

HB4329



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB4329

Introduced 1/14/2026, by Rep. Anthony DeLuca

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates an income tax deduction for gratuities that are included in the taxpayer's federal adjusted gross income. Effective immediately.

LRB104 16850 HLH 30260 b

A BILL FOR

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

13 (2) Modifications. The adjusted gross income referred
14 to in paragraph (1) shall be modified by adding thereto
15 the 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
10 1, 1991, the retrospective application date of Article
11 4 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
24 on the account in the taxable year of a withdrawal
25 pursuant to subsection (b) of Section 20 of the
26 Medical Care Savings Account Act or subsection (b) of

1 Section 20 of the Medical Care Savings Account Act of
2 2000;

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

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

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

20 If the taxpayer continues to own property through
21 the last day of the last tax year for which a
22 subtraction is allowed with respect to that property
23 under subparagraph (Z) and for which the taxpayer was
24 allowed in any taxable year to make a subtraction
25 modification under subparagraph (Z), then an amount
26 equal to that subtraction modification.

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

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

1 in gross income under Section 78 of the Internal
2 Revenue Code) with respect to the stock of the same
3 person to whom the interest was paid, accrued, or
4 incurred. For taxable years ending on and after
5 December 31, 2025, for purposes of applying this
6 paragraph in the case of a taxpayer to which Section
7 163(j) of the Internal Revenue Code applies for the
8 taxable year, the reduction in the amount of interest
9 for which a deduction is allowed by reason of Section
10 163(j) shall be treated as allocable first to persons
11 who are not foreign persons referred to in this
12 paragraph and then to such foreign persons.

13 For taxable years ending before December 31, 2025,
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
13 or agreement entered into at arm's-length rates
14 and terms and the principal purpose for the
15 payment is not federal or Illinois tax avoidance;
16 or

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

24 For taxable years ending on or after December 31,
25 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

1 regulation adopted by the Department and such
2 regulations provide methods and standards by which the
3 Department will utilize its authority under Section
4 404 of this Act;

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

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

24 For taxable years ending before December 31, 2025,
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
3 is subject in a foreign country or state, other
4 than a state which requires mandatory unitary
5 reporting, to a tax on or measured by net income
6 with respect to such 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
26 the 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
4 alternative method of apportionment under Section
5 304(f);

6 For taxable years ending on or after December 31,
7 2025, this paragraph shall not apply to the following:

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

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

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

24 (ii) any item of intangible expense or cost
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with a person if

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

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

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

1 addition modification required by this subparagraph
2 shall be reduced to the extent that dividends were
3 included in base income of the unitary group for the
4 same taxable year and received by the taxpayer or by a
5 member of the taxpayer's unitary business group
6 (including amounts included in gross income under
7 Sections 951 through 964 of the Internal Revenue Code
8 and amounts included in gross income under Section 78
9 of the Internal Revenue Code) with respect to the
10 stock of the same person to whom the premiums and costs
11 were directly or indirectly paid, incurred, or
12 accrued. The preceding sentence does not apply to the
13 extent that the same dividends caused a reduction to
14 the addition modification required under Section
15 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this
16 Act;

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

1 January 1, 2007, in the case of a distribution from a
2 qualified tuition program under Section 529 of the
3 Internal Revenue Code, other than (i) a distribution
4 from a College Savings Pool created under Section 16.5
5 of the State Treasurer Act, (ii) a distribution from
6 the Illinois Prepaid Tuition Trust Fund, or (iii) a
7 distribution from a qualified tuition program under
8 Section 529 of the Internal Revenue Code that (I)
9 adopts and determines that its offering materials
10 comply with the College Savings Plans Network's
11 disclosure principles and (II) has made reasonable
12 efforts to inform in-state residents of the existence
13 of in-state qualified tuition programs by informing
14 Illinois residents directly and, where applicable, to
15 inform financial intermediaries distributing the
16 program to inform in-state residents of the existence
17 of in-state qualified tuition programs at least
18 annually, an amount equal to the amount excluded from
19 gross income under Section 529(c)(3)(B).

20 For the purposes of this subparagraph (D-20), a
21 qualified tuition program has made reasonable efforts
22 if it makes disclosures (which may use the term
23 "in-state program" or "in-state plan" and need not
24 specifically refer to Illinois or its qualified
25 programs by name) (i) directly to prospective
26 participants in its offering materials or makes a

1 public disclosure, such as a website posting; and (ii)
2 where applicable, to intermediaries selling the
3 out-of-state program in the same manner that the
4 out-of-state program distributes its offering
5 materials;

6 (D-20.5) For taxable years beginning on or after
7 January 1, 2018, in the case of a distribution from a
8 qualified ABLE program under Section 529A of the
9 Internal Revenue Code, other than a distribution from
10 a qualified ABLE program created under Section 16.6 of
11 the State Treasurer Act, an amount equal to the amount
12 excluded from gross income under Section 529A(c) (1) (B)
13 of the Internal Revenue Code;

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

21 (D-21.5) For taxable years beginning on or after
22 January 1, 2018, in the case of the transfer of moneys
23 from a qualified tuition program under Section 529 or
24 a qualified ABLE program under Section 529A of the
25 Internal Revenue Code that is administered by this
26 State to an ABLE account established under an

1 out-of-state ABLE account program, an amount equal to
2 the contribution component of the transferred amount
3 that was previously deducted from base income under
4 subsection (a)(2)(Y) or subsection (a)(2)(HH) of this
5 Section;

6 (D-22) For taxable years beginning on or after
7 January 1, 2009, and prior to January 1, 2018, in the
8 case of a nonqualified withdrawal or refund of moneys
9 from a qualified tuition program under Section 529 of
10 the Internal Revenue Code administered by the State
11 that is not used for qualified expenses at an eligible
12 education institution, an amount equal to the
13 contribution component of the nonqualified withdrawal
14 or refund that was previously deducted from base
15 income under subsection (a)(2)(y) of this Section,
16 provided that the withdrawal or refund did not result
17 from the beneficiary's death or disability. For
18 taxable years beginning on or after January 1, 2018:
19 (1) in the case of a nonqualified withdrawal or
20 refund, as defined under Section 16.5 of the State
21 Treasurer Act, of moneys from a qualified tuition
22 program under Section 529 of the Internal Revenue Code
23 administered by the State, an amount equal to the
24 contribution component of the nonqualified withdrawal
25 or refund that was previously deducted from base
26 income under subsection (a)(2)(Y) of this Section, and

1 (2) in the case of a nonqualified withdrawal or refund
2 from a qualified ABLE program under Section 529A of
3 the Internal Revenue Code administered by the State
4 that is not used for qualified disability expenses, an
5 amount equal to the contribution component of the
6 nonqualified withdrawal or refund that was previously
7 deducted from base income under subsection (a)(2)(HH)
8 of this Section;

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

13 (D-24) For taxable years ending on or after
14 December 31, 2017, an amount equal to the deduction
15 allowed under Section 199 of the Internal Revenue Code
16 for the taxable year;

17 (D-25) In the case of a resident, an amount equal
18 to the amount of tax for which a credit is allowed
19 pursuant to Section 201(p)(7) of this Act;

20 and by deducting from the total so obtained the sum of the
21 following amounts:

22 (E) For taxable years ending before December 31,
23 2001, any amount included in such total in respect of
24 any compensation (including but not limited to any
25 compensation paid or accrued to a serviceman while a
26 prisoner of war or missing in action) paid to a

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

1 of Section 250;

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

13 (G) The valuation limitation amount;

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

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

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

1 substantially all of its operations in a River Edge
2 Redevelopment Zone or zones. This subparagraph (J) is
3 exempt from the provisions of Section 250;

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

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

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

1 Internal Revenue Code, plus, for taxable years ending
2 on or after December 31, 2011, Section 45G(e)(3) of
3 the Internal Revenue Code and, for taxable years
4 ending on or after December 31, 2008, any amount
5 included in gross income under Section 87 of the
6 Internal Revenue Code; the provisions of this
7 subparagraph are exempt from the provisions of Section
8 250;

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

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

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

1 taxable income for restoration of substantial amounts
2 held under claim of right for the taxable year;

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

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

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

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

26 (U) For one taxable year beginning on or after

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

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

1 determined by multiplying total health insurance and
2 long-term care insurance premiums paid by the taxpayer
3 times a number that represents the fractional
4 percentage of eligible medical expenses under Section
5 213 of the Internal Revenue Code of 1986 not actually
6 deducted on the taxpayer's federal income tax return;

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

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

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

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

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

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

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

1 including the bonus depreciation deduction;

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

6 (3) for taxable years ending after December
7 31, 2005:

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

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

17 (iii) for property on which a bonus
18 depreciation deduction of 100% of the adjusted
19 basis was taken in a taxable year ending on or
20 after December 31, 2021, "x" equals the
21 depreciation deduction that would be allowed
22 on that property if the taxpayer had made the
23 election under Section 168(k)(7) of the
24 Internal Revenue Code to not claim bonus
25 depreciation on that property; and

26 (iv) for property on which a bonus

1 depreciation deduction of a percentage other
2 than 30%, 50% or 100% of the adjusted basis
3 was taken in a taxable year ending on or after
4 December 31, 2021, "x" equals "y" multiplied
5 by 100 times the percentage bonus depreciation
6 on the property (that is, $100(\text{bonus}\%)$) and
7 then divided by 100 times 1 minus the
8 percentage bonus depreciation on the property
9 (that is, $100(1-\text{bonus}\%)$).

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

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

23 If the taxpayer continues to own property through
24 the last day of the last tax year for which a
25 subtraction is allowed with respect to that property
26 under subparagraph (Z) and for which the taxpayer was

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

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

7 This subparagraph (AA) is exempt from the
8 provisions of Section 250;

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

12 (CC) The amount of (i) any interest income (net of
13 the deductions allocable thereto) taken into account
14 for the taxable year with respect to a transaction
15 with a taxpayer that is required to make an addition
16 modification with respect to such transaction under
17 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
18 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
19 the amount of that addition modification, and (ii) any
20 income from intangible property (net of the deductions
21 allocable thereto) taken into account for the taxable
22 year with respect to a transaction with a taxpayer
23 that is required to make an addition modification with
24 respect to such transaction under Section
25 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
26 203(d)(2)(D-8), but not to exceed the amount of that

1 addition modification. This subparagraph (CC) is
2 exempt from the provisions of Section 250;

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

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

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

25 (GG) 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(a)(2)(D-19), 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
5 or 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
9 makes the election provided for by this subparagraph
10 (GG), the insurer to which the premiums were paid must
11 add back to income the amount subtracted by the
12 taxpayer pursuant to this subparagraph (GG). This
13 subparagraph (GG) is exempt from the provisions of
14 Section 250;

15 (HH) For taxable years beginning on or after
16 January 1, 2018 and prior to January 1, 2028, a maximum
17 of \$10,000 contributed in the taxable year to a
18 qualified ABLE account under Section 16.6 of the State
19 Treasurer Act, except that amounts excluded from gross
20 income under Section 529(c)(3)(C)(i) or Section
21 529A(c)(1)(C) of the Internal Revenue Code shall not
22 be considered moneys contributed under this
23 subparagraph (HH). For purposes of this subparagraph
24 (HH), contributions made by an employer on behalf of
25 an employee, or matching contributions made by an
26 employee, shall be treated as made by the employee;

1 (II) For taxable years that begin on or after
2 January 1, 2021 and begin before January 1, 2026, the
3 amount that is included in the taxpayer's federal
4 adjusted gross income pursuant to Section 61 of the
5 Internal Revenue Code as discharge of indebtedness
6 attributable to student loan forgiveness and that is
7 not excluded from the taxpayer's federal adjusted
8 gross income pursuant to paragraph (5) of subsection
9 (f) of Section 108 of the Internal Revenue Code;

10 (JJ) For taxable years beginning on or after
11 January 1, 2023, for any cannabis establishment
12 operating in this State and licensed under the
13 Cannabis Regulation and Tax Act or any cannabis
14 cultivation center or medical cannabis dispensing
15 organization operating in this State and licensed
16 under the Compassionate Use of Medical Cannabis
17 Program Act, an amount equal to the deductions that
18 were disallowed under Section 280E of the Internal
19 Revenue Code for the taxable year and that would not be
20 added back under this subsection. The provisions of
21 this subparagraph (JJ) are exempt from the provisions
22 of Section 250;

23 (KK) To the extent includible in gross income for
24 federal income tax purposes, any amount awarded or
25 paid to the taxpayer as a result of a judgment or
26 settlement for fertility fraud as provided in Section

1 15 of the Illinois Fertility Fraud Act, donor
2 fertility fraud as provided in Section 20 of the
3 Illinois Fertility Fraud Act, or similar action in
4 another state;

5 (LL) For taxable years beginning on or after
6 January 1, 2026, if the taxpayer is a qualified
7 worker, as defined in the Workforce Development
8 through Charitable Loan Repayment Act, an amount equal
9 to the amount included in the taxpayer's federal
10 adjusted gross income that is attributable to student
11 loan repayment assistance received by the taxpayer
12 during the taxable year from a qualified community
13 foundation under the provisions of the Workforce
14 Development through Charitable Loan Repayment Act.

15 This subparagraph (LL) is exempt from the
16 provisions of Section 250; ~~and~~

17 (MM) For taxable years beginning on or after
18 January 1, 2025, if the taxpayer is an eligible
19 resident as defined in the Medical Debt Relief Act, an
20 amount equal to the amount included in the taxpayer's
21 federal adjusted gross income that is attributable to
22 medical debt relief received by the taxpayer during
23 the taxable year from a nonprofit medical debt relief
24 coordinator under the provisions of the Medical Debt
25 Relief Act. This subparagraph (MM) is exempt from the
26 provisions of Section 250; and -

1 (NN) For taxable years beginning on or after
2 January 1, 2027, an amount equal to the amount of
3 gratuities included in the taxpayer's federal adjusted
4 gross income for the taxable year. As used in this
5 subparagraph (NN), "gratuities" has the meaning given
6 to that term in Section 3 of the Minimum Wage Law. This
7 subparagraph (NN) is exempt from the provisions of
8 Section 250.

9 (b) Corporations.

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

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

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

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

25 (C) In the case of a regulated investment company,

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

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
15 loss carryback or carryforward from a taxable year
16 ending prior to December 31, 1986 is an element of
17 taxable income under paragraph (1) of subsection (e)
18 or subparagraph (E) of paragraph (2) of subsection
19 (e), the amount by which addition modifications other
20 than those provided by this subparagraph (E) exceeded
21 subtraction modifications in such earlier taxable
22 year, with the following limitations applied in the
23 order that 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
2 of addition modification under this subparagraph
3 (E) which related to that net operating loss and
4 which was taken into account in calculating the
5 base 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
12 operating loss carryback or carryforward from more
13 than one other taxable year ending prior to December
14 31, 1986, the addition modification provided in this
15 subparagraph (E) shall be the sum of the amounts
16 computed independently under the preceding provisions
17 of this subparagraph (E) for each such taxable year;

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

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

1 the Internal Revenue Code;

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

9 If the taxpayer continues to own property through
10 the last day of the last tax year for which a
11 subtraction is allowed with respect to that property
12 under subparagraph (T) and for which the taxpayer was
13 allowed in any taxable year to make a subtraction
14 modification under subparagraph (T), then an amount
15 equal to that subtraction modification.

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

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

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. The addition modification
9 required by this subparagraph shall be reduced to the
10 extent that dividends were included in base income of
11 the unitary group for the same taxable year and
12 received by the taxpayer or by a member of the
13 taxpayer's unitary business group (including amounts
14 included in gross income pursuant to Sections 951
15 through 964 of the Internal Revenue Code and amounts
16 included in gross income under Section 78 of the
17 Internal Revenue Code) with respect to the stock of
18 the same person to whom the interest was paid,
19 accrued, or incurred. For taxable years ending on and
20 after December 31, 2025, for purposes of applying this
21 paragraph in the case of a taxpayer to which Section
22 163(j) of the Internal Revenue Code applies for the
23 taxable year, the reduction in the amount of interest
24 for which a deduction is allowed by reason of Section
25 163(j) shall be treated as allocable first to persons
26 who are not foreign persons referred to in this

1 paragraph and then to such foreign persons.

2 For taxable years ending before December 31, 2025,
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
2 or agreement entered into at arm's-length rates
3 and terms and the principal purpose for the
4 payment is not federal or Illinois tax avoidance;
5 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 For taxable years ending on or after December 31,
14 2025, 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 if
17 the taxpayer can establish, based on a
18 preponderance of the evidence, both of the
19 following:

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

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

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

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

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

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

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

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

13 For taxable years ending before December 31, 2025,
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
18 is subject in a foreign country or state, other
19 than a state which requires mandatory unitary
20 reporting, to a tax on or measured by net income
21 with respect 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
15 the 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
19 alternative method of apportionment under Section
20 304(f);

21 For taxable years ending on or after December 31,
22 2025, this paragraph shall not apply to the following:

23 (i) 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 (ii) any item of intangible expense or cost
14 paid, accrued, or incurred, directly or
15 indirectly, from a transaction with a person if
16 the 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
20 alternative method of apportionment under Section
21 304(f).

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

1 regulation adopted by the Department and such
2 regulations provide methods and standards by which the
3 Department will utilize its authority under Section
4 404 of this Act;

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

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

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

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

16 (E-17) For taxable years ending on or after
17 December 31, 2017, an amount equal to the deduction
18 allowed under Section 199 of the Internal Revenue Code
19 for the taxable year;

20 (E-18) for taxable years beginning after December
21 31, 2018, an amount equal to the deduction allowed
22 under Section 250(a)(1)(A) of the Internal Revenue
23 Code for the taxable year;

24 (E-19) for taxable years ending on or after June
25 30, 2021, an amount equal to the deduction allowed
26 under Section 250(a)(1)(B)(i) of the Internal Revenue

1 Code for the taxable year;

2 (E-20) for taxable years ending on or after June
3 30, 2021, an amount equal to the deduction allowed
4 under Sections 243(e) and 245A(a) of the Internal
5 Revenue Code for the taxable year;

6 (E-21) the amount that is claimed as a federal
7 deduction when computing the taxpayer's federal
8 taxable income for the taxable year and that is
9 attributable to an endowment gift for which the
10 taxpayer receives a credit under the Illinois Gives
11 Tax Credit Act;

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

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

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

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

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

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

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

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

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

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

24 (M) For any taxpayer that is a financial
25 organization within the meaning of Section 304(c) of
26 this Act, an amount included in such total as interest

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

21 (M-1) For any taxpayer that is a financial
22 organization within the meaning of Section 304(c) of
23 this Act, an amount included in such total as interest
24 income from a loan or loans made by such taxpayer to a
25 borrower, to the extent that such a loan is secured by
26 property which is eligible for the High Impact

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

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

1 the Department of Commerce and Economic Opportunity
2 under Section 11 of the Illinois Enterprise Zone Act
3 or under Section 10-10 of the River Edge Redevelopment
4 Zone Act. This subparagraph (N) is exempt from the
5 provisions of Section 250;

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

1 1988, dividends received or deemed received or paid or
2 deemed paid under Sections 951 through 964 of the
3 Internal Revenue Code and including, for taxable years
4 ending on or after December 31, 2008, dividends
5 received from a captive real estate investment trust,
6 from any such corporation specified in clause (i) that
7 would but for the provisions of Section 1504(b)(3) of
8 the Internal Revenue Code be treated as a member of the
9 affiliated group which includes the dividend
10 recipient, exceed the amount of the modification
11 provided under subparagraph (G) of paragraph (2) of
12 this subsection (b) which is related to such
13 dividends. For taxable years ending on or after June
14 30, 2021, (i) for purposes of this subparagraph, the
15 term "dividend" does not include any amount treated as
16 a dividend under Section 1248 of the Internal Revenue
17 Code, and (ii) this subparagraph shall not apply to
18 dividends for which a deduction is allowed under
19 Section 245(a) of the Internal Revenue Code. For
20 taxable years ending on or after December 31, 2025,
21 50% of the amount of global intangible low-taxed
22 income received or deemed received or paid or deemed
23 paid under Section 951A of the Internal Revenue Code.
24 This subparagraph (O) is exempt from the provisions of
25 Section 250 of this Act;

26 (P) An amount equal to any contribution made to a

1 job training project established pursuant to the Tax
2 Increment Allocation Redevelopment Act;

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

8 (R) On and after July 20, 1999, in the case of an
9 attorney-in-fact with respect to whom an interinsurer
10 or a reciprocal insurer has made the election under
11 Section 835 of the Internal Revenue Code, 26 U.S.C.
12 835, an amount equal to the excess, if any, of the
13 amounts paid or incurred by that interinsurer or
14 reciprocal insurer in the taxable year to the
15 attorney-in-fact over the deduction allowed to that
16 interinsurer or reciprocal insurer with respect to the
17 attorney-in-fact under Section 835(b) of the Internal
18 Revenue Code for the taxable year; the provisions of
19 this subparagraph are exempt from the provisions of
20 Section 250;

21 (S) For taxable years ending on or after December
22 31, 1997, in the case of a Subchapter S corporation, an
23 amount equal to all amounts of income allocable to a
24 shareholder subject to the Personal Property Tax
25 Replacement Income Tax imposed by subsections (c) and
26 (d) of Section 201 of this Act, including amounts

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

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

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

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

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

24 (i) for property on which a bonus
25 depreciation deduction of 30% of the adjusted
26 basis was taken, "x" equals "y" multiplied by

1 30 and then divided by 70 (or "y" multiplied
2 by 0.429);

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

7 (iii) for property on which a bonus
8 depreciation deduction of 100% of the adjusted
9 basis was taken in a taxable year ending on or
10 after December 31, 2021, "x" equals the
11 depreciation deduction that would be allowed
12 on that property if the taxpayer had made the
13 election under Section 168(k)(7) of the
14 Internal Revenue Code to not claim bonus
15 depreciation on that property; and

16 (iv) for property on which a bonus
17 depreciation deduction of a percentage other
18 than 30%, 50% or 100% of the adjusted basis
19 was taken in a taxable year ending on or after
20 December 31, 2021, "x" equals "y" multiplied
21 by 100 times the percentage bonus depreciation
22 on the property (that is, $100(\text{bonus}\%)$) and
23 then divided by 100 times 1 minus the
24 percentage bonus depreciation on the property
25 (that is, $100(1-\text{bonus}\%)$).

26 The aggregate amount deducted under this

1 subparagraph in all taxable years for any one piece of
2 property may not exceed the amount of the bonus
3 depreciation deduction taken on that property on the
4 taxpayer's federal income tax return under subsection
5 (k) of Section 168 of the Internal Revenue Code. This
6 subparagraph (T) is exempt from the provisions of
7 Section 250;

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

13 If the taxpayer continues to own property through
14 the last day of the last tax year for which a
15 subtraction is allowed with respect to that property
16 under subparagraph (T) and for which the taxpayer was
17 required in any taxable year to make an addition
18 modification under subparagraph (E-10), then an amount
19 equal to that addition modification.

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

23 This subparagraph (U) is exempt from the
24 provisions of Section 250;

25 (V) The amount of: (i) any interest income (net of
26 the deductions allocable thereto) taken into account

1 for the taxable year with respect to a transaction
2 with a taxpayer that is required to make an addition
3 modification with respect to such transaction under
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
6 the amount of such addition modification, (ii) any
7 income from intangible property (net of the deductions
8 allocable thereto) taken into account for the taxable
9 year with respect to a transaction with a taxpayer
10 that is required to make an addition modification with
11 respect to such transaction under Section
12 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
13 203(d)(2)(D-8), but not to exceed the amount of such
14 addition modification, and (iii) any insurance premium
15 income (net of deductions allocable thereto) taken
16 into account for the taxable year with respect to a
17 transaction with a taxpayer that is required to make
18 an addition modification with respect to such
19 transaction under Section 203(a)(2)(D-19), Section
20 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
21 203(d)(2)(D-9), but not to exceed the amount of that
22 addition modification. This subparagraph (V) is exempt
23 from the provisions of Section 250;

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

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

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

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

1 taxpayer pursuant to this subparagraph (Y). This
2 subparagraph (Y) is exempt from the provisions of
3 Section 250;

4 (Z) The difference between the nondeductible
5 controlled foreign corporation dividends under Section
6 965(e)(3) of the Internal Revenue Code over the
7 taxable income of the taxpayer, computed without
8 regard to Section 965(e)(2)(A) of the Internal Revenue
9 Code, and without regard to any net operating loss
10 deduction. This subparagraph (Z) is exempt from the
11 provisions of Section 250; and

12 (AA) For taxable years beginning on or after
13 January 1, 2023, for any cannabis establishment
14 operating in this State and licensed under the
15 Cannabis Regulation and Tax Act or any cannabis
16 cultivation center or medical cannabis dispensing
17 organization operating in this State and licensed
18 under the Compassionate Use of Medical Cannabis
19 Program Act, an amount equal to the deductions that
20 were disallowed under Section 280E of the Internal
21 Revenue Code for the taxable year and that would not be
22 added back under this subsection. The provisions of
23 this subparagraph (AA) are exempt from the provisions
24 of Section 250.

25 (3) Special rule. For purposes of paragraph (2)(A),
26 "gross income" in the case of a life insurance company,

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

7 (c) Trusts and estates.

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

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

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

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

25 (C) 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 taxable income for the taxable
3 year;

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

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

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

26 (ii) the addition modification relating to the

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

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

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

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

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

1 201;

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

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

14 If the taxpayer continues to own property through
15 the last day of the last tax year for which a
16 subtraction is allowed with respect to that property
17 under subparagraph (R) and for which the taxpayer was
18 allowed in any taxable year to make a subtraction
19 modification under subparagraph (R), then an amount
20 equal to that subtraction modification.

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

24 (G-12) An amount equal to the amount otherwise
25 allowed as a deduction in computing base income for
26 interest paid, accrued, or incurred, directly or

1 indirectly, (i) for taxable years ending on or after
2 December 31, 2004, to a foreign person who would be a
3 member of the same unitary business group but for the
4 fact that the foreign person's business activity
5 outside the United States is 80% or more of the foreign
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. The addition modification
14 required by this subparagraph shall be reduced to the
15 extent that dividends were included in base income of
16 the unitary group for the same taxable year and
17 received by the taxpayer or by a member of the
18 taxpayer's unitary business group (including amounts
19 included in gross income pursuant to Sections 951
20 through 964 of the Internal Revenue Code and amounts
21 included in gross income under Section 78 of the
22 Internal Revenue Code) with respect to the stock of
23 the same person to whom the interest was paid,
24 accrued, or incurred. For taxable years ending on and
25 after December 31, 2025, for purposes of applying this
26 paragraph in the case of a taxpayer to which Section

1 163(j) of the Internal Revenue Code applies for the
2 taxable year, the reduction in the amount of interest
3 for which a deduction is allowed by reason of Section
4 163(j) shall be treated as allocable first to persons
5 who are not foreign persons referred to in this
6 paragraph and then to such foreign persons.

7 For taxable years ending before December 31, 2025,
8 this paragraph shall not apply to the following:

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

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

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

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

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

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

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

18 For taxable years ending on or after December 31,
19 2025, this paragraph shall not apply to the following:

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

25 (a) the person, during the same taxable
26 year, paid, accrued, or incurred, the interest

1 to a person that is not a related member, and

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

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

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

25 (G-13) An amount equal to the amount of intangible
26 expenses and costs otherwise allowed as a deduction in

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

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

18 For taxable years ending before December 31, 2025,
19 this paragraph shall not apply to the following:

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

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

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

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

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

26 For taxable years ending on or after December 31,

1 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the
4 stock of the same person to whom the premiums and costs
5 were directly or indirectly paid, incurred, or
6 accrued. The preceding sentence does not apply to the
7 extent that the same dividends caused a reduction to
8 the addition modification required under Section
9 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this
10 Act;

11 (G-15) 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 (G-16) For taxable years ending on or after
16 December 31, 2017, an amount equal to the deduction
17 allowed under Section 199 of the Internal Revenue Code
18 for the taxable year;

19 (G-17) the amount that is claimed as a federal
20 deduction when computing the taxpayer's federal
21 taxable income for the taxable year and that is
22 attributable to an endowment gift for which the
23 taxpayer receives a credit under the Illinois Gives
24 Tax Credit Act;

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

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

12 (I) The valuation limitation amount;

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

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

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

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

26 (N) An amount equal to any contribution made to a

1 job training project established pursuant to the Tax
2 Increment Allocation Redevelopment Act;

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

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

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

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

24 (R) For taxable years 2001 and thereafter, for the
25 taxable year in which the bonus depreciation deduction
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal
2 Revenue Code and for each applicable taxable year
3 thereafter, an amount equal to "x", where:

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

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

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

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

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

26 (iii) for property on which a bonus

1 depreciation deduction of 100% of the adjusted
2 basis was taken in a taxable year ending on or
3 after December 31, 2021, "x" equals the
4 depreciation deduction that would be allowed
5 on that property if the taxpayer had made the
6 election under Section 168(k)(7) of the
7 Internal Revenue Code to not claim bonus
8 depreciation on that property; and

9 (iv) for property on which a bonus
10 depreciation deduction of a percentage other
11 than 30%, 50% or 100% of the adjusted basis
12 was taken in a taxable year ending on or after
13 December 31, 2021, "x" equals "y" multiplied
14 by 100 times the percentage bonus depreciation
15 on the property (that is, $100(\text{bonus}\%)$) and
16 then divided by 100 times 1 minus the
17 percentage bonus depreciation on the property
18 (that is, $100(1-\text{bonus}\%)$).

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 (R) is exempt from the provisions of
26 Section 250;

1 (S) If the taxpayer sells, transfers, abandons, or
2 otherwise disposes of property for which the taxpayer
3 was required in any taxable year to make an addition
4 modification under subparagraph (G-10), then an amount
5 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 a
8 subtraction is allowed with respect to that property
9 under subparagraph (R) and for which the taxpayer was
10 required in any taxable year to make an addition
11 modification under subparagraph (G-10), then an amount
12 equal to that addition modification.

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

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

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

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

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

1 indirectly, to the same person. This subparagraph (U)
2 is exempt from the provisions of Section 250;

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

24 (W) in the case of an estate, an amount equal to
25 all amounts included in such total pursuant to the
26 provisions of Section 111 of the Internal Revenue Code

1 as a recovery of items previously deducted by the
2 decedent from adjusted gross income in the computation
3 of taxable income. This subparagraph (W) is exempt
4 from Section 250;

5 (X) an amount equal to the refund included in such
6 total of any tax deducted for federal income tax
7 purposes, to the extent that deduction was added back
8 under subparagraph (F). This subparagraph (X) is
9 exempt from the provisions of Section 250;

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

26 (Z) For taxable years beginning after December 31,

1 2018 and before January 1, 2026, the amount of excess
2 business loss of the taxpayer disallowed as a
3 deduction by Section 461(1)(1)(B) of the Internal
4 Revenue Code; and

5 (AA) For taxable years beginning on or after
6 January 1, 2023, for any cannabis establishment
7 operating in this State and licensed under the
8 Cannabis Regulation and Tax Act or any cannabis
9 cultivation center or medical cannabis dispensing
10 organization operating in this State and licensed
11 under the Compassionate Use of Medical Cannabis
12 Program Act, an amount equal to the deductions that
13 were disallowed under Section 280E of the Internal
14 Revenue Code for the taxable year and that would not be
15 added back under this subsection. The provisions of
16 this subparagraph (AA) are exempt from the provisions
17 of Section 250.

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

25 (d) Partnerships.

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

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

7 (A) An amount equal to all amounts paid or accrued
8 to the taxpayer as interest or dividends during the
9 taxable year to the extent excluded from gross income
10 in the computation of taxable income;

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

14 (C) The amount of deductions allowed to the
15 partnership pursuant to Section 707 (c) of the
16 Internal Revenue Code in calculating its taxable
17 income;

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

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

1 (D-6) 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-5), then
5 an amount equal to the aggregate amount of the
6 deductions taken in all taxable years under
7 subparagraph (O) with respect to that property.

8 If the taxpayer continues to own property through
9 the last day of the last tax year for which a
10 subtraction is allowed with respect to that property
11 under subparagraph (O) and for which the taxpayer was
12 allowed in any taxable year to make a subtraction
13 modification under subparagraph (O), then an amount
14 equal to that subtraction modification.

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

18 (D-7) An amount equal to the amount otherwise
19 allowed as a deduction in computing base income for
20 interest paid, accrued, or incurred, directly or
21 indirectly, (i) for taxable years ending on or after
22 December 31, 2004, to a foreign person who would be a
23 member of the same unitary business group but for the
24 fact the foreign person's business activity outside
25 the United States is 80% or more of the foreign
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304. The addition modification
8 required by this subparagraph shall be reduced to the
9 extent that dividends were included in base income of
10 the unitary group for the same taxable year and
11 received by the taxpayer or by a member of the
12 taxpayer's unitary business group (including amounts
13 included in gross income pursuant to Sections 951
14 through 964 of the Internal Revenue Code and amounts
15 included in gross income under Section 78 of the
16 Internal Revenue Code) with respect to the stock of
17 the same person to whom the interest was paid,
18 accrued, or incurred. For taxable years ending on and
19 after December 31, 2025, for purposes of applying this
20 paragraph in the case of a taxpayer to which Section
21 163(j) of the Internal Revenue Code applies for the
22 taxable year, the reduction in the amount of interest
23 for which a deduction is allowed by reason of Section
24 163(j) shall be treated as allocable first to persons
25 who are not foreign persons referred to in this
26 paragraph and then to such foreign persons.

1 For taxable years ending before December 31, 2025,
2 this paragraph shall not apply to the following:

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

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

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

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

24 (iii) the taxpayer can establish, based on
25 clear and convincing evidence, that the interest
26 paid, accrued, or incurred relates to a contract

1 or agreement entered into at arm's-length rates
2 and terms and the principal purpose for the
3 payment is not federal or Illinois tax avoidance;
4 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 For taxable years ending on or after December 31,
13 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

19 (D-8) An amount equal to the amount of intangible
20 expenses and costs otherwise allowed as a deduction in
21 computing base income, and that were paid, accrued, or
22 incurred, directly or indirectly, (i) for taxable
23 years ending on or after December 31, 2004, to a
24 foreign person who would be a member of the same
25 unitary business group but for the fact that the
26 foreign person's business activity outside the United

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

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

12 For taxable years ending on or after December 31,
13 2025, this paragraph shall not apply to the following:

14 (i) any item of intangible expenses or costs
15 paid, accrued, or incurred, directly or
16 indirectly, from a transaction with 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 item; or

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

26 (a) the person during the same taxable

1 year paid, accrued, or incurred, the
2 intangible expense or cost to a person that is
3 not a related member, and

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

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

20 For taxable years ending on or after December 31,
21 2025, this paragraph shall not apply to the following:

22 (i) 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 (ii) any item of intangible expense or cost
13 paid, accrued, or incurred, directly or
14 indirectly, from a transaction with a person if
15 the 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
19 alternative method of apportionment under Section
20 304(f).

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

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

4 (D-9) 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
24 stock of the same person to whom the premiums and costs
25 were directly or indirectly paid, incurred, or
26 accrued. The preceding sentence does not apply to the

1 extent that the same dividends caused a reduction to
2 the addition modification required under Section
3 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;

4 (D-10) 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 (D-11) For taxable years ending on or after
9 December 31, 2017, an amount equal to the deduction
10 allowed under Section 199 of the Internal Revenue Code
11 for the taxable year;

12 (D-12) the amount that is claimed as a federal
13 deduction when computing the taxpayer's federal
14 taxable income for the taxable year and that is
15 attributable to an endowment gift for which the
16 taxpayer receives a credit under the Illinois Gives
17 Tax Credit 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
7 net 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 in
11 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(a)(2) of the Internal Revenue Code,
2 and all amounts of expenses allocable to interest and
3 disallowed as deductions by Section 265(a)(1) of the
4 Internal Revenue Code; and (ii) for taxable years
5 ending on or after August 13, 1999, Sections
6 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
7 Internal Revenue Code, plus, (iii) for taxable years
8 ending on or after December 31, 2011, Section
9 45G(e)(3) of the Internal Revenue Code and, for
10 taxable years ending on or after December 31, 2008,
11 any amount included in gross income under Section 87
12 of the Internal Revenue Code; the provisions of this
13 subparagraph are exempt from the provisions of Section
14 250;

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

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

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

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

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

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

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

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

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

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

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

16 (iii) for property on which a bonus
17 depreciation deduction of 100% of the adjusted
18 basis was taken in a taxable year ending on or
19 after December 31, 2021, "x" equals the
20 depreciation deduction that would be allowed
21 on that property if the taxpayer had made the
22 election under Section 168(k)(7) of the
23 Internal Revenue Code to not claim bonus
24 depreciation on that property; and

25 (iv) for property on which a bonus
26 depreciation deduction of a percentage other

1 than 30%, 50% or 100% of the adjusted basis
2 was taken in a taxable year ending on or after
3 December 31, 2021, "x" equals "y" multiplied
4 by 100 times the percentage bonus depreciation
5 on the property (that is, $100(\text{bonus}\%)$) and
6 then divided by 100 times 1 minus the
7 percentage bonus depreciation on the property
8 (that is, $100(1-\text{bonus}\%)$).

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

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

22 If the taxpayer continues to own property through
23 the last day of the last tax year for which a
24 subtraction is allowed with respect to that property
25 under subparagraph (O) and for which the taxpayer was
26 required in any taxable year to make an addition

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

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

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

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

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

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

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

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

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

1 taxpayer pursuant to this subparagraph (T). This
2 subparagraph (T) is exempt from the provisions of
3 Section 250; and

4 (U) For taxable years beginning on or after
5 January 1, 2023, for any cannabis establishment
6 operating in this State and licensed under the
7 Cannabis Regulation and Tax Act or any cannabis
8 cultivation center or medical cannabis dispensing
9 organization operating in this State and licensed
10 under the Compassionate Use of Medical Cannabis
11 Program Act, an amount equal to the deductions that
12 were disallowed under Section 280E of the Internal
13 Revenue Code for the taxable year and that would not be
14 added back under this subsection. The provisions of
15 this subparagraph (U) are exempt from the provisions
16 of Section 250.

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

18 (1) In general. Subject to the provisions of paragraph
19 (2) and subsection (b)(3), for purposes of this Section
20 and Section 803(e), a taxpayer's gross income, adjusted
21 gross income, or taxable income for the taxable year shall
22 mean the amount of gross income, adjusted gross income or
23 taxable income properly reportable for federal income tax
24 purposes for the taxable year under the provisions of the
25 Internal Revenue Code. Taxable income may be less than

1 zero. However, for taxable years ending on or after
2 December 31, 1986, net operating loss carryforwards from
3 taxable years ending prior to December 31, 1986, may not
4 exceed the sum of federal taxable income for the taxable
5 year before net operating loss deduction, plus the excess
6 of addition modifications over subtraction modifications
7 for the taxable year. For taxable years ending prior to
8 December 31, 1986, taxable income may never be an amount
9 in excess of the net operating loss for the taxable year as
10 defined in subsections (c) and (d) of Section 172 of the
11 Internal Revenue Code, provided that when taxable income
12 of a corporation (other than a Subchapter S corporation),
13 trust, or estate is less than zero and addition
14 modifications, other than those provided by subparagraph
15 (E) of paragraph (2) of subsection (b) for corporations or
16 subparagraph (E) of paragraph (2) of subsection (c) for
17 trusts and estates, exceed subtraction modifications, an
18 addition modification must be made under those
19 subparagraphs for any other taxable year to which the
20 taxable income less than zero (net operating loss) is
21 applied under Section 172 of the Internal Revenue Code or
22 under subparagraph (E) of paragraph (2) of this subsection
23 (e) applied in conjunction with Section 172 of the
24 Internal Revenue Code.

25 (2) Special rule. For purposes of paragraph (1) of
26 this subsection, the taxable income properly reportable

1 for federal income tax purposes shall mean:

2 (A) Certain life insurance companies. In the case
3 of a life insurance company subject to the tax imposed
4 by Section 801 of the Internal Revenue Code, life
5 insurance company taxable income, plus the amount of
6 distribution from pre-1984 policyholder surplus
7 accounts as calculated under Section 815a of the
8 Internal Revenue Code;

9 (B) Certain other insurance companies. In the case
10 of mutual insurance companies subject to the tax
11 imposed by Section 831 of the Internal Revenue Code,
12 insurance company taxable income;

13 (C) Regulated investment companies. In the case of
14 a regulated investment company subject to the tax
15 imposed by Section 852 of the Internal Revenue Code,
16 investment company taxable income;

17 (D) Real estate investment trusts. In the case of
18 a real estate investment trust subject to the tax
19 imposed by Section 857 of the Internal Revenue Code,
20 real estate investment trust taxable income;

21 (E) Consolidated corporations. In the case of a
22 corporation which is a member of an affiliated group
23 of corporations filing a consolidated income tax
24 return for the taxable year for federal income tax
25 purposes, taxable income determined as if such
26 corporation had filed a separate return for federal

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

8 (F) Cooperatives. In the case of a cooperative
9 corporation or association, the taxable income of such
10 organization determined in accordance with the
11 provisions of Section 1381 through 1388 of the
12 Internal Revenue Code, but without regard to the
13 prohibition against offsetting losses from patronage
14 activities against income from nonpatronage
15 activities; except that a cooperative corporation or
16 association may make an election to follow its federal
17 income tax treatment of patronage losses and
18 nonpatronage losses. In the event such election is
19 made, such losses shall be computed and carried over
20 in a manner consistent with subsection (a) of Section
21 207 of this Act and apportioned by the apportionment
22 factor reported by the cooperative on its Illinois
23 income tax return filed for the taxable year in which
24 the losses are incurred. The election shall be
25 effective for all taxable years with original returns
26 due on or after the date of the election. In addition,

1 the cooperative may file an amended return or returns,
2 as allowed under this Act, to provide that the
3 election shall be effective for losses incurred or
4 carried forward for taxable years occurring prior to
5 the date of the election. Once made, the election may
6 only be revoked upon approval of the Director. The
7 Department shall adopt rules setting forth
8 requirements for documenting the elections and any
9 resulting Illinois net loss and the standards to be
10 used by the Director in evaluating requests to revoke
11 elections. Public Act 96-932 is declaratory of
12 existing law;

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

1 such corporation determined in accordance with the
2 federal Subchapter S rules as in effect on July 1,
3 1982; and

4 (H) Partnerships. In the case of a partnership,
5 taxable income determined in accordance with Section
6 703 of the Internal Revenue Code, except that taxable
7 income shall take into account those items which are
8 required by Section 703(a)(1) to be separately stated
9 but which would be taken into account by an individual
10 in calculating his taxable income.

11 (3) Recapture of business expenses on disposition of
12 asset or business. Notwithstanding any other law to the
13 contrary, if in prior years income from an asset or
14 business has been classified as business income and in a
15 later year is demonstrated to be non-business income, then
16 all expenses, without limitation, deducted in such later
17 year and in the 2 immediately preceding taxable years
18 related to that asset or business that generated the
19 non-business income shall be added back and recaptured as
20 business income in the year of the disposition of the
21 asset or business. Such amount shall be apportioned to
22 Illinois using the greater of the apportionment fraction
23 computed for the business under Section 304 of this Act
24 for the taxable year or the average of the apportionment
25 fractions computed for the business under Section 304 of
26 this Act for the taxable year and for the 2 immediately

1 preceding taxable years.

2 (f) Valuation limitation amount.

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

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

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

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

21 (A) If the fair market value of property referred
22 to in paragraph (1) was readily ascertainable on
23 August 1, 1969, the pre-August 1, 1969 appreciation
24 amount for such property is the lesser of (i) the
25 excess of such fair market value over the taxpayer's

1 basis (for determining gain) for such property on that
2 date (determined under the Internal Revenue Code as in
3 effect on that date), or (ii) the total gain realized
4 and reportable for federal income tax purposes in
5 respect of the sale, exchange or other disposition of
6 such property.

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

18 (C) The Department shall prescribe such
19 regulations as may be necessary to carry out the
20 purposes of this paragraph.

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

24 (h) Legislative intention. Except as expressly provided by

1 this Section there shall be no modifications or limitations on
2 the amounts of income, gain, loss or deduction taken into
3 account in determining gross income, adjusted gross income or
4 taxable income for federal income tax purposes for the taxable
5 year, or in the amount of such items entering into the
6 computation of base income and net income under this Act for
7 such taxable year, whether in respect of property values as of
8 August 1, 1969 or otherwise.

9 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;
10 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,
11 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.
12 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,
13 eff. 8-15-25.)

14 Section 99. Effective date. This Act takes effect upon
15 becoming law.