a River Edge Redevelopment Zone or  
26          zones. This subparagraph (M) is exempt from the

1 provisions of Section 250;

2 (N) An amount equal to any contribution made to a  
3 job training project established pursuant to the Tax  
4 Increment Allocation Redevelopment Act;

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

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

19 (Q) For taxable year 1999 and thereafter, an amount  
20 equal to the amount of any (i) distributions, to the  
21 extent includible in gross income for federal income  
22 tax purposes, made to the taxpayer because of his or  
23 her status as a victim of persecution for racial or  
24 religious reasons by Nazi Germany or any other Axis  
25 regime or as an heir of the victim and (ii) items of  
26 income, to the extent includible in gross income for

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

26 (R) For taxable years 2001 and thereafter, for the

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

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

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

17 (3) for taxable years ending after December  
18 31, 2005:

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

24 (ii) for property on which a bonus  
25 depreciation deduction of 50% of the adjusted  
26 basis was taken, "x" equals "y" multiplied by

1           1.0.

2           The aggregate amount deducted under this  
3           subparagraph in all taxable years for any one piece of  
4           property may not exceed the amount of the bonus  
5           depreciation deduction 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. This  
8           subparagraph (R) is exempt from the provisions of  
9           Section 250;

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

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

22          The taxpayer is allowed to take the deduction under  
23          this subparagraph only once with respect to any one  
24          piece of property.

25          This subparagraph (S) is exempt from the  
26          provisions of Section 250;



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

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

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

12           (V) An amount equal to the income from intangible  
13          property taken into account for the taxable year (net  
14          of the deductions allocable thereto) with respect to  
15          transactions with (i) a foreign person who would be a  
16          member of the taxpayer's unitary business group but for  
17          the fact that the foreign person's business activity  
18          outside the United States is 80% or more of that  
19          person's total business activity and (ii) for taxable  
20          years ending on or after December 31, 2008, to a person  
21          who would be a member of the same unitary business  
22          group but for the fact that the person is prohibited  
23          under Section 1501(a)(27) from being included in the  
24          unitary business group because he or she is ordinarily  
25          required to apportion business income under different  
26          subsections of Section 304, but not to exceed the

1 addition modification required to be made for the same  
2 taxable year under Section 203(c)(2)(G-13) for  
3 intangible expenses and costs paid, accrued, or  
4 incurred, directly or indirectly, to the same foreign  
5 person. This subparagraph (V) is exempt from the  
6 provisions of Section 250. ~~(W)~~

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

14 (d) Partnerships.

15 (1) In general. In the case of a partnership, 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. The taxable income referred to in  
19 paragraph (1) shall be modified by adding thereto the sum  
20 of the following amounts:

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

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

1           this Act to the extent deducted from gross income for  
2           the taxable year;

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

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

10          (D-5) For taxable years 2001 and thereafter, an  
11          amount equal to the bonus depreciation deduction 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;

15          (D-6) If the taxpayer sells, transfers, abandons,  
16          or otherwise disposes of property for which the  
17          taxpayer was required in any taxable year to make an  
18          addition modification under subparagraph (D-5), then  
19          an amount equal to the aggregate amount of the  
20          deductions taken in all taxable years under  
21          subparagraph (D) with respect to that property.

22          If the taxpayer continues to own property through  
23          the last day of the last tax year for which the  
24          taxpayer may claim a depreciation deduction for  
25          federal income tax purposes and for which the taxpayer  
26          was allowed in any taxable year to make a subtraction

1           modification under subparagraph (O), then an amount  
2           equal to that subtraction modification.

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;

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

1 included in gross income pursuant to Sections 951  
2 through 964 of the Internal Revenue Code and amounts  
3 included in gross income under Section 78 of the  
4 Internal Revenue Code) with respect to the stock of the  
5 same person to whom the interest was paid, accrued, or  
6 incurred.

7 This paragraph shall not apply to the following:

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

14 (ii) an item of interest paid, accrued, or  
15 incurred, directly or indirectly, to a person if  
16 the taxpayer can establish, based on a  
17 preponderance of the evidence, both of the  
18 following:

19 (a) the person, during the same taxable  
20 year, paid, accrued, or incurred, the interest  
21 to a person that is not a related member, and

22 (b) the transaction giving rise to the  
23 interest expense between the taxpayer and the  
24 person did not have as a principal purpose the  
25 avoidance of Illinois income tax, and is paid  
26 pursuant to a contract or agreement that

1 reflects an arm's-length interest rate and  
2 terms; or

3 (iii) the taxpayer can establish, based on  
4 clear and convincing evidence, that the interest  
5 paid, accrued, or incurred relates to a contract or  
6 agreement entered into at arm's-length rates and  
7 terms and the principal purpose for the payment is  
8 not federal or Illinois tax avoidance; or

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

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

25 (D-8) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in

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



1 sentence shall not apply to the extent that the same  
2 dividends caused a reduction to the addition  
3 modification required under Section 203(d)(2)(D-7) of  
4 this Act. As used in this subparagraph, the term  
5 "intangible expenses and costs" includes (1) expenses,  
6 losses, and costs for, or related to, the direct or  
7 indirect acquisition, use, maintenance or management,  
8 ownership, sale, exchange, or any other disposition of  
9 intangible property; (2) losses incurred, directly or  
10 indirectly, from factoring transactions or discounting  
11 transactions; (3) royalty, patent, technical, and  
12 copyright fees; (4) licensing fees; and (5) other  
13 similar expenses and costs. For purposes of this  
14 subparagraph, "intangible property" includes patents,  
15 patent applications, trade names, trademarks, service  
16 marks, copyrights, mask works, trade secrets, and  
17 similar types of intangible assets;

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, if the taxpayer can establish, based  
3           on a preponderance of the evidence, both of the  
4           following:

5                   (a) the person during the same taxable  
6                   year paid, accrued, or incurred, the  
7                   intangible expense or cost to a person that is  
8                   not a related member, and

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

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

24                   Nothing in this subsection shall preclude the  
25                   Director from making any other adjustment  
26                   otherwise allowed under Section 404 of this Act for

1           any tax year beginning after the effective date of  
2           this amendment provided such adjustment is made  
3           pursuant to regulation adopted by the Department  
4           and such regulations provide methods and standards  
5           by which the Department will utilize its authority  
6           under Section 404 of this Act;

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

1 of the same person to whom the premiums and costs were  
2 directly or indirectly paid, incurred, or accrued. The  
3 preceding sentence does not apply to the extent that  
4 the same dividends caused a reduction to the addition  
5 modification required under Section 203(d)(2)(D-7) or  
6 Section 203(d)(2)(D-8) of this Act.

7 and by deducting from the total so obtained the following  
8 amounts:

9 (E) The valuation limitation amount;

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

13 (G) An amount equal to all amounts included in  
14 taxable income as modified by subparagraphs (A), (B),  
15 (C) and (D) which are exempt from taxation by this  
16 State either by reason of its statutes or Constitution  
17 or by reason of the Constitution, treaties or statutes  
18 of the 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 (H) Any income of the partnership which  
24 constitutes personal service income as defined in  
25 Section 1348 (b) (1) of the Internal Revenue Code (as  
26 in effect December 31, 1981) or a reasonable allowance

1           for compensation paid or accrued for services rendered  
2           by partners to the partnership, whichever is greater;

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

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

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,

1           enacted by the 82nd General Assembly, or a River Edge  
2           Redevelopment Zone or zones created under the River  
3           Edge Redevelopment Zone Act and conducts substantially  
4           all of its operations in an Enterprise Zone or Zones or  
5           from a River Edge Redevelopment Zone or zones. This  
6           subparagraph (K) is exempt from the provisions of  
7           Section 250;

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

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

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

25          (O) For taxable years 2001 and thereafter, for the  
26          taxable year in which the bonus depreciation deduction

1 is taken on the taxpayer's federal income tax return  
2 under subsection (k) of Section 168 of the Internal  
3 Revenue Code and for each applicable taxable year  
4 thereafter, an amount equal to "x", where:

5 (1) "y" equals the amount of the depreciation  
6 deduction taken for the taxable year on the  
7 taxpayer's federal income tax return on property  
8 for which the bonus depreciation deduction 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;

12 (2) for taxable years ending on or before  
13 December 31, 2005, "x" equals "y" multiplied by 30  
14 and then divided by 70 (or "y" multiplied by  
15 0.429); and

16 (3) for taxable years ending after December  
17 31, 2005:

18 (i) for property on which a bonus  
19 depreciation deduction of 30% of the adjusted  
20 basis was taken, "x" equals "y" multiplied by  
21 30 and then divided by 70 (or "y" multiplied by  
22 0.429); and

23 (ii) for property on which a bonus  
24 depreciation deduction of 50% of the adjusted  
25 basis was taken, "x" equals "y" multiplied by  
26 1.0.

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 taken on that property on the  
5           taxpayer's federal income tax return under subsection  
6           (k) of Section 168 of the Internal Revenue Code. This  
7           subparagraph (O) is exempt from the provisions of  
8           Section 250;

9           (P) If the taxpayer sells, transfers, abandons, or  
10          otherwise disposes of property for which the taxpayer  
11          was required in any taxable year to make an addition  
12          modification under subparagraph (D-5), then an amount  
13          equal to that addition modification.

14          If the taxpayer continues to own property through  
15          the last day of the last tax year for which the  
16          taxpayer may claim a depreciation deduction for  
17          federal income tax purposes and for which the taxpayer  
18          was required in any taxable year to make an addition  
19          modification under subparagraph (D-5), then an amount  
20          equal to that addition modification.

21          The taxpayer is allowed to take the deduction under  
22          this subparagraph only once with respect to any one  
23          piece of property.

24          This subparagraph (P) is exempt from the  
25          provisions of Section 250;

26          (Q) The amount of (i) any interest income (net of



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

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

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

11 (S) An amount equal to the income from intangible  
12 property taken into account for the taxable year (net  
13 of the deductions allocable thereto) with respect to  
14 transactions with (i) a foreign person who would be a  
15 member of the taxpayer's unitary business group but for  
16 the fact that the foreign person's business activity  
17 outside the United States is 80% or more of that  
18 person's total business activity and (ii) for taxable  
19 years ending on or after December 31, 2008, to a person  
20 who would be a member of the same unitary business  
21 group but for the fact that the person is prohibited  
22 under Section 1501(a)(27) from being included in the  
23 unitary business group because he or she is ordinarily  
24 required to apportion business income under different  
25 subsections of Section 304, but not to exceed the  
26 addition modification required to be made for the same

1 taxable year under Section 203(d)(2)(D-8) for  
2 intangible expenses and costs paid, accrued, or  
3 incurred, directly or indirectly, to the same person.  
4 This subparagraph (S) is exempt from Section 250. ~~(T)~~

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

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

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

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

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

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

1           (C) Regulated investment companies. In the case of  
2 a regulated investment company subject to the tax  
3 imposed by Section 852 of the Internal Revenue Code,  
4 investment company taxable income;

5           (D) Real estate investment trusts. In the case of a  
6 real estate investment trust subject to the tax imposed  
7 by Section 857 of the Internal Revenue Code, real  
8 estate investment trust taxable income;

9           (E) Consolidated corporations. In the case of a  
10 corporation which is a member of an affiliated group of  
11 corporations filing a consolidated income tax return  
12 for the taxable year for federal income tax purposes,  
13 taxable income determined as if such corporation had  
14 filed a separate return for federal income tax purposes  
15 for the taxable year and each preceding taxable year  
16 for which it was a member of an affiliated group. For  
17 purposes of this subparagraph, the taxpayer's separate  
18 taxable income shall be determined as if the election  
19 provided by Section 243(b) (2) of the Internal Revenue  
20 Code had been in effect for all such years;

21           (F) Cooperatives. In the case of a cooperative  
22 corporation or association, the taxable income of such  
23 organization determined in accordance with the  
24 provisions of Section 1381 through 1388 of the Internal  
25 Revenue Code;

26           (G) Subchapter S corporations. In the case of: (i)

1 a Subchapter S corporation for which there is in effect  
2 an election for the taxable year under Section 1362 of  
3 the Internal Revenue Code, the taxable income of such  
4 corporation determined in accordance with Section  
5 1363(b) of the Internal Revenue Code, except that  
6 taxable income shall take into account those items  
7 which are required by Section 1363(b)(1) of the  
8 Internal Revenue Code to be separately stated; and (ii)  
9 a Subchapter S corporation for which there is in effect  
10 a federal election to opt out of the provisions of the  
11 Subchapter S Revision Act of 1982 and have applied  
12 instead the prior federal Subchapter S rules as in  
13 effect on July 1, 1982, the taxable income of such  
14 corporation determined in accordance with the federal  
15 Subchapter S rules as in effect on July 1, 1982; and

16 (H) Partnerships. In the case of a partnership,  
17 taxable income determined in accordance with Section  
18 703 of the Internal Revenue Code, except that taxable  
19 income shall take into account those items which are  
20 required by Section 703(a)(1) to be separately stated  
21 but which would be taken into account by an individual  
22 in calculating his taxable income.

23 (3) Recapture of business expenses on disposition of  
24 asset or business. Notwithstanding any other law to the  
25 contrary, if in prior years income from an asset or  
26 business has been classified as business income and in a

1 later year is demonstrated to be non-business income, then  
2 all expenses, without limitation, deducted in such later  
3 year and in the 2 immediately preceding taxable years  
4 related to that asset or business that generated the  
5 non-business income shall be added back and recaptured as  
6 business income in the year of the disposition of the asset  
7 or business. Such amount shall be apportioned to Illinois  
8 using the greater of the apportionment fraction computed  
9 for the business under Section 304 of this Act for the  
10 taxable year or the average of the apportionment fractions  
11 computed for the business under Section 304 of this Act for  
12 the taxable year and for the 2 immediately preceding  
13 taxable years.

14 (f) Valuation limitation amount.

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

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

23 (B) The lesser of (i) the sum of the pre-August 1,  
24 1969 appreciation amounts (to the extent consisting of  
25 capital gain) for all property in respect of which such

1 gain was reported for federal income tax purposes for  
2 the taxable year, or (ii) the net capital gain for the  
3 taxable year, reduced in either case by any amount of  
4 such gain included in the amount determined under  
5 subsection (a) (2) (F) or (c) (2) (H).

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

7 (A) If the fair market value of property referred  
8 to in paragraph (1) was readily ascertainable on August  
9 1, 1969, the pre-August 1, 1969 appreciation amount for  
10 such property is the lesser of (i) the excess of such  
11 fair market value over the taxpayer's basis (for  
12 determining gain) for such property on that date  
13 (determined under the Internal Revenue Code as in  
14 effect on that date), or (ii) the total gain realized  
15 and reportable for federal income tax purposes in  
16 respect of the sale, exchange or other disposition of  
17 such property.

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



1 full calendar months in the taxpayer's entire holding  
2 period for the property.

3 (C) The Department shall prescribe such  
4 regulations as may be necessary to carry out the  
5 purposes of this paragraph.

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

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

18 (Source: P.A. 94-776, eff. 5-19-06; 94-789, eff. 5-19-06;  
19 94-1021, eff. 7-12-06; 94-1074, eff. 12-26-06; 95-23, eff.  
20 8-3-07; 95-233, eff. 8-16-07; 95-286, eff. 8-20-07; 95-331,  
21 eff. 8-21-07; 95-707, eff. 1-11-08; 95-876, eff. 8-21-08;  
22 revised 10-15-08.)

23 Section 99. Effective date. This Act takes effect upon

1 becoming law.".