



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

HB2524

Introduced 2/18/2015, by Rep. Michael W. Tryon

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203  
35 ILCS 5/901

from Ch. 120, par. 2-203  
from Ch. 120, par. 9-901

Amends the Illinois Income Tax Act. Creates an addition modification in an amount equal to any tuition waiver, grant, or scholarship awarded by the public university to the taxpayer, or to the taxpayer's child, spouse, parent, or other family member, on the basis of the taxpayer's employment with the university if (i) the waiver, grant, or scholarship is used by the recipient in that taxable year and (ii) those amounts are not otherwise included in the taxpayer's adjusted gross income. Provides that 100% of the revenue realized from that addition modification shall be deposited into the Monetary Award Program Reserve Fund. Effective immediately.

LRB099 06679 SXM 26752 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 Sections 203 and 901 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 (D-24) For taxable years ending on or after  
16 December 31, 2015, if the taxpayer is an employee of a  
17 public university of the State, an amount equal to any  
18 tuition waiver, grant, or scholarship awarded by the  
19 public university to the taxpayer, or to the taxpayer's  
20 child, spouse, parent, or other family member, on the  
21 basis of the taxpayer's employment with the university  
22 if (i) the waiver, grant, or scholarship is used by the  
23 recipient in that taxable year and (ii) those amounts  
24 are not otherwise included in the taxpayer's adjusted  
25 gross income;

26 and by deducting from the total so obtained the sum of the

1 following amounts:

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

1           paid to a resident in 2001 or thereafter by reason of  
2           being a member of the Illinois National Guard or,  
3           beginning with taxable years ending on or after  
4           December 31, 2007, the National Guard of any other  
5           state. The provisions of this subparagraph (E) are  
6           exempt from the provisions of Section 250;

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

18          (G) The valuation limitation amount;

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

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



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

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

18           (L) For taxable years ending after December 31,  
19 1983, an amount equal to all social security benefits  
20 and railroad retirement benefits included in such  
21 total pursuant to Sections 72(r) and 86 of the Internal  
22 Revenue Code;

23           (M) With the exception of any amounts subtracted  
24 under subparagraph (N), an amount equal to the sum of  
25 all amounts disallowed as deductions by (i) Sections  
26 171(a) (2), and 265(2) of the Internal Revenue Code,

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

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

22 (O) An amount equal to any contribution made to a  
23 job training project established pursuant to the Tax  
24 Increment Allocation Redevelopment Act;

25 (P) An amount equal to the amount of the deduction  
26 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of  
2 right for the taxable year pursuant to Section 1341 of  
3 the Internal Revenue Code or of any itemized deduction  
4 taken from adjusted gross income in the computation of  
5 taxable income for restoration of substantial amounts  
6 held under claim of right for the taxable year;

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

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

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

22 (T) An amount, to the extent included in adjusted  
23 gross income, equal to the amount of interest earned in  
24 the taxable year on a medical care savings account  
25 established under the Medical Care Savings Account Act  
26 or the Medical Care Savings Account Act of 2000 on

1           behalf of the taxpayer, other than interest added  
2           pursuant to item (D-5) of this paragraph (2);

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

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

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

10 (W) For taxable years beginning on or after January  
11 1, 1998, all amounts included in the taxpayer's federal  
12 gross income in the taxable year from amounts converted  
13 from a regular IRA to a Roth IRA. This paragraph is  
14 exempt from the provisions of Section 250;

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

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

22 (Y) For taxable years beginning on or after January  
23 1, 2002 and ending on or before December 31, 2004,  
24 moneys contributed in the taxable year to a College  
25 Savings Pool account under Section 16.5 of the State  
26 Treasurer Act, except that amounts excluded from gross

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

1           (F) An amount equal to any amount awarded to the  
2 taxpayer during the taxable year by the Court of Claims  
3 under subsection (c) of Section 8 of the Court of  
4 Claims Act for time unjustly served in a State prison.  
5 This subparagraph (F) is exempt from the provisions of  
6 Section 250; and

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

22           (b) Corporations.

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

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

4           (A) An amount equal to all amounts paid or accrued  
5 to the taxpayer as interest and all distributions  
6 received from regulated investment companies during  
7 the taxable year to the extent excluded from gross  
8 income in the computation of taxable income;

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

12           (C) In the case of a regulated investment company,  
13 an amount equal to the excess of (i) the net long-term  
14 capital gain for the taxable year, over (ii) the amount  
15 of the capital gain dividends designated as such in  
16 accordance with Section 852(b)(3)(C) of the Internal  
17 Revenue Code and any amount designated under Section  
18 852(b)(3)(D) of the Internal Revenue Code,  
19 attributable to the taxable year (this amendatory Act  
20 of 1995 (Public Act 89-89) is declarative of existing  
21 law and is not a new enactment);

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

26           (E) For taxable years in which a net operating loss

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

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

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

23 For taxable years in which there is a net operating  
24 loss carryback or carryforward from more than one other  
25 taxable year ending prior to December 31, 1986, the  
26 addition modification provided in this subparagraph

1 (E) shall be the sum of the amounts computed  
2 independently under the preceding provisions of this  
3 subparagraph (E) for each such taxable year;

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

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

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

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

1 equal to that subtraction modification.

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

5 (E-12) An amount equal to the amount otherwise  
6 allowed as a deduction in computing base income for  
7 interest paid, accrued, or incurred, directly or  
8 indirectly, (i) for taxable years ending on or after  
9 December 31, 2004, to a foreign person who would be a  
10 member of the same unitary business group but for the  
11 fact the foreign person's business activity outside  
12 the United States is 80% or more of the foreign  
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. The addition modification  
21 required by this subparagraph shall be reduced to the  
22 extent that dividends were included in base income of  
23 the unitary group for the same taxable year and  
24 received by the taxpayer or by a member of the  
25 taxpayer's unitary business group (including amounts  
26 included in gross income pursuant to Sections 951



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

6 This paragraph shall not apply to the following:

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

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

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

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

1 terms; or

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

8 (iv) an item of interest paid, accrued, or  
9 incurred, directly or indirectly, to a person if  
10 the taxpayer establishes by clear and convincing  
11 evidence that the adjustments are unreasonable; or  
12 if the taxpayer and the Director agree in writing  
13 to the application or use of an alternative method  
14 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 (E-13) An amount equal to the amount of intangible  
25 expenses and costs otherwise allowed as a deduction in  
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable  
2 years ending on or after December 31, 2004, to a  
3 foreign person who would be a member of the same  
4 unitary business group but for the fact that the  
5 foreign person's business activity outside the United  
6 States is 80% or more of that person's total business  
7 activity and (ii) for taxable years ending on or after  
8 December 31, 2008, to a person who would be a member of  
9 the same unitary business group but for the fact that  
10 the person is prohibited under Section 1501(a)(27)  
11 from being included in the unitary business group  
12 because he or she is ordinarily required to apportion  
13 business income under different subsections of Section  
14 304. The addition modification required by this  
15 subparagraph shall be reduced to the extent that  
16 dividends were included in base income of the unitary  
17 group for the same taxable year and received by the  
18 taxpayer or by a member of the taxpayer's unitary  
19 business group (including amounts included in gross  
20 income pursuant to Sections 951 through 964 of the  
21 Internal Revenue Code and amounts included in gross  
22 income under Section 78 of the Internal Revenue Code)  
23 with respect to the stock of the same person to whom  
24 the intangible expenses and costs were directly or  
25 indirectly paid, incurred, or accrued. The preceding  
26 sentence shall not apply to the extent that the same

1 dividends caused a reduction to the addition  
2 modification required under Section 203(b)(2)(E-12) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes (1) expenses,  
5 losses, and costs for, or related to, the direct or  
6 indirect acquisition, use, maintenance or management,  
7 ownership, sale, exchange, or any other disposition of  
8 intangible property; (2) losses incurred, directly or  
9 indirectly, from factoring transactions or discounting  
10 transactions; (3) royalty, patent, technical, and  
11 copyright fees; (4) licensing fees; and (5) other  
12 similar expenses and costs. For purposes of this  
13 subparagraph, "intangible property" includes patents,  
14 patent applications, trade names, trademarks, service  
15 marks, copyrights, mask works, trade secrets, and  
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

25 (ii) any item of intangible expense or cost  
26 paid, accrued, or incurred, directly or

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

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

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

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

23 Nothing in this subsection shall preclude the  
24 Director from making any other adjustment  
25 otherwise allowed under Section 404 of this Act for  
26 any tax year beginning after the effective date of

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

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

1 directly or indirectly paid, incurred, or accrued. The  
2 preceding sentence does not apply to the extent that  
3 the same dividends caused a reduction to the addition  
4 modification required under Section 203(b) (2) (E-12) or  
5 Section 203(b) (2) (E-13) of this Act;

6 (E-15) For taxable years beginning after December  
7 31, 2008, any deduction for dividends paid by a captive  
8 real estate investment trust that is allowed to a real  
9 estate investment trust under Section 857(b) (2) (B) of  
10 the Internal Revenue Code for dividends paid;

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

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

22 (H) In the case of a regulated investment company,  
23 an amount equal to the amount of exempt interest  
24 dividends as defined in subsection (b) (5) of Section  
25 852 of the Internal Revenue Code, paid to shareholders  
26 for the taxable year;

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



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

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

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

1           (M) For any taxpayer that is a financial  
2 organization within the meaning of Section 304(c) of  
3 this Act, an amount included in such total as interest  
4 income from a loan or loans made by such taxpayer to a  
5 borrower, to the extent that such a loan is secured by  
6 property which is eligible for the River Edge  
7 Redevelopment Zone Investment Credit. To determine the  
8 portion of a loan or loans that is secured by property  
9 eligible for a Section 201(f) investment credit to the  
10 borrower, the entire principal amount of the loan or  
11 loans between the taxpayer and the borrower should be  
12 divided into the basis of the Section 201(f) investment  
13 credit property which secures the loan or loans, using  
14 for this purpose the original basis of such property on  
15 the date that it was placed in service in the River  
16 Edge Redevelopment Zone. The subtraction modification  
17 available to taxpayer in any year under this subsection  
18 shall be that portion of the total interest paid by the  
19 borrower with respect to such loan attributable to the  
20 eligible property as calculated under the previous  
21 sentence. This subparagraph (M) is exempt from the  
22 provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

24 (Z) The difference between the nondeductible  
25 controlled foreign corporation dividends under Section  
26 965(e)(3) of the Internal Revenue Code over the taxable

1 income of the taxpayer, computed without regard to  
2 Section 965(e)(2)(A) of the Internal Revenue Code, and  
3 without regard to any net operating loss deduction.  
4 This subparagraph (Z) is exempt from the provisions of  
5 Section 250.

6 (3) Special rule. For purposes of paragraph (2) (A),  
7 "gross income" in the case of a life insurance company, for  
8 tax years ending on and after December 31, 1994, and prior  
9 to December 31, 2011, shall mean the gross investment  
10 income for the taxable year and, for tax years ending on or  
11 after December 31, 2011, shall mean all amounts included in  
12 life insurance gross income under Section 803(a)(3) of the  
13 Internal Revenue Code.

14 (c) Trusts and estates.

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

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

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

1 (B) In the case of (i) an estate, \$600; (ii) a  
2 trust which, under its governing instrument, is  
3 required to distribute all of its income currently,  
4 \$300; and (iii) any other trust, \$100, but in each such  
5 case, only to the extent such amount was deducted in  
6 the computation of taxable income;

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

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

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

24 (i) the addition modification relating to the  
25 net operating loss carried back or forward to the  
26 taxable year from any taxable year ending prior to

1 December 31, 1986 shall be reduced by the amount of  
2 addition modification under this subparagraph (E)  
3 which related to that net operating loss and which  
4 was taken into account in calculating the base  
5 income of an earlier taxable year, and

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

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

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

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

1 computation of taxable income;

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

7 (G-10) 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; and

12 (G-11) 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 (G-10), then  
16 an amount equal to the aggregate amount of the  
17 deductions taken in all taxable years under  
18 subparagraph (R) 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 (R), 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 (G-12) 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 the foreign person's business activity  
10 outside 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 pursuant to Sections 951  
25 through 964 of the Internal Revenue Code and amounts  
26 included in gross income under Section 78 of the



1 Internal Revenue Code) with respect to the stock of the  
2 same person to whom the interest was paid, accrued, or  
3 incurred.

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

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

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

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

15                 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

1           and such regulations provide methods and standards  
2           by which the Department will utilize its authority  
3           under Section 404 of this Act;

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

1 the same dividends caused a reduction to the addition  
2 modification required under Section 203(c) (2) (G-12) or  
3 Section 203(c) (2) (G-13) of this Act;

4 (G-15) An amount equal to the credit allowable to  
5 the taxpayer under Section 218(a) of this Act,  
6 determined without regard to Section 218(c) of this  
7 Act;

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

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

21 (I) The valuation limitation amount;

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

25 (K) An amount equal to all amounts included in  
26 taxable income as modified by subparagraphs (A), (B),

1 (C), (D), (E), (F) and (G) which are exempt from  
2 taxation by this State either by reason of its statutes  
3 or Constitution or by reason of the Constitution,  
4 treaties or statutes of the United States; provided  
5 that, in the case of any statute of this State that  
6 exempts income derived from bonds or other obligations  
7 from the tax imposed under this Act, the amount  
8 exempted shall be the interest net of bond premium  
9 amortization;

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

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



1 such total which were paid by a corporation which  
2 conducts business operations in a River Edge  
3 Redevelopment Zone or zones created under the River  
4 Edge Redevelopment Zone Act and conducts substantially  
5 all of its operations in a River Edge Redevelopment  
6 Zone or zones. This subparagraph (M) is exempt from the  
7 provisions of Section 250;

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

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

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

25 (Q) For taxable year 1999 and thereafter, an amount  
26 equal to the amount of any (i) distributions, to the

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

1 public assistance, benefit, or similar entitlement is  
2 not affected by the inclusion of items (i) and (ii) of  
3 this paragraph in gross income for federal income tax  
4 purposes. This paragraph is exempt from the provisions  
5 of Section 250;

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

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

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

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

25 (i) for property on which a bonus  
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by  
2 30 and then divided by 70 (or "y" multiplied by  
3 0.429); and

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

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

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

21 If the taxpayer continues to own property through  
22 the last day of the last tax year for which the  
23 taxpayer may claim a depreciation deduction for  
24 federal income tax purposes and for which the taxpayer  
25 was required in any taxable year to make an addition  
26 modification under subparagraph (G-10), then an amount

1 equal to that addition modification.

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

5 This subparagraph (S) is exempt from the  
6 provisions of Section 250;

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

24 (U) An amount equal to the interest income taken  
25 into account for the taxable year (net of the  
26 deductions allocable thereto) with respect to

1 transactions with (i) a foreign person who would be a  
2 member of the taxpayer's unitary business group but for  
3 the fact the foreign person's business activity  
4 outside the United States is 80% or more of that  
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, but not to exceed the  
13 addition modification required to be made for the same  
14 taxable year under Section 203(c)(2)(G-12) for  
15 interest paid, accrued, or incurred, directly or  
16 indirectly, to the same person. This subparagraph (U)  
17 is exempt from the provisions of Section 250;

18 (V) An amount equal to the income from intangible  
19 property taken into account for the taxable year (net  
20 of the 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 that 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-13) for  
9           intangible expenses and costs paid, accrued, or  
10          incurred, directly or indirectly, to the same foreign  
11          person. This subparagraph (V) is exempt from the  
12          provisions of Section 250;

13           (W) in the case of an estate, an amount equal to  
14          all amounts included in such total pursuant to the  
15          provisions of Section 111 of the Internal Revenue Code  
16          as a recovery of items previously deducted by the  
17          decedent from adjusted gross income in the computation  
18          of taxable income. This subparagraph (W) is exempt from  
19          Section 250;

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

25           (Y) For taxable years ending on or after December  
26          31, 2011, in the case of a taxpayer who was required to

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

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

21 (d) Partnerships.

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

25 (2) Modifications. The taxable income referred to in



1 paragraph (1) shall be modified by adding thereto the sum  
2 of the following amounts:

3 (A) An amount equal to all amounts paid or accrued  
4 to the taxpayer as interest or dividends during the  
5 taxable year to the extent excluded from gross income  
6 in the computation of taxable income;

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

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

13 (D) An amount equal to the amount of the capital  
14 gain deduction allowable under the Internal Revenue  
15 Code, to the extent deducted from gross income in the  
16 computation of taxable income;

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

22 (D-6) If the taxpayer sells, transfers, abandons,  
23 or otherwise disposes of property for which the  
24 taxpayer was required in any taxable year to make an  
25 addition modification under subparagraph (D-5), then  
26 an amount equal to the aggregate amount of the

1 deductions taken in all taxable years under  
2 subparagraph (O) with respect to that property.

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 allowed in any taxable year to make a subtraction  
8 modification under subparagraph (O), then an amount  
9 equal to that subtraction modification.

10 The taxpayer is required to make the addition  
11 modification under this subparagraph only once with  
12 respect to any one piece of property;

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

14 This paragraph shall not apply to the following:

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

21 (ii) an item of interest paid, accrued, or  
22 incurred, directly or indirectly, to a person if  
23 the taxpayer can establish, based on a  
24 preponderance of the evidence, both of the  
25 following:

26 (a) the person, during the same taxable

1 year, paid, accrued, or incurred, the interest  
2 to a person that is not a related member, and

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

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

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

23 Nothing in this subsection shall preclude the  
24 Director from making any other adjustment  
25 otherwise allowed under Section 404 of this Act for  
26 any tax year beginning after the effective date of

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

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

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

25 This paragraph shall not apply to the following:

26 (i) any item of intangible expenses or costs

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

7           (ii) any item of intangible expense or cost  
8           paid, accrued, or incurred, directly or  
9           indirectly, if the taxpayer can establish, based  
10          on a preponderance of the evidence, both of the  
11          following:

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

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

23           (iii) any item of intangible expense or cost  
24           paid, accrued, or incurred, directly or  
25           indirectly, from a transaction with a person if the  
26           taxpayer establishes by clear and convincing

1 evidence, that the adjustments are unreasonable;  
2 or if the taxpayer and the Director agree in  
3 writing to the application or use of an alternative  
4 method of apportionment under Section 304(f);

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

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



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

14 (D-10) An amount equal to the credit allowable to  
15 the taxpayer under Section 218(a) of this Act,  
16 determined without regard to Section 218(c) of this  
17 Act;

18 and by deducting from the total so obtained the following  
19 amounts:

20 (E) The valuation limitation amount;

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

24 (G) An amount equal to all amounts included in  
25 taxable income as modified by subparagraphs (A), (B),  
26 (C) and (D) which are exempt from taxation by this

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

8 (H) Any income of the partnership which  
9 constitutes personal service income as defined in  
10 Section 1348 (b) (1) of the Internal Revenue Code (as  
11 in effect December 31, 1981) or a reasonable allowance  
12 for compensation paid or accrued for services rendered  
13 by partners to the partnership, whichever is greater;  
14 this subparagraph (H) is exempt from the provisions of  
15 Section 250;

16 (I) An amount equal to all amounts of income  
17 distributable to an entity subject to the Personal  
18 Property Tax Replacement Income Tax imposed by  
19 subsections (c) and (d) of Section 201 of this Act  
20 including amounts distributable to organizations  
21 exempt from federal income tax by reason of Section  
22 501(a) of the Internal Revenue Code; this subparagraph  
23 (I) is exempt from the provisions of Section 250;

24 (J) With the exception of any amounts subtracted  
25 under subparagraph (G), an amount equal to the sum of  
26 all amounts disallowed as deductions by (i) Sections

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

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

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

25 (M) An amount equal to those dividends included in  
26 such total that were paid by a corporation that

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

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

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

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

26 (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30  
2 and then divided by 70 (or "y" multiplied by  
3 0.429); and

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

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

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

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

23 (P) If the taxpayer sells, transfers, abandons, or  
24 otherwise disposes of property for which the taxpayer  
25 was required in any taxable year to make an addition  
26 modification under subparagraph (D-5), then an amount

1 equal to that addition modification.

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

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

12 This subparagraph (P) is exempt from the  
13 provisions of Section 250;

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

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

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

25 (S) An amount equal to the income from intangible  
26 property taken into account for the taxable year (net

1 of the 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-8) for  
16 intangible expenses and costs paid, accrued, or  
17 incurred, directly or indirectly, to the same person.  
18 This subparagraph (S) is exempt from Section 250; and

19 (T) 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(d)(2)(D-9), 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 (T), 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 (T). This subparagraph  
7 (T) is exempt from the provisions of Section 250.

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

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

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

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

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

26 (B) Certain other insurance companies. In the case

1 of mutual insurance companies subject to the tax  
2 imposed by Section 831 of the Internal Revenue Code,  
3 insurance company taxable income;

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

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

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

24 (F) Cooperatives. In the case of a cooperative  
25 corporation or association, the taxable income of such  
26 organization determined in accordance with the

1 provisions of Section 1381 through 1388 of the Internal  
2 Revenue Code, but without regard to the prohibition  
3 against offsetting losses from patronage activities  
4 against income from nonpatronage activities; except  
5 that a cooperative corporation or association may make  
6 an election to follow its federal income tax treatment  
7 of patronage losses and nonpatronage losses. In the  
8 event such election is made, such losses shall be  
9 computed and carried over in a manner consistent with  
10 subsection (a) of Section 207 of this Act and  
11 apportioned by the apportionment factor reported by  
12 the cooperative on its Illinois income tax return filed  
13 for the taxable year in which the losses are incurred.  
14 The election shall be effective for all taxable years  
15 with original returns due on or after the date of the  
16 election. In addition, the cooperative may file an  
17 amended return or returns, as allowed under this Act,  
18 to provide that the election shall be effective for  
19 losses incurred or carried forward for taxable years  
20 occurring prior to the date of the election. Once made,  
21 the election may only be revoked upon approval of the  
22 Director. The Department shall adopt rules setting  
23 forth requirements for documenting the elections and  
24 any resulting Illinois net loss and the standards to be  
25 used by the Director in evaluating requests to revoke  
26 elections. Public Act 96-932 is declaratory of

1 existing law;

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

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

25 (3) Recapture of business expenses on disposition of  
26 asset or business. Notwithstanding any other law to the

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

16          (f) Valuation limitation amount.

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

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

25                         (B) The lesser of (i) the sum of the pre-August 1,

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

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

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

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

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

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

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

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

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



1 (35 ILCS 5/901) (from Ch. 120, par. 9-901)

2 Sec. 901. Collection authority.

3 (a) In general.

4 The Department shall collect the taxes imposed by this Act.  
5 The Department shall collect certified past due child support  
6 amounts under Section 2505-650 of the Department of Revenue Law  
7 (20 ILCS 2505/2505-650). Except as provided in subsections (c),  
8 (e), (f), (g), ~~and~~ (h), and (i) of this Section, money  
9 collected pursuant to subsections (a) and (b) of Section 201 of  
10 this Act shall be paid into the General Revenue Fund in the  
11 State treasury; money collected pursuant to subsections (c) and  
12 (d) of Section 201 of this Act shall be paid into the Personal  
13 Property Tax Replacement Fund, a special fund in the State  
14 Treasury; and money collected under Section 2505-650 of the  
15 Department of Revenue Law (20 ILCS 2505/2505-650) shall be paid  
16 into the Child Support Enforcement Trust Fund, a special fund  
17 outside the State Treasury, or to the State Disbursement Unit  
18 established under Section 10-26 of the Illinois Public Aid  
19 Code, as directed by the Department of Healthcare and Family  
20 Services.

21 (b) Local Government Distributive Fund.

22 Beginning August 1, 1969, and continuing through June 30,  
23 1994, the Treasurer shall transfer each month from the General  
24 Revenue Fund to a special fund in the State treasury, to be  
25 known as the "Local Government Distributive Fund", an amount

1 equal to 1/12 of the net revenue realized from the tax imposed  
2 by subsections (a) and (b) of Section 201 of this Act during  
3 the preceding month. Beginning July 1, 1994, and continuing  
4 through June 30, 1995, the Treasurer shall transfer each month  
5 from the General Revenue Fund to the Local Government  
6 Distributive Fund an amount equal to 1/11 of the net revenue  
7 realized from the tax imposed by subsections (a) and (b) of  
8 Section 201 of this Act during the preceding month. Beginning  
9 July 1, 1995 and continuing through January 31, 2011, the  
10 Treasurer shall transfer each month from the General Revenue  
11 Fund to the Local Government Distributive Fund an amount equal  
12 to the net of (i) 1/10 of the net revenue realized from the tax  
13 imposed by subsections (a) and (b) of Section 201 of the  
14 Illinois Income Tax Act during the preceding month (ii) minus,  
15 beginning July 1, 2003 and ending June 30, 2004, \$6,666,666,  
16 and beginning July 1, 2004, zero. Beginning February 1, 2011,  
17 and continuing through January 31, 2015, the Treasurer shall  
18 transfer each month from the General Revenue Fund to the Local  
19 Government Distributive Fund an amount equal to the sum of (i)  
20 6% (10% of the ratio of the 3% individual income tax rate prior  
21 to 2011 to the 5% individual income tax rate after 2010) of the  
22 net revenue realized from the tax imposed by subsections (a)  
23 and (b) of Section 201 of this Act upon individuals, trusts,  
24 and estates during the preceding month and (ii) 6.86% (10% of  
25 the ratio of the 4.8% corporate income tax rate prior to 2011  
26 to the 7% corporate income tax rate after 2010) of the net

1 revenue realized from the tax imposed by subsections (a) and  
2 (b) of Section 201 of this Act upon corporations during the  
3 preceding month. Beginning February 1, 2015 and continuing  
4 through January 31, 2025, the Treasurer shall transfer each  
5 month from the General Revenue Fund to the Local Government  
6 Distributive Fund an amount equal to the sum of (i) 8% (10% of  
7 the ratio of the 3% individual income tax rate prior to 2011 to  
8 the 3.75% individual income tax rate after 2014) of the net  
9 revenue realized from the tax imposed by subsections (a) and  
10 (b) of Section 201 of this Act upon individuals, trusts, and  
11 estates during the preceding month and (ii) 9.14% (10% of the  
12 ratio of the 4.8% corporate income tax rate prior to 2011 to  
13 the 5.25% corporate income tax rate after 2014) of the net  
14 revenue realized from the tax imposed by subsections (a) and  
15 (b) of Section 201 of this Act upon corporations during the  
16 preceding month. Beginning February 1, 2025, the Treasurer  
17 shall transfer each month from the General Revenue Fund to the  
18 Local Government Distributive Fund an amount equal to the sum  
19 of (i) 9.23% (10% of the ratio of the 3% individual income tax  
20 rate prior to 2011 to the 3.25% individual income tax rate  
21 after 2024) of the net revenue realized from the tax imposed by  
22 subsections (a) and (b) of Section 201 of this Act upon  
23 individuals, trusts, and estates during the preceding month and  
24 (ii) 10% of the net revenue realized from the tax imposed by  
25 subsections (a) and (b) of Section 201 of this Act upon  
26 corporations during the preceding month. Net revenue realized

1 for a month shall be defined as the revenue from the tax  
2 imposed by subsections (a) and (b) of Section 201 of this Act  
3 which is deposited in the General Revenue Fund, the Education  
4 Assistance Fund, the Income Tax Surcharge Local Government  
5 Distributive Fund, the Fund for the Advancement of Education,  
6 and the Commitment to Human Services Fund during the month  
7 minus the amount paid out of the General Revenue Fund in State  
8 warrants during that same month as refunds to taxpayers for  
9 overpayment of liability under the tax imposed by subsections  
10 (a) and (b) of Section 201 of this Act.

11 Beginning on August 26, 2014 (the effective date of Public  
12 Act 98-1052) ~~this amendatory Act of the 98th General Assembly,~~  
13 the Comptroller shall perform the transfers required by this  
14 subsection (b) no later than 60 days after he or she receives  
15 the certification from the Treasurer as provided in Section 1  
16 of the State Revenue Sharing Act.

17 (c) Deposits Into Income Tax Refund Fund.

18 (1) Beginning on January 1, 1989 and thereafter, the  
19 Department shall deposit a percentage of the amounts  
20 collected pursuant to subsections (a) and (b)(1), (2), and  
21 (3), of Section 201 of this Act into a fund in the State  
22 treasury known as the Income Tax Refund Fund. The  
23 Department shall deposit 6% of such amounts during the  
24 period beginning January 1, 1989 and ending on June 30,  
25 1989. Beginning with State fiscal year 1990 and for each  
26 fiscal year thereafter, the percentage deposited into the

1       Income Tax Refund Fund during a fiscal year shall be the  
2       Annual Percentage. For fiscal years 1999 through 2001, the  
3       Annual Percentage shall be 7.1%. For fiscal year 2003, the  
4       Annual Percentage shall be 8%. For fiscal year 2004, the  
5       Annual Percentage shall be 11.7%. Upon the effective date  
6       of this amendatory Act of the 93rd General Assembly, the  
7       Annual Percentage shall be 10% for fiscal year 2005. For  
8       fiscal year 2006, the Annual Percentage shall be 9.75%. For  
9       fiscal year 2007, the Annual Percentage shall be 9.75%. For  
10      fiscal year 2008, the Annual Percentage shall be 7.75%. For  
11      fiscal year 2009, the Annual Percentage shall be 9.75%. For  
12      fiscal year 2010, the Annual Percentage shall be 9.75%. For  
13      fiscal year 2011, the Annual Percentage shall be 8.75%. For  
14      fiscal year 2012, the Annual Percentage shall be 8.75%. For  
15      fiscal year 2013, the Annual Percentage shall be 9.75%. For  
16      fiscal year 2014, the Annual Percentage shall be 9.5%. For  
17      fiscal year 2015, the Annual Percentage shall be 10%. For  
18      all other fiscal years, the Annual Percentage shall be  
19      calculated as a fraction, the numerator of which shall be  
20      the amount of refunds approved for payment by the  
21      Department during the preceding fiscal year as a result of  
22      overpayment of tax liability under subsections (a) and  
23      (b) (1), (2), and (3) of Section 201 of this Act plus the  
24      amount of such refunds remaining approved but unpaid at the  
25      end of the preceding fiscal year, minus the amounts  
26      transferred into the Income Tax Refund Fund from the

1 Tobacco Settlement Recovery Fund, and the denominator of  
2 which shall be the amounts which will be collected pursuant  
3 to subsections (a) and (b) (1), (2), and (3) of Section 201  
4 of this Act during the preceding fiscal year; except that  
5 in State fiscal year 2002, the Annual Percentage shall in  
6 no event exceed 7.6%. The Director of Revenue shall certify  
7 the Annual Percentage to the Comptroller on the last  
8 business day of the fiscal year immediately preceding the  
9 fiscal year for which it is to be effective.

10 (2) Beginning on January 1, 1989 and thereafter, the  
11 Department shall deposit a percentage of the amounts  
12 collected pursuant to subsections (a) and (b) (6), (7), and  
13 (8), (c) and (d) of Section 201 of this Act into a fund in  
14 the State treasury known as the Income Tax Refund Fund. The  
15 Department shall deposit 18% of such amounts during the  
16 period beginning January 1, 1989 and ending on June 30,  
17 1989. Beginning with State fiscal year 1990 and for each  
18 fiscal year thereafter, the percentage deposited into the  
19 Income Tax Refund Fund during a fiscal year shall be the  
20 Annual Percentage. For fiscal years 1999, 2000, and 2001,  
21 the Annual Percentage shall be 19%. For fiscal year 2003,  
22 the Annual Percentage shall be 27%. For fiscal year 2004,  
23 the Annual Percentage shall be 32%. Upon the effective date  
24 of this amendatory Act of the 93rd General Assembly, the  
25 Annual Percentage shall be 24% for fiscal year 2005. For  
26 fiscal year 2006, the Annual Percentage shall be 20%. For

1 fiscal year 2007, the Annual Percentage shall be 17.5%. For  
2 fiscal year 2008, the Annual Percentage shall be 15.5%. For  
3 fiscal year 2009, the Annual Percentage shall be 17.5%. For  
4 fiscal year 2010, the Annual Percentage shall be 17.5%. For  
5 fiscal year 2011, the Annual Percentage shall be 17.5%. For  
6 fiscal year 2012, the Annual Percentage shall be 17.5%. For  
7 fiscal year 2013, the Annual Percentage shall be 14%. For  
8 fiscal year 2014, the Annual Percentage shall be 13.4%. For  
9 fiscal year 2015, the Annual Percentage shall be 14%. For  
10 all other fiscal years, the Annual Percentage shall be  
11 calculated as a fraction, the numerator of which shall be  
12 the amount of refunds approved for payment by the  
13 Department during the preceding fiscal year as a result of  
14 overpayment of tax liability under subsections (a) and  
15 (b) (6), (7), and (8), (c) and (d) of Section 201 of this  
16 Act plus the amount of such refunds remaining approved but  
17 unpaid at the end of the preceding fiscal year, and the  
18 denominator of which shall be the amounts which will be  
19 collected pursuant to subsections (a) and (b) (6), (7), and  
20 (8), (c) and (d) of Section 201 of this Act during the  
21 preceding fiscal year; except that in State fiscal year  
22 2002, the Annual Percentage shall in no event exceed 23%.  
23 The Director of Revenue shall certify the Annual Percentage  
24 to the Comptroller on the last business day of the fiscal  
25 year immediately preceding the fiscal year for which it is  
26 to be effective.

1           (3) The Comptroller shall order transferred and the  
2           Treasurer shall transfer from the Tobacco Settlement  
3           Recovery Fund to the Income Tax Refund Fund (i) \$35,000,000  
4           in January, 2001, (ii) \$35,000,000 in January, 2002, and  
5           (iii) \$35,000,000 in January, 2003.

6           (d) Expenditures from Income Tax Refund Fund.

7           (1) Beginning January 1, 1989, money in the Income Tax  
8           Refund Fund shall be expended exclusively for the purpose  
9           of paying refunds resulting from overpayment of tax  
10          liability under Section 201 of this Act, for paying rebates  
11          under Section 208.1 in the event that the amounts in the  
12          Homeowners' Tax Relief Fund are insufficient for that  
13          purpose, and for making transfers pursuant to this  
14          subsection (d).

15          (2) The Director shall order payment of refunds  
16          resulting from overpayment of tax liability under Section  
17          201 of this Act from the Income Tax Refund Fund only to the  
18          extent that amounts collected pursuant to Section 201 of  
19          this Act and transfers pursuant to this subsection (d) and  
20          item (3) of subsection (c) have been deposited and retained  
21          in the Fund.

22          (3) As soon as possible after the end of each fiscal  
23          year, the Director shall order transferred and the State  
24          Treasurer and State Comptroller shall transfer from the  
25          Income Tax Refund Fund to the Personal Property Tax  
26          Replacement Fund an amount, certified by the Director to



1 the Comptroller, equal to the excess of the amount  
2 collected pursuant to subsections (c) and (d) of Section  
3 201 of this Act deposited into the Income Tax Refund Fund  
4 during the fiscal year over the amount of refunds resulting  
5 from overpayment of tax liability under subsections (c) and  
6 (d) of Section 201 of this Act paid from the Income Tax  
7 Refund Fund during the fiscal year.

8 (4) As soon as possible after the end of each fiscal  
9 year, the Director shall order transferred and the State  
10 Treasurer and State Comptroller shall transfer from the  
11 Personal Property Tax Replacement Fund to the Income Tax  
12 Refund Fund an amount, certified by the Director to the  
13 Comptroller, equal to the excess of the amount of refunds  
14 resulting from overpayment of tax liability under  
15 subsections (c) and (d) of Section 201 of this Act paid  
16 from the Income Tax Refund Fund during the fiscal year over  
17 the amount collected pursuant to subsections (c) and (d) of  
18 Section 201 of this Act deposited into the Income Tax  
19 Refund Fund during the fiscal year.

20 (4.5) As soon as possible after the end of fiscal year  
21 1999 and of each fiscal year thereafter, the Director shall  
22 order transferred and the State Treasurer and State  
23 Comptroller shall transfer from the Income Tax Refund Fund  
24 to the General Revenue Fund any surplus remaining in the  
25 Income Tax Refund Fund as of the end of such fiscal year;  
26 excluding for fiscal years 2000, 2001, and 2002 amounts

1           attributable to transfers under item (3) of subsection (c)  
2           less refunds resulting from the earned income tax credit.

3           (5) This Act shall constitute an irrevocable and  
4           continuing appropriation from the Income Tax Refund Fund  
5           for the purpose of paying refunds upon the order of the  
6           Director in accordance with the provisions of this Section.

7           (e) Deposits into the Education Assistance Fund and the  
8           Income Tax Surcharge Local Government Distributive Fund.

9           On July 1, 1991, and thereafter, of the amounts collected  
10          pursuant to subsections (a) and (b) of Section 201 of this Act,  
11          minus deposits into the Income Tax Refund Fund, the Department  
12          shall deposit 7.3% into the Education Assistance Fund in the  
13          State Treasury. Beginning July 1, 1991, and continuing through  
14          January 31, 1993, of the amounts collected pursuant to  
15          subsections (a) and (b) of Section 201 of the Illinois Income  
16          Tax Act, minus deposits into the Income Tax Refund Fund, the  
17          Department shall deposit 3.0% into the Income Tax Surcharge  
18          Local Government Distributive Fund in the State Treasury.  
19          Beginning February 1, 1993 and continuing through June 30,  
20          1993, of the amounts collected pursuant to subsections (a) and  
21          (b) of Section 201 of the Illinois Income Tax Act, minus  
22          deposits into the Income Tax Refund Fund, the Department shall  
23          deposit 4.4% into the Income Tax Surcharge Local Government  
24          Distributive Fund in the State Treasury. Beginning July 1,  
25          1993, and continuing through June 30, 1994, of the amounts  
26          collected under subsections (a) and (b) of Section 201 of this

1 Act, minus deposits into the Income Tax Refund Fund, the  
2 Department shall deposit 1.475% into the Income Tax Surcharge  
3 Local Government Distributive Fund in the State Treasury.

4 (f) Deposits into the Fund for the Advancement of  
5 Education. Beginning February 1, 2015, the Department shall  
6 deposit the following portions of the revenue realized from the  
7 tax imposed upon individuals, trusts, and estates by  
8 subsections (a) and (b) of Section 201 of this Act during the  
9 preceding month, minus deposits into the Income Tax Refund  
10 Fund, into the Fund for the Advancement of Education:

11 (1) beginning February 1, 2015, and prior to February  
12 1, 2025, 1/30; and

13 (2) beginning February 1, 2025, 1/26.

14 If the rate of tax imposed by subsection (a) and (b) of  
15 Section 201 is reduced pursuant to Section 201.5 of this Act,  
16 the Department shall not make the deposits required by this  
17 subsection (f) on or after the effective date of the reduction.

18 (g) Deposits into the Commitment to Human Services Fund.  
19 Beginning February 1, 2015, the Department shall deposit the  
20 following portions of the revenue realized from the tax imposed  
21 upon individuals, trusts, and estates by subsections (a) and  
22 (b) of Section 201 of this Act during the preceding month,  
23 minus deposits into the Income Tax Refund Fund, into the  
24 Commitment to Human Services Fund:

25 (1) beginning February 1, 2015, and prior to February  
26 1, 2025, 1/30; and

1 (2) beginning February 1, 2025, 1/26.

2 If the rate of tax imposed by subsection (a) and (b) of  
3 Section 201 is reduced pursuant to Section 201.5 of this Act,  
4 the Department shall not make the deposits required by this  
5 subsection (g) on or after the effective date of the reduction.

6 (h) Deposits into the Tax Compliance and Administration  
7 Fund. Beginning on the first day of the first calendar month to  
8 occur on or after August 26, 2014 (the effective date of Public  
9 Act 98-1098) ~~this amendatory Act of the 98th General Assembly,~~  
10 each month the Department shall pay into the Tax Compliance and  
11 Administration Fund, to be used, subject to appropriation, to  
12 fund additional auditors and compliance personnel at the  
13 Department, an amount equal to 1/12 of 5% of the cash receipts  
14 collected during the preceding fiscal year by the Audit Bureau  
15 of the Department from the tax imposed by subsections (a), (b),  
16 (c), and (d) of Section 201 of this Act, net of deposits into  
17 the Income Tax Refund Fund made from those cash receipts.

18 (i) Deposits into the Monetary Award Program Reserve Fund.  
19 Notwithstanding any other provision of law, 100% of the revenue  
20 realized from the addition modification set forth in paragraph  
21 (D-24) of item (2) of subsection (a) of Section 203 of this Act  
22 shall be deposited into the Monetary Award Program Reserve  
23 Fund.

24 (Source: P.A. 97-72, eff. 7-1-11; 97-732, eff. 6-30-12; 98-24,  
25 eff. 6-19-13; 98-674, eff. 6-30-14; 98-1052, eff. 8-26-14;  
26 98-1098, eff. 8-26-14; revised 9-26-14.)

1           Section 99. Effective date. This Act takes effect upon  
2    becoming law.