

# HB3039



## 98TH GENERAL ASSEMBLY

### State of Illinois

2013 and 2014

HB3039

by Rep. Stephanie A Kifowit

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction for taxable years beginning on or after January 1, 2010 for compensation paid to a resident by reason of being on active duty in the Armed Forces of the United States pursuant to military orders related to Operation New Dawn. Effective immediately.

LRB098 07717 HLH 37794 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 203 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

9 (1) In general. In the case of an individual, base  
10 income means an amount equal to the taxpayer's adjusted  
11 gross income for the taxable year as modified by paragraph  
12 (2).

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

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

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

1           this Act to the extent deducted from gross income in  
2           the computation of adjusted gross income for the  
3           taxable year;

4           (C) An amount equal to the amount received during  
5           the taxable year as a recovery or refund of real  
6           property taxes paid with respect to the taxpayer's  
7           principal residence under the Revenue Act of 1939 and  
8           for which a deduction was previously taken under  
9           subparagraph (L) of this paragraph (2) prior to July 1,  
10          1991, the retrospective application date of Article 4  
11          of Public Act 87-17. In the case of multi-unit or  
12          multi-use structures and farm dwellings, the taxes on  
13          the taxpayer's principal residence shall be that  
14          portion of the total taxes for the entire property  
15          which is attributable to such principal residence;

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

20          (D-5) An amount, to the extent not included in  
21          adjusted gross income, equal to the amount of money  
22          withdrawn by the taxpayer in the taxable year from a  
23          medical care savings account and the interest earned on  
24          the account in the taxable year of a withdrawal  
25          pursuant to subsection (b) of Section 20 of the Medical  
26          Care Savings Account Act or subsection (b) of Section

1 20 of the Medical Care Savings Account Act of 2000;

2 (D-10) For taxable years ending after December 31,  
3 1997, an amount equal to any eligible remediation costs  
4 that the individual deducted in computing adjusted  
5 gross income and for which the individual claims a  
6 credit under subsection (l) of Section 201;

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

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

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

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with  
2 respect to any one piece of property;

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

1 Code) with respect to the stock of the same person to  
2 whom the interest was paid, accrued, or 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          (D-18) 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 under Sections 951 through 964 of the Internal  
18 Revenue Code and amounts included in gross income under  
19 Section 78 of the Internal Revenue Code) with respect  
20 to the stock of the same person to whom the intangible  
21 expenses and costs were directly or indirectly paid,  
22 incurred, or accrued. The preceding sentence does not  
23 apply to the extent that the same dividends caused a  
24 reduction to the addition modification required under  
25 Section 203(a)(2)(D-17) of this Act. As used in this  
26 subparagraph, the term "intangible expenses and costs"



1 includes (1) expenses, losses, and costs for, or  
2 related to, the direct or indirect acquisition, use,  
3 maintenance or management, ownership, sale, exchange,  
4 or any other disposition of intangible property; (2)  
5 losses incurred, directly or indirectly, from  
6 factoring transactions or discounting transactions;  
7 (3) royalty, patent, technical, and copyright fees;  
8 (4) licensing fees; and (5) other similar expenses and  
9 costs. For purposes of this subparagraph, "intangible  
10 property" includes patents, patent applications, trade  
11 names, trademarks, service marks, copyrights, mask  
12 works, trade secrets, and similar types of intangible  
13 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           (D-19) 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(a)(2)(D-17) or  
2 Section 203(a)(2)(D-18) of this Act.

3 (D-20) For taxable years beginning on or after  
4 January 1, 2002 and ending on or before December 31,  
5 2006, in the case of a distribution from a qualified  
6 tuition program under Section 529 of the Internal  
7 Revenue Code, other than (i) a distribution from a  
8 College Savings Pool created under Section 16.5 of the  
9 State Treasurer Act or (ii) a distribution from the  
10 Illinois Prepaid Tuition Trust Fund, an amount equal to  
11 the amount excluded from gross income under Section  
12 529(c)(3)(B). For taxable years beginning on or after  
13 January 1, 2007, in the case of a distribution from a  
14 qualified tuition program under Section 529 of the  
15 Internal Revenue Code, other than (i) a distribution  
16 from a College Savings Pool created under Section 16.5  
17 of the State Treasurer Act, (ii) a distribution from  
18 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
19 distribution from a qualified tuition program under  
20 Section 529 of the Internal Revenue Code that (I)  
21 adopts and determines that its offering materials  
22 comply with the College Savings Plans Network's  
23 disclosure principles and (II) has made reasonable  
24 efforts to inform in-state residents of the existence  
25 of in-state qualified tuition programs by informing  
26 Illinois residents directly and, where applicable, to

1 inform financial intermediaries distributing the  
2 program to inform in-state residents of the existence  
3 of in-state qualified tuition programs at least  
4 annually, an amount equal to the amount excluded from  
5 gross income under Section 529(c)(3)(B).

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

18 (D-21) For taxable years beginning on or after  
19 January 1, 2007, in the case of transfer of moneys from  
20 a qualified tuition program under Section 529 of the  
21 Internal Revenue Code that is administered by the State  
22 to an out-of-state program, an amount equal to the  
23 amount of moneys previously deducted from base income  
24 under subsection (a)(2)(Y) of this Section;

25 (D-22) For taxable years beginning on or after  
26 January 1, 2009, in the case of a nonqualified

1 withdrawal or refund of moneys from a qualified tuition  
2 program under Section 529 of the Internal Revenue Code  
3 administered by the State that is not used for  
4 qualified expenses at an eligible education  
5 institution, an amount equal to the contribution  
6 component of the nonqualified withdrawal or refund  
7 that was previously deducted from base income under  
8 subsection (a)(2)(y) of this Section, provided that  
9 the withdrawal or refund did not result from the  
10 beneficiary's death or disability;

11 (D-23) An amount equal to the credit allowable to  
12 the taxpayer under Section 218(a) of this Act,  
13 determined without regard to Section 218(c) of this  
14 Act;

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

17 (E) For taxable years ending before December 31,  
18 2001, any amount included in such total in respect of  
19 any compensation (including but not limited to any  
20 compensation paid or accrued to a serviceman while a  
21 prisoner of war or missing in action) paid to a  
22 resident by reason of being on active duty in the Armed  
23 Forces of the United States and in respect of any  
24 compensation paid or accrued to a resident who as a  
25 governmental employee was a prisoner of war or missing  
26 in action, and in respect of any compensation paid to a

1 resident in 1971 or thereafter for annual training  
2 performed pursuant to Sections 502 and 503, Title 32,  
3 United States Code as a member of the Illinois National  
4 Guard or, beginning with taxable years ending on or  
5 after December 31, 2007, the National Guard of any  
6 other state. For taxable years ending on or after  
7 December 31, 2001, any amount included in such total in  
8 respect of any compensation (including but not limited  
9 to any compensation paid or accrued to a serviceman  
10 while a prisoner of war or missing in action) paid to a  
11 resident by reason of being a member of any component  
12 of the Armed Forces of the United States and in respect  
13 of any compensation paid or accrued to a resident who  
14 as a governmental employee was a prisoner of war or  
15 missing in action, and in respect of any compensation  
16 paid to a resident in 2001 or thereafter by reason of  
17 being a member of the Illinois National Guard or,  
18 beginning with taxable years ending on or after  
19 December 31, 2007, the National Guard of any other  
20 state; for taxable years beginning on or after January  
21 1, 2010, compensation paid to a resident by reason of  
22 being on active duty in the Armed Forces of the United  
23 States pursuant to military orders related to  
24 Operation New Dawn. The provisions of this  
25 subparagraph (E) are exempt from the provisions of  
26 Section 250;

1           (F) An amount equal to all amounts included in such  
2 total pursuant to the provisions of Sections 402(a),  
3 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the  
4 Internal Revenue Code, or included in such total as  
5 distributions under the provisions of any retirement  
6 or disability plan for employees of any governmental  
7 agency or unit, or retirement payments to retired  
8 partners, which payments are excluded in computing net  
9 earnings from self employment by Section 1402 of the  
10 Internal Revenue Code and regulations adopted pursuant  
11 thereto;

12           (G) The valuation limitation amount;

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

16           (I) An amount equal to all amounts included in such  
17 total pursuant to the provisions of Section 111 of the  
18 Internal Revenue Code as a recovery of items previously  
19 deducted from adjusted gross income in the computation  
20 of taxable income;

21           (J) An amount equal to those dividends included in  
22 such total which were paid by a corporation which  
23 conducts business operations in a River Edge  
24 Redevelopment Zone or zones created under the River  
25 Edge Redevelopment Zone Act, and conducts  
26 substantially all of its operations in a River Edge



1           Redevelopment Zone or zones. This subparagraph (J) is  
2           exempt from the provisions of Section 250;

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

12          (L) For taxable years ending after December 31,  
13          1983, an amount equal to all social security benefits  
14          and railroad retirement benefits included in such  
15          total pursuant to Sections 72(r) and 86 of the Internal  
16          Revenue Code;

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

1 December 31, 2011, Section 45G(e)(3) of the Internal  
2 Revenue Code and, for taxable years ending on or after  
3 December 31, 2008, any amount included in gross income  
4 under Section 87 of the Internal Revenue Code; the  
5 provisions of this subparagraph are exempt from the  
6 provisions of Section 250;

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

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

19 (P) An amount equal to the amount of the deduction  
20 used to compute the federal income tax credit for  
21 restoration of substantial amounts held under claim of  
22 right for the taxable year pursuant to Section 1341 of  
23 the Internal Revenue Code or of any itemized deduction  
24 taken from adjusted gross income in the computation of  
25 taxable income for restoration of substantial amounts  
26 held under claim of right for the taxable year;

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

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

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

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

23           (U) For one taxable year beginning on or after  
24 January 1, 1994, an amount equal to the total amount of  
25 tax imposed and paid under subsections (a) and (b) of  
26 Section 201 of this Act on grant amounts received by

1 the taxpayer under the Nursing Home Grant Assistance  
2 Act during the taxpayer's taxable years 1992 and 1993;

3 (V) Beginning with tax years ending on or after  
4 December 31, 1995 and ending with tax years ending on  
5 or before December 31, 2004, an amount equal to the  
6 amount paid by a taxpayer who is a self-employed  
7 taxpayer, a partner of a partnership, or a shareholder  
8 in a Subchapter S corporation for health insurance or  
9 long-term care insurance for that taxpayer or that  
10 taxpayer's spouse or dependents, to the extent that the  
11 amount paid for that health insurance or long-term care  
12 insurance may be deducted under Section 213 of the  
13 Internal Revenue Code, has not been deducted on the  
14 federal income tax return of the taxpayer, and does not  
15 exceed the taxable income attributable to that  
16 taxpayer's income, self-employment income, or  
17 Subchapter S corporation income; except that no  
18 deduction shall be allowed under this item (V) if the  
19 taxpayer is eligible to participate in any health  
20 insurance or long-term care insurance plan of an  
21 employer of the taxpayer or the taxpayer's spouse. The  
22 amount of the health insurance and long-term care  
23 insurance subtracted under this item (V) shall be  
24 determined by multiplying total health insurance and  
25 long-term care insurance premiums paid by the taxpayer  
26 times a number that represents the fractional

1 percentage of eligible medical expenses under Section  
2 213 of the Internal Revenue Code of 1986 not actually  
3 deducted on the taxpayer's federal income tax return;

4 (W) For taxable years beginning on or after January  
5 1, 1998, all amounts included in the taxpayer's federal  
6 gross income in the taxable year from amounts converted  
7 from a regular IRA to a Roth IRA. This paragraph is  
8 exempt from the provisions of Section 250;

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

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

16 (Y) For taxable years beginning on or after January  
17 1, 2002 and ending on or before December 31, 2004,  
18 moneys contributed in the taxable year to a College  
19 Savings Pool account under Section 16.5 of the State  
20 Treasurer Act, except that amounts excluded from gross  
21 income under Section 529(c)(3)(C)(i) of the Internal  
22 Revenue Code shall not be considered moneys  
23 contributed under this subparagraph (Y). For taxable  
24 years beginning on or after January 1, 2005, a maximum  
25 of \$10,000 contributed in the taxable year to (i) a  
26 College Savings Pool account under Section 16.5 of the

1 State Treasurer Act or (ii) the Illinois Prepaid  
2 Tuition Trust Fund, except that amounts excluded from  
3 gross income under Section 529(c)(3)(C)(i) of the  
4 Internal Revenue Code shall not be considered moneys  
5 contributed under this subparagraph (Y). For purposes  
6 of this subparagraph, contributions made by an  
7 employer on behalf of an employee, or matching  
8 contributions made by an employee, shall be treated as  
9 made by the employee. This subparagraph (Y) is exempt  
10 from the provisions of Section 250;

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

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

24 (2) for taxable years ending on or before  
25 December 31, 2005, "x" equals "y" multiplied by 30  
26 and then divided by 70 (or "y" multiplied by

1           0.429); and

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

4                   (i) for property on which a bonus  
5                   depreciation deduction of 30% of the adjusted  
6                   basis was taken, "x" equals "y" multiplied by  
7                   30 and then divided by 70 (or "y" multiplied by  
8                   0.429); and

9                   (ii) for property on which a bonus  
10                   depreciation deduction of 50% of the adjusted  
11                   basis was taken, "x" equals "y" multiplied by  
12                   1.0.

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

21                   (AA) If the taxpayer sells, transfers, abandons,  
22                   or otherwise disposes of property for which the  
23                   taxpayer was required in any taxable year to make an  
24                   addition modification under subparagraph (D-15), then  
25                   an amount equal to that addition modification.

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 required in any taxable year to make an addition  
5 modification under subparagraph (D-15), then an amount  
6 equal to that addition modification.

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

10 This subparagraph (AA) is exempt from the  
11 provisions of Section 250;

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

15 (CC) The amount of (i) any interest income (net of  
16 the deductions allocable thereto) taken into account  
17 for the taxable year with respect to a transaction with  
18 a taxpayer that is required to make an addition  
19 modification with respect to such transaction under  
20 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
21 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
22 the amount of that addition modification, and (ii) any  
23 income from intangible property (net of the deductions  
24 allocable thereto) taken into account for the taxable  
25 year with respect to a transaction with a taxpayer that  
26 is required to make an addition modification with

1           respect to such transaction under Section  
2           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
3           203(d)(2)(D-8), but not to exceed the amount of that  
4           addition modification. This subparagraph (CC) is  
5           exempt from the provisions of Section 250;

6           (DD) An amount equal to the interest income taken  
7           into account for the taxable year (net of the  
8           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-17) for  
23          interest paid, accrued, or incurred, directly or  
24          indirectly, to the same person. This subparagraph (DD)  
25          is exempt from the provisions of Section 250;

26          (EE) An amount equal to the income from intangible

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

21 (FF) An amount equal to any amount awarded to the  
22 taxpayer during the taxable year by the Court of Claims  
23 under subsection (c) of Section 8 of the Court of  
24 Claims Act for time unjustly served in a State prison.  
25 This subparagraph (FF) is exempt from the provisions of  
26 Section 250; and

1 (GG) For taxable years ending on or after December  
2 31, 2011, in the case of a taxpayer who was required to  
3 add back any insurance premiums under Section  
4 203(a)(2)(D-19), such taxpayer may elect to subtract  
5 that part of a reimbursement received from the  
6 insurance company equal to the amount of the expense or  
7 loss (including expenses incurred by the insurance  
8 company) that would have been taken into account as a  
9 deduction for federal income tax purposes if the  
10 expense or loss had been uninsured. If a taxpayer makes  
11 the election provided for by this subparagraph (GG),  
12 the insurer to which the premiums were paid must add  
13 back to income the amount subtracted by the taxpayer  
14 pursuant to this subparagraph (GG). This subparagraph  
15 (GG) is exempt from the provisions of Section 250.

16 (b) Corporations.

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

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

23 (A) An amount equal to all amounts paid or accrued  
24 to the taxpayer as interest and all distributions  
25 received from regulated investment companies during

1 the taxable year to the extent excluded from gross  
2 income in the computation of taxable income;

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

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

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

20 (E) For taxable years in which a net operating loss  
21 carryback or carryforward from a taxable year ending  
22 prior to December 31, 1986 is an element of taxable  
23 income under paragraph (1) of subsection (e) or  
24 subparagraph (E) of paragraph (2) of subsection (e),  
25 the amount by which addition modifications other than  
26 those provided by this subparagraph (E) exceeded

1 subtraction modifications in such earlier taxable  
2 year, with the following limitations applied in the  
3 order that they are listed:

4 (i) 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 be reduced by the amount of  
8 addition modification under this subparagraph (E)  
9 which related to that net operating loss and which  
10 was taken into account in calculating the base  
11 income of an earlier taxable year, and

12 (ii) the addition modification relating to the  
13 net operating loss carried back or forward to the  
14 taxable year from any taxable year ending prior to  
15 December 31, 1986 shall not exceed the amount of  
16 such carryback or carryforward;

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

24 (E-5) For taxable years ending after December 31,  
25 1997, an amount equal to any eligible remediation costs  
26 that the corporation deducted in computing adjusted

1 gross income and for which the corporation claims a  
2 credit under subsection (l) of Section 201;

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

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

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 allowed in any taxable year to make a subtraction  
20 modification under subparagraph (T), then an amount  
21 equal to that subtraction modification.

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

25 (E-12) An amount equal to the amount otherwise  
26 allowed as a deduction in computing base income for

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

26 This paragraph shall not apply to the following:



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

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

12 (a) the person, during the same taxable  
13 year, paid, accrued, or incurred, the interest  
14 to a person that is not a related member, and

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

22 (iii) the taxpayer can establish, based on  
23 clear and convincing evidence, that the interest  
24 paid, accrued, or incurred relates to a contract or  
25 agreement entered into at arm's-length rates and  
26 terms and the principal purpose for the payment is

1 not federal or Illinois tax avoidance; or  
2 (iv) an item of interest paid, accrued, or  
3 incurred, directly or indirectly, to a person if  
4 the taxpayer establishes by clear and convincing  
5 evidence that the adjustments are unreasonable; or  
6 if the taxpayer and the Director agree in writing  
7 to the application or use of an alternative method  
8 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-13) An amount equal to the amount of intangible  
19 expenses and costs otherwise allowed as a deduction in  
20 computing base income, and that were paid, accrued, or  
21 incurred, directly or indirectly, (i) for taxable  
22 years ending on or after December 31, 2004, to a  
23 foreign person who would be a member of the same  
24 unitary business group but for the fact that the  
25 foreign person's business activity outside the United  
26 States is 80% or more of that person's total business

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

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

11 This paragraph shall not apply to the following:

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

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

24 (a) the person during the same taxable  
25 year paid, accrued, or incurred, the  
26 intangible expense or cost to a person that is

1 not a related member, and

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

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

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

26 (E-14) For taxable years ending on or after

1 December 31, 2008, an amount equal to the amount of  
2 insurance premium expenses and costs otherwise allowed  
3 as a deduction in computing base income, and that were  
4 paid, accrued, or incurred, directly or indirectly, to  
5 a person who would be a member of the same unitary  
6 business group but for the fact that the person is  
7 prohibited under Section 1501(a)(27) from being  
8 included in the unitary business group because he or  
9 she is ordinarily required to apportion business  
10 income under different subsections of Section 304. The  
11 addition modification required by this subparagraph  
12 shall be reduced to the extent that dividends were  
13 included in base income of the unitary group for the  
14 same taxable year and received by the taxpayer or by a  
15 member of the taxpayer's unitary business group  
16 (including amounts included in gross income under  
17 Sections 951 through 964 of the Internal Revenue Code  
18 and amounts included in gross income under Section 78  
19 of the Internal Revenue Code) with respect to the stock  
20 of the same person to whom the premiums and costs were  
21 directly or indirectly paid, incurred, or accrued. The  
22 preceding sentence does not apply to the extent that  
23 the same dividends caused a reduction to the addition  
24 modification required under Section 203(b)(2)(E-12) or  
25 Section 203(b)(2)(E-13) of this Act;

26 (E-15) For taxable years beginning after December

1           31, 2008, any deduction for dividends paid by a captive  
2           real estate investment trust that is allowed to a real  
3           estate investment trust under Section 857(b)(2)(B) of  
4           the Internal Revenue Code for dividends paid;

5           (E-16) An amount equal to the credit allowable to  
6           the taxpayer under Section 218(a) of this Act,  
7           determined without regard to Section 218(c) of this  
8           Act;

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

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

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

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

21          (I) With the exception of any amounts subtracted  
22          under subparagraph (J), an amount equal to the sum of  
23          all amounts disallowed as deductions by (i) Sections  
24          171(a) (2), and 265(a)(2) and amounts disallowed as  
25          interest expense by Section 291(a)(3) of the Internal  
26          Revenue Code, and all amounts of expenses allocable to

1 interest and disallowed as deductions by Section  
2 265(a)(1) of the Internal Revenue Code; and (ii) for  
3 taxable years ending on or after August 13, 1999,  
4 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
5 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
6 for tax years ending on or after December 31, 2011,  
7 amounts disallowed as deductions by Section 45G(e)(3)  
8 of the Internal Revenue Code and, for taxable years  
9 ending on or after December 31, 2008, any amount  
10 included in gross income under Section 87 of the  
11 Internal Revenue Code and the policyholders' share of  
12 tax-exempt interest of a life insurance company under  
13 Section 807(a)(2)(B) of the Internal Revenue Code (in  
14 the case of a life insurance company with gross income  
15 from a decrease in reserves for the tax year) or  
16 Section 807(b)(1)(B) of the Internal Revenue Code (in  
17 the case of a life insurance company allowed a  
18 deduction for an increase in reserves for the tax  
19 year); the provisions of this subparagraph are exempt  
20 from the provisions of Section 250;

21 (J) An amount equal to all amounts included in such  
22 total which are exempt from taxation by this State  
23 either by reason of its statutes or Constitution or by  
24 reason of the Constitution, treaties or statutes of the  
25 United States; provided that, in the case of any  
26 statute of this State that exempts income derived from



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

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

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

21 (M) For any taxpayer that is a financial  
22 organization within the meaning of Section 304(c) of  
23 this Act, an amount included in such total as interest  
24 income from a loan or loans made by such taxpayer to a  
25 borrower, to the extent that such a loan is secured by  
26 property which is eligible for the River Edge

1           Redevelopment Zone Investment Credit. To determine the  
2           portion of a loan or loans that is secured by property  
3           eligible for a Section 201(f) investment credit to the  
4           borrower, the entire principal amount of the loan or  
5           loans between the taxpayer and the borrower should be  
6           divided into the basis of the Section 201(f) investment  
7           credit property which secures the loan or loans, using  
8           for this purpose the original basis of such property on  
9           the date that it was placed in service in the River  
10          Edge Redevelopment Zone. The subtraction modification  
11          available to taxpayer in any year under this subsection  
12          shall be that portion of the total interest paid by the  
13          borrower with respect to such loan attributable to the  
14          eligible property as calculated under the previous  
15          sentence. This subparagraph (M) is exempt from the  
16          provisions of Section 250;

17                 (M-1) For any taxpayer that is a financial  
18                 organization within the meaning of Section 304(c) of  
19                 this Act, an amount included in such total as interest  
20                 income from a loan or loans made by such taxpayer to a  
21                 borrower, to the extent that such a loan is secured by  
22                 property which is eligible for the High Impact Business  
23                 Investment Credit. To determine the portion of a loan  
24                 or loans that is secured by property eligible for a  
25                 Section 201(h) investment credit to the borrower, the  
26                 entire principal amount of the loan or loans between

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

16 (N) Two times any contribution made during the  
17 taxable year to a designated zone organization to the  
18 extent that the contribution (i) qualifies as a  
19 charitable contribution under subsection (c) of  
20 Section 170 of the Internal Revenue Code and (ii) must,  
21 by its terms, be used for a project approved by the  
22 Department of Commerce and Economic Opportunity under  
23 Section 11 of the Illinois Enterprise Zone Act or under  
24 Section 10-10 of the River Edge Redevelopment Zone Act.  
25 This subparagraph (N) is exempt from the provisions of  
26 Section 250;

1           (O) An amount equal to: (i) 85% for taxable years  
2 ending on or before December 31, 1992, or, a percentage  
3 equal to the percentage allowable under Section  
4 243(a)(1) of the Internal Revenue Code of 1986 for  
5 taxable years ending after December 31, 1992, of the  
6 amount by which dividends included in taxable income  
7 and received from a corporation that is not created or  
8 organized under the laws of the United States or any  
9 state or political subdivision thereof, including, for  
10 taxable years ending on or after December 31, 1988,  
11 dividends received or deemed received or paid or deemed  
12 paid under Sections 951 through 965 of the Internal  
13 Revenue Code, exceed the amount of the modification  
14 provided under subparagraph (G) of paragraph (2) of  
15 this subsection (b) which is related to such dividends,  
16 and including, for taxable years ending on or after  
17 December 31, 2008, dividends received from a captive  
18 real estate investment trust; plus (ii) 100% of the  
19 amount by which dividends, included in taxable income  
20 and received, including, for taxable years ending on or  
21 after December 31, 1988, dividends received or deemed  
22 received or paid or deemed paid under Sections 951  
23 through 964 of the Internal Revenue Code and including,  
24 for taxable years ending on or after December 31, 2008,  
25 dividends received from a captive real estate  
26 investment trust, from any such corporation specified

1 in clause (i) that would but for the provisions of  
2 Section 1504 (b) (3) of the Internal Revenue Code be  
3 treated as a member of the affiliated group which  
4 includes the dividend recipient, exceed the amount of  
5 the modification provided under subparagraph (G) of  
6 paragraph (2) of this subsection (b) which is related  
7 to such dividends. This subparagraph (O) is exempt from  
8 the provisions of Section 250 of this Act;

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

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

17 (R) On and after July 20, 1999, in the case of an  
18 attorney-in-fact with respect to whom an interinsurer  
19 or a reciprocal insurer has made the election under  
20 Section 835 of the Internal Revenue Code, 26 U.S.C.  
21 835, an amount equal to the excess, if any, of the  
22 amounts paid or incurred by that interinsurer or  
23 reciprocal insurer in the taxable year to the  
24 attorney-in-fact over the deduction allowed to that  
25 interinsurer or reciprocal insurer with respect to the  
26 attorney-in-fact under Section 835(b) of the Internal

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

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

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

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

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

5           (3) for taxable years ending after December  
6           31, 2005:

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

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

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

24          (U) If the taxpayer sells, transfers, abandons, or  
25          otherwise disposes of property for which the taxpayer  
26          was required in any taxable year to make an addition

1 modification under subparagraph (E-10), then an amount  
2 equal to that addition modification.

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

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

13 This subparagraph (U) is exempt from the  
14 provisions of Section 250;

15 (V) The amount of: (i) any interest income (net of  
16 the deductions allocable thereto) taken into account  
17 for the taxable year with respect to a transaction with  
18 a taxpayer that is required to make an addition  
19 modification with respect to such transaction under  
20 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
21 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
22 the amount of such addition modification, (ii) any  
23 income from intangible property (net of the deductions  
24 allocable thereto) taken into account for the taxable  
25 year with respect to a transaction with a taxpayer that  
26 is required to make an addition modification with



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

14           (W) An amount equal to the interest income taken  
15          into account for the taxable year (net of the  
16          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-12) for  
5 interest paid, accrued, or incurred, directly or  
6 indirectly, to the same person. This subparagraph (W)  
7 is exempt from the provisions of Section 250;

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

1 person. This subparagraph (X) is exempt from the  
2 provisions of Section 250;

3 (Y) For taxable years ending on or after December  
4 31, 2011, in the case of a taxpayer who was required to  
5 add back any insurance premiums under Section  
6 203(b)(2)(E-14), such taxpayer may elect to subtract  
7 that part of a reimbursement received from the  
8 insurance company equal to the amount of the expense or  
9 loss (including expenses incurred by the insurance  
10 company) that would have been taken into account as a  
11 deduction for federal income tax purposes if the  
12 expense or loss had been uninsured. If a taxpayer makes  
13 the election provided for by this subparagraph (Y), the  
14 insurer to which the premiums were paid must add back  
15 to income the amount subtracted by the taxpayer  
16 pursuant to this subparagraph (Y). This subparagraph  
17 (Y) is exempt from the provisions of Section 250; and

18 (Z) The difference between the nondeductible  
19 controlled foreign corporation dividends under Section  
20 965(e)(3) of the Internal Revenue Code over the taxable  
21 income of the taxpayer, computed without regard to  
22 Section 965(e)(2)(A) of the Internal Revenue Code, and  
23 without regard to any net operating loss deduction.  
24 This subparagraph (Z) is exempt from the provisions of  
25 Section 250.

26 (3) Special rule. For purposes of paragraph (2) (A),

1 "gross income" in the case of a life insurance company, for  
2 tax years ending on and after December 31, 1994, and prior  
3 to December 31, 2011, shall mean the gross investment  
4 income for the taxable year and, for tax years ending on or  
5 after December 31, 2011, shall mean all amounts included in  
6 life insurance gross income under Section 803(a)(3) of the  
7 Internal Revenue Code.

8 (c) Trusts and estates.

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

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

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

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

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

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

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

26           (ii) the addition modification relating to the

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

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

12 (F) For taxable years ending on or after January 1,  
13 1989, an amount equal to the tax deducted pursuant to  
14 Section 164 of the Internal Revenue Code if the trust  
15 or estate is claiming the same tax for purposes of the  
16 Illinois foreign tax credit under Section 601 of this  
17 Act;

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

22 (G-5) For taxable years ending after December 31,  
23 1997, an amount equal to any eligible remediation costs  
24 that the trust or estate deducted in computing adjusted  
25 gross income and for which the trust or estate claims a  
26 credit under subsection (1) of Section 201;

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

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

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

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

23           (G-12) An amount equal to the amount otherwise  
24 allowed as a deduction in computing base income for  
25 interest paid, accrued, or incurred, directly or  
26 indirectly, (i) for taxable years ending on or after

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

24 This paragraph shall not apply to the following:

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



1 is subject in a foreign country or state, other  
2 than a state which requires mandatory unitary  
3 reporting, to a tax on or measured by net income  
4 with respect to such interest; or

5 (ii) an item of interest paid, accrued, or  
6 incurred, directly or indirectly, to a person if  
7 the taxpayer can establish, based on a  
8 preponderance of the evidence, both of the  
9 following:

10 (a) the person, during the same taxable  
11 year, paid, accrued, or incurred, the interest  
12 to a person that is not a related member, and

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

20 (iii) the taxpayer can establish, based on  
21 clear and convincing evidence, that the interest  
22 paid, accrued, or incurred relates to a contract or  
23 agreement entered into at arm's-length rates and  
24 terms and the principal purpose for the payment is  
25 not federal or Illinois tax avoidance; or

26 (iv) an item of interest paid, accrued, or

1 incurred, directly or indirectly, to a person if  
2 the taxpayer establishes by clear and convincing  
3 evidence that the adjustments are unreasonable; or  
4 if the taxpayer and the Director agree in writing  
5 to the application or use of an alternative method  
6 of apportionment under Section 304(f).

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

16 (G-13) An amount equal to the amount of intangible  
17 expenses and costs otherwise allowed as a deduction in  
18 computing base income, and that were paid, accrued, or  
19 incurred, directly or indirectly, (i) for taxable  
20 years ending on or after December 31, 2004, to a  
21 foreign person who would be a member of the same  
22 unitary business group but for the fact that the  
23 foreign person's business activity outside the United  
24 States is 80% or more of that person's total business  
25 activity and (ii) for taxable years ending on or after  
26 December 31, 2008, to a person who would be a member of

1 the same unitary business group but for the fact that  
2 the person is prohibited under Section 1501(a)(27)  
3 from being included in the unitary business group  
4 because he or she is ordinarily required to apportion  
5 business income under different subsections of Section  
6 304. The addition modification required by this  
7 subparagraph shall be reduced to the extent that  
8 dividends were included in base income of the unitary  
9 group for the same taxable year and received by the  
10 taxpayer or by a member of the taxpayer's unitary  
11 business group (including amounts included in gross  
12 income pursuant to Sections 951 through 964 of the  
13 Internal Revenue Code and amounts included in gross  
14 income under Section 78 of the Internal Revenue Code)  
15 with respect to the stock of the same person to whom  
16 the intangible expenses and costs were directly or  
17 indirectly paid, incurred, or accrued. The preceding  
18 sentence shall not apply to the extent that the same  
19 dividends caused a reduction to the addition  
20 modification required under Section 203(c)(2)(G-12) of  
21 this Act. As used in this subparagraph, the term  
22 "intangible expenses and costs" includes: (1)  
23 expenses, losses, and costs for or related to the  
24 direct or indirect acquisition, use, maintenance or  
25 management, ownership, sale, exchange, or any other  
26 disposition of intangible property; (2) losses

1 incurred, directly or indirectly, from factoring  
2 transactions or discounting transactions; (3) royalty,  
3 patent, technical, and copyright fees; (4) licensing  
4 fees; and (5) other similar expenses and costs. For  
5 purposes of this subparagraph, "intangible property"  
6 includes patents, patent applications, trade names,  
7 trademarks, service marks, copyrights, mask works,  
8 trade secrets, and similar types of intangible assets.

9 This paragraph shall not apply to the following:

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

17 (ii) any item of intangible expense or cost  
18 paid, accrued, or incurred, directly or  
19 indirectly, if the taxpayer can establish, based  
20 on a preponderance of the evidence, both of the  
21 following:

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

26 (b) the transaction giving rise to the

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

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

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

24          (G-14) For taxable years ending on or after  
25          December 31, 2008, an amount equal to the amount of  
26          insurance premium expenses and costs otherwise allowed

1 as a deduction in computing base income, and that were  
2 paid, accrued, or incurred, directly or indirectly, to  
3 a person who would be a member of the same unitary  
4 business group but for the fact that the person is  
5 prohibited under Section 1501(a)(27) from being  
6 included in the unitary business group because he or  
7 she is ordinarily required to apportion business  
8 income under different subsections of Section 304. The  
9 addition modification required by this subparagraph  
10 shall be reduced to the extent that dividends were  
11 included in base income of the unitary group for the  
12 same taxable year and received by the taxpayer or by a  
13 member of the taxpayer's unitary business group  
14 (including amounts included in gross income under  
15 Sections 951 through 964 of the Internal Revenue Code  
16 and amounts included in gross income under Section 78  
17 of the Internal Revenue Code) with respect to the stock  
18 of the same person to whom the premiums and costs were  
19 directly or indirectly paid, incurred, or accrued. The  
20 preceding sentence does not apply to the extent that  
21 the same dividends caused a reduction to the addition  
22 modification required under Section 203(c)(2)(G-12) or  
23 Section 203(c)(2)(G-13) of this Act;

24 (G-15) An amount equal to the credit allowable to  
25 the taxpayer under Section 218(a) of this Act,  
26 determined without regard to Section 218(c) of this

1 Act;

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

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

15 (I) The valuation limitation amount;

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

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

1 from the tax imposed under this Act, the amount  
2 exempted shall be the interest net of bond premium  
3 amortization;

4 (L) With the exception of any amounts subtracted  
5 under subparagraph (K), an amount equal to the sum of  
6 all amounts disallowed as deductions by (i) Sections  
7 171(a) (2) and 265(a) (2) of the Internal Revenue Code,  
8 and all amounts of expenses allocable to interest and  
9 disallowed as deductions by Section 265(1) of the  
10 Internal Revenue Code; and (ii) for taxable years  
11 ending on or after August 13, 1999, Sections 171(a) (2),  
12 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
13 Code, plus, (iii) for taxable years ending on or after  
14 December 31, 2011, Section 45G(e) (3) of the Internal  
15 Revenue Code and, for taxable years ending on or after  
16 December 31, 2008, any amount included in gross income  
17 under Section 87 of the Internal Revenue Code; the  
18 provisions of this subparagraph are exempt from the  
19 provisions of Section 250;

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

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;

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;

7 (W) in the case of an estate, an amount equal to  
8 all amounts included in such total pursuant to the  
9 provisions of Section 111 of the Internal Revenue Code  
10 as a recovery of items previously deducted by the  
11 decedent from adjusted gross income in the computation  
12 of taxable income. This subparagraph (W) is exempt from  
13 Section 250;

14 (X) an amount equal to the refund included in such  
15 total of any tax deducted for federal income tax  
16 purposes, to the extent that deduction was added back  
17 under subparagraph (F). This subparagraph (X) is  
18 exempt from the provisions of Section 250; and

19 (Y) For taxable years ending on or after December  
20 31, 2011, in the case of a taxpayer who was required to  
21 add back any insurance premiums under Section  
22 203(c)(2)(G-14), such taxpayer may elect to subtract  
23 that part of a reimbursement received from the  
24 insurance company equal to the amount of the expense or  
25 loss (including expenses incurred by the insurance  
26 company) that would have been taken into account as a

1 deduction for federal income tax purposes if the  
2 expense or loss had been uninsured. If a taxpayer makes  
3 the election provided for by this subparagraph (Y), the  
4 insurer to which the premiums were paid must add back  
5 to income the amount subtracted by the taxpayer  
6 pursuant to this subparagraph (Y). This subparagraph  
7 (Y) is exempt from the provisions of Section 250.

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

15 (d) Partnerships.

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

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

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



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

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

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

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

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

23           If the taxpayer continues to own property through  
24 the last day of the last tax year for which the  
25 taxpayer may claim a depreciation deduction for  
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction  
2 modification under subparagraph (O), then an amount  
3 equal to that subtraction modification.

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

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

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

8 This paragraph shall not apply to the following:

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

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

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

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

1           pursuant to a contract or agreement that  
2           reflects an arm's-length interest rate and  
3           terms; or

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

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

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

26          (D-8) An amount equal to the amount of intangible

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

25           Nothing in this subsection shall preclude the  
26           Director from making any other adjustment

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

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



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

8 (D-10) An amount equal to the credit allowable to  
9 the taxpayer under Section 218(a) of this Act,  
10 determined without regard to Section 218(c) of this  
11 Act;

12 and by deducting from the total so obtained the following  
13 amounts:

14 (E) The valuation limitation amount;

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

18 (G) An amount equal to all amounts included in  
19 taxable income as modified by subparagraphs (A), (B),  
20 (C) and (D) which are exempt from taxation by this  
21 State either by reason of its statutes or Constitution  
22 or by reason of the Constitution, treaties or statutes  
23 of the 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 (H) Any income of the partnership which  
3 constitutes personal service income as defined in  
4 Section 1348 (b) (1) of the Internal Revenue Code (as  
5 in effect December 31, 1981) or a reasonable allowance  
6 for compensation paid or accrued for services rendered  
7 by partners to the partnership, whichever is greater;  
8 this subparagraph (H) is exempt from the provisions of  
9 Section 250;

10 (I) An amount equal to all amounts of income  
11 distributable to an entity subject to the Personal  
12 Property Tax Replacement Income Tax imposed by  
13 subsections (c) and (d) of Section 201 of this Act  
14 including amounts distributable to organizations  
15 exempt from federal income tax by reason of Section  
16 501(a) of the Internal Revenue Code; this subparagraph  
17 (I) is exempt from the provisions of Section 250;

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

1 Code, plus, (iii) for taxable years ending on or after  
2 December 31, 2011, Section 45G(e)(3) of the Internal  
3 Revenue Code and, for taxable years ending on or after  
4 December 31, 2008, any amount included in gross income  
5 under Section 87 of the Internal Revenue Code; the  
6 provisions of this subparagraph are exempt from the  
7 provisions of Section 250;

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

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

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

1           this subparagraph (M);

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

7           (O) For taxable years 2001 and thereafter, for the  
8 taxable year in which the bonus depreciation deduction  
9 is taken on the taxpayer's federal income tax return  
10 under subsection (k) of Section 168 of the Internal  
11 Revenue Code and for each applicable taxable year  
12 thereafter, an amount equal to "x", where:

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

20           (2) for taxable years ending on or before  
21 December 31, 2005, "x" equals "y" multiplied by 30  
22 and then divided by 70 (or "y" multiplied by  
23 0.429); and

24           (3) for taxable years ending after December  
25 31, 2005:

26           (i) for property on which a bonus

1 depreciation deduction of 30% of the adjusted  
2 basis was taken, "x" equals "y" multiplied by  
3 30 and then divided by 70 (or "y" multiplied by  
4 0.429); and

5 (ii) for property on which a bonus  
6 depreciation deduction of 50% of the adjusted  
7 basis was taken, "x" equals "y" multiplied by  
8 1.0.

9 The aggregate amount deducted under this  
10 subparagraph in all taxable years for any one piece of  
11 property may not exceed the amount of the bonus  
12 depreciation deduction taken on that property on the  
13 taxpayer's federal income tax return under subsection  
14 (k) of Section 168 of the Internal Revenue Code. This  
15 subparagraph (O) is exempt from the provisions of  
16 Section 250;

17 (P) If the taxpayer sells, transfers, abandons, or  
18 otherwise disposes of property for which the taxpayer  
19 was required in any taxable year to make an addition  
20 modification under subparagraph (D-5), then an amount  
21 equal to that addition modification.

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 required in any taxable year to make an addition

1 modification under subparagraph (D-5), then an amount  
2 equal to that addition modification.

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

6 This subparagraph (P) is exempt from the  
7 provisions of Section 250;

8 (Q) The amount of (i) any interest income (net of  
9 the deductions allocable thereto) taken into account  
10 for the taxable year with respect to a transaction with  
11 a taxpayer that is required to make an addition  
12 modification with respect to such transaction under  
13 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
14 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
15 the amount of such addition modification and (ii) any  
16 income from intangible property (net of the deductions  
17 allocable thereto) taken into account for the taxable  
18 year with respect to a transaction with a taxpayer that  
19 is required to make an addition modification with  
20 respect to such transaction under Section  
21 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
22 203(d)(2)(D-8), but not to exceed the amount of such  
23 addition modification. This subparagraph (Q) is exempt  
24 from Section 250;

25 (R) An amount equal to the interest income taken  
26 into account for the taxable year (net of the

1 deductions allocable thereto) with respect to  
2 transactions with (i) a foreign person who would be a  
3 member of the taxpayer's unitary business group but for  
4 the fact that the foreign person's business activity  
5 outside the United States is 80% or more of that  
6 person's total business activity and (ii) for taxable  
7 years ending on or after December 31, 2008, to a person  
8 who would be a member of the same unitary business  
9 group but for the fact that the person is prohibited  
10 under Section 1501(a)(27) from being included in the  
11 unitary business group because he or she is ordinarily  
12 required to apportion business income under different  
13 subsections of Section 304, but not to exceed the  
14 addition modification required to be made for the same  
15 taxable year under Section 203(d)(2)(D-7) for interest  
16 paid, accrued, or incurred, directly or indirectly, to  
17 the same person. This subparagraph (R) is exempt from  
18 Section 250;

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

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

13 (T) For taxable years ending on or after December  
14 31, 2011, in the case of a taxpayer who was required to  
15 add back any insurance premiums under Section  
16 203(d)(2)(D-9), such taxpayer may elect to subtract  
17 that part of a reimbursement received from the  
18 insurance company equal to the amount of the expense or  
19 loss (including expenses incurred by the insurance  
20 company) that would have been taken into account as a  
21 deduction for federal income tax purposes if the  
22 expense or loss had been uninsured. If a taxpayer makes  
23 the election provided for by this subparagraph (T), the  
24 insurer to which the premiums were paid must add back  
25 to income the amount subtracted by the taxpayer  
26 pursuant to this subparagraph (T). This subparagraph



1 (T) is exempt from the provisions of Section 250.

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

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

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

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

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

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

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

1 investment company taxable income;

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

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

18 (F) Cooperatives. In the case of a cooperative  
19 corporation or association, the taxable income of such  
20 organization determined in accordance with the  
21 provisions of Section 1381 through 1388 of the Internal  
22 Revenue Code, but without regard to the prohibition  
23 against offsetting losses from patronage activities  
24 against income from nonpatronage activities; except  
25 that a cooperative corporation or association may make  
26 an election to follow its federal income tax treatment

1 of patronage losses and nonpatronage losses. In the  
2 event such election is made, such losses shall be  
3 computed and carried over in a manner consistent with  
4 subsection (a) of Section 207 of this Act and  
5 apportioned by the apportionment factor reported by  
6 the cooperative on its Illinois income tax return filed  
7 for the taxable year in which the losses are incurred.  
8 The election shall be effective for all taxable years  
9 with original returns due on or after the date of the  
10 election. In addition, the cooperative may file an  
11 amended return or returns, as allowed under this Act,  
12 to provide that the election shall be effective for  
13 losses incurred or carried forward for taxable years  
14 occurring prior to the date of the election. Once made,  
15 the election may only be revoked upon approval of the  
16 Director. The Department shall adopt rules setting  
17 forth requirements for documenting the elections and  
18 any resulting Illinois net loss and the standards to be  
19 used by the Director in evaluating requests to revoke  
20 elections. Public Act 96-932 is declaratory of  
21 existing law;

22 (G) Subchapter S corporations. In the case of: (i)  
23 a Subchapter S corporation for which there is in effect  
24 an election for the taxable year under Section 1362 of  
25 the Internal Revenue Code, the taxable income of such  
26 corporation determined in accordance with Section

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

12                 (H) Partnerships. In the case of a partnership,  
13           taxable income determined in accordance with Section  
14           703 of the Internal Revenue Code, except that taxable  
15           income shall take into account those items which are  
16           required by Section 703(a)(1) to be separately stated  
17           but which would be taken into account by an individual  
18           in calculating his taxable income.

19                 (3) Recapture of business expenses on disposition of  
20           asset or business. Notwithstanding any other law to the  
21           contrary, if in prior years income from an asset or  
22           business has been classified as business income and in a  
23           later year is demonstrated to be non-business income, then  
24           all expenses, without limitation, deducted in such later  
25           year and in the 2 immediately preceding taxable years  
26           related to that asset or business that generated the

1 non-business income shall be added back and recaptured as  
2 business income in the year of the disposition of the asset  
3 or business. Such amount shall be apportioned to Illinois  
4 using the greater of the apportionment fraction computed  
5 for the business under Section 304 of this Act for the  
6 taxable year or the average of the apportionment fractions  
7 computed for the business under Section 304 of this Act for  
8 the taxable year and for the 2 immediately preceding  
9 taxable years.

10 (f) Valuation limitation amount.

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

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

19 (B) The lesser of (i) the sum of the pre-August 1,  
20 1969 appreciation amounts (to the extent consisting of  
21 capital gain) for all property in respect of which such  
22 gain was reported for federal income tax purposes for  
23 the taxable year, or (ii) the net capital gain for the  
24 taxable year, reduced in either case by any amount of  
25 such gain included in the amount determined under

1 subsection (a) (2) (F) or (c) (2) (H).

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

3 (A) If the fair market value of property referred  
4 to in paragraph (1) was readily ascertainable on August  
5 1, 1969, the pre-August 1, 1969 appreciation amount for  
6 such property is the lesser of (i) the excess of such  
7 fair market value over the taxpayer's basis (for  
8 determining gain) for such property on that date  
9 (determined under the Internal Revenue Code as in  
10 effect on that date), or (ii) the total gain realized  
11 and reportable for federal income tax purposes in  
12 respect of the sale, exchange or other disposition of  
13 such property.

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

25 (C) The Department shall prescribe such  
26 regulations as may be necessary to carry out the

1           purposes of this paragraph.

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

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

14           (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
15 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
16 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
17 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
18 eff. 8-23-11; 97-905, eff. 8-7-12.)

19           Section 99. Effective date. This Act takes effect upon  
20 becoming law.