



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB1956

Introduced 2/6/2025, by Sen. Elgie R. Sims, Jr.

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Makes changes in provisions concerning (i) an addition modification for interest paid, accrued, or incurred to a person who would be a member of the taxpayer's unitary business group but for the fact that the person is ordinarily required to apportion business income under different provisions of the Act and (ii) an addition modification for intangible expenses and costs otherwise allowed as a deduction in computing the taxpayer's base income that were paid, accrued, or incurred to a person who would be a member of the taxpayer's unitary business group but for the fact that the person is ordinarily required to apportion business income under different provisions of the Act. Effective immediately.

LRB104 06843 HLH 16879 b

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
7 subsection (j) of Section 163 of the Internal Revenue
8 Code applies for the taxable year, the reduction in
9 the amount of interest for which a deduction is
10 allowed by reason of subsection (j) of Section 163
11 shall be treated as allocable first to persons who are
12 not foreign persons referred to in this paragraph and
13 then to those foreign persons.

14 For taxable years ending before December 31, 2025,
15 this ~~This~~ paragraph shall not apply to the following:

16 (i) an item of interest paid, accrued, or
17 incurred, directly or indirectly, to 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 interest; or

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

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

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

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

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

25 For taxable years ending on or after December 31,
26 2025, this paragraph shall not apply to the following:

1 (i) an item of interest paid, accrued, or
2 incurred, directly or indirectly, to a person if
3 the taxpayer can establish, based on a
4 preponderance of the evidence, both of the
5 following:

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

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

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

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

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

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

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

25 For taxable years ending before December 31, 2025,
26 this ~~This~~ paragraph shall not apply to the following:

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

8 (ii) 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 (iii) 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 For taxable years ending on or after December 31,
8 2025, this paragraph shall not apply to the following:

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

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

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

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

1 indirectly, from a transaction with a person if
2 the taxpayer establishes, by clear and convincing
3 evidence, that the adjustments are unreasonable;
4 or if the taxpayer and the Director agree in
5 writing to the application or use of an
6 alternative method of apportionment under Section
7 304(f).

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

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

1 income under different subsections of Section 304. The
2 addition modification required by this subparagraph
3 shall be reduced to the extent that dividends were
4 included in base income of the unitary group for the
5 same taxable year and received by the taxpayer or by a
6 member of the taxpayer's unitary business group
7 (including amounts included in gross income under
8 Sections 951 through 964 of the Internal Revenue Code
9 and amounts included in gross income under Section 78
10 of the Internal Revenue Code) with respect to the
11 stock of the same person to whom the premiums and costs
12 were directly or indirectly paid, incurred, or
13 accrued. The preceding sentence does not apply to the
14 extent that the same dividends caused a reduction to
15 the addition modification required under Section
16 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this
17 Act;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 this subparagraph (E) are exempt from the provisions
2 of Section 250;

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

14 (G) The valuation limitation amount;

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

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

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

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

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

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

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

1 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
2 Internal Revenue Code, plus, for taxable years ending
3 on or after December 31, 2011, Section 45G(e)(3) of
4 the Internal Revenue Code and, for taxable years
5 ending on or after December 31, 2008, any amount
6 included in gross income under Section 87 of the
7 Internal Revenue Code; the provisions of this
8 subparagraph are exempt from the provisions of Section
9 250;

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

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

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

1 taken from adjusted gross income in the computation of
2 taxable income for restoration of substantial amounts
3 held under claim of right for the taxable year;

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

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

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

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

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

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

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

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

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

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

21 (Y) For taxable years beginning on or after
22 January 1, 2002 and ending on or before December 31,
23 2004, moneys contributed in the taxable year to a
24 College Savings Pool account under Section 16.5 of the
25 State Treasurer Act, except that amounts excluded from
26 gross income under Section 529(c)(3)(C)(i) of the

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

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

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

1 168 of the Internal Revenue Code, but not
2 including the bonus depreciation deduction;

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

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

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

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

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

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

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

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

24 If the taxpayer continues to own property through
25 the last day of the last tax year for which a
26 subtraction is allowed with respect to that property

1 under subparagraph (Z) and for which the taxpayer was
2 required in any taxable year to make an addition
3 modification under subparagraph (D-15), then an amount
4 equal to that addition modification.

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

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

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

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

1 203(d)(2)(D-8), but not to exceed the amount of that
2 addition modification. This subparagraph (CC) is
3 exempt from the provisions of Section 250;

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

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

1 of the deductions allocable thereto) with respect to
2 transactions with (i) a foreign person who would be a
3 member of the taxpayer's unitary business group but
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(a)(2)(D-18) for intangible expenses and costs
17 paid, accrued, or incurred, directly or indirectly, to
18 the same foreign person. This subparagraph (EE) is
19 exempt from the provisions of Section 250;

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

26 (GG) For taxable years ending on or after December

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

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

1 employee, shall be treated as made by the employee;

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

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

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

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

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

17 This subparagraph (LL) is exempt from the
18 provisions of Section 250; ~~and~~.

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

1 Relief Act. This subparagraph (MM) ~~(LL)~~ is exempt from
2 the provisions of Section 250.

3 (b) Corporations.

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

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

10 (A) An amount equal to all amounts paid or accrued
11 to the taxpayer as interest and all distributions
12 received from regulated investment companies during
13 the taxable year to the extent excluded from gross
14 income in the computation of taxable income;

15 (B) An amount equal to the amount of tax imposed by
16 this Act to the extent deducted from gross income in
17 the computation of taxable income for the taxable
18 year;

19 (C) In the case of a regulated investment company,
20 an amount equal to the excess of (i) the net long-term
21 capital gain for the taxable year, over (ii) the
22 amount of the capital gain dividends designated as
23 such in accordance with Section 852(b)(3)(C) of the
24 Internal Revenue Code and any amount designated under
25 Section 852(b)(3)(D) of the Internal Revenue Code,

1 attributable to the taxable year (this amendatory Act
2 of 1995 (Public Act 89-89) is declarative of existing
3 law and is not a new enactment);

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 earlier taxable
16 year, with the following limitations applied in the
17 order that 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 (E-5) For taxable years ending after December 31,
13 1997, an amount equal to any eligible remediation
14 costs that the corporation deducted in computing
15 adjusted gross income and for which the corporation
16 claims a credit under subsection (l) of Section 201;

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

22 (E-11) If the taxpayer sells, transfers, abandons,
23 or otherwise disposes of property for which the
24 taxpayer was required in any taxable year to make an
25 addition modification under subparagraph (E-10), then
26 an amount equal to the aggregate amount of the

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

3 If the taxpayer continues to own property through
4 the last day of the last tax year for which a
5 subtraction is allowed with respect to that property
6 under subparagraph (T) and for which the taxpayer was
7 allowed in any taxable year to make a subtraction
8 modification under subparagraph (T), then an amount
9 equal to that subtraction modification.

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

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

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

23 For taxable years ending before December 31, 2025,
24 this ~~This~~ paragraph shall not apply to the following:

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

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

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

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

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

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

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

8 For taxable years ending on or after December 31,
9 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

26 (b) the transaction giving rise to the

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

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

16 For taxable years ending on or after December 31,
17 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

1 (E-15) For taxable years beginning after December
2 31, 2008, any deduction for dividends paid by a
3 captive real estate investment trust that is allowed
4 to a real estate investment trust under Section
5 857(b)(2)(B) of the Internal Revenue Code for
6 dividends paid;

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

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

15 (E-18) for taxable years beginning after December
16 31, 2018, an amount equal to the deduction allowed
17 under Section 250(a)(1)(A) of the Internal Revenue
18 Code for the taxable year;

19 (E-19) for taxable years ending on or after June
20 30, 2021, an amount equal to the deduction allowed
21 under Section 250(a)(1)(B)(i) of the Internal Revenue
22 Code for the taxable year;

23 (E-20) for taxable years ending on or after June
24 30, 2021, an amount equal to the deduction allowed
25 under Sections 243(e) and 245A(a) of the Internal
26 Revenue Code for the taxable year;

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

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

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

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

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

19 (I) With the exception of any amounts subtracted
20 under subparagraph (J), an amount equal to the sum of
21 all amounts disallowed as deductions by (i) Sections
22 171(a)(2) and 265(a)(2) and amounts disallowed as
23 interest expense by Section 291(a)(3) of the Internal
24 Revenue Code, and all amounts of expenses allocable to
25 interest and disallowed as deductions by Section
26 265(a)(1) of the Internal Revenue Code; and (ii) for

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

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

1 net of bond premium amortization;

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

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

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

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

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

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

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

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

1 from any such corporation specified in clause (i) that
2 would but for the provisions of Section 1504(b)(3) of
3 the Internal Revenue Code be treated as a member of the
4 affiliated group which includes the dividend
5 recipient, exceed the amount of the modification
6 provided under subparagraph (G) of paragraph (2) of
7 this subsection (b) which is related to such
8 dividends. For taxable years ending on or after June
9 30, 2021, (i) for purposes of this subparagraph, the
10 term "dividend" does not include any amount treated as
11 a dividend under Section 1248 of the Internal Revenue
12 Code, and (ii) this subparagraph shall not apply to
13 dividends for which a deduction is allowed under
14 Section 245(a) of the Internal Revenue Code. This
15 subparagraph (O) is exempt from the provisions of
16 Section 250 of this Act;

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

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

25 (R) On and after July 20, 1999, in the case of an
26 attorney-in-fact with respect to whom an interinsurer

1 or a reciprocal insurer has made the election under
2 Section 835 of the Internal Revenue Code, 26 U.S.C.
3 835, an amount equal to the excess, if any, of the
4 amounts paid or incurred by that interinsurer or
5 reciprocal insurer in the taxable year to the
6 attorney-in-fact over the deduction allowed to that
7 interinsurer or reciprocal insurer with respect to the
8 attorney-in-fact under Section 835(b) of the Internal
9 Revenue Code for the taxable year; the provisions of
10 this subparagraph are exempt from the provisions of
11 Section 250;

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

22 (T) For taxable years 2001 and thereafter, for the
23 taxable year in which the bonus depreciation deduction
24 is taken on the taxpayer's federal income tax return
25 under subsection (k) of Section 168 of the Internal
26 Revenue Code and for each applicable taxable year

1 thereafter, an amount equal to "x", where:

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

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

13 (3) for taxable years ending after December
14 31, 2005:

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

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

24 (iii) for property on which a bonus
25 depreciation deduction of 100% of the adjusted
26 basis was taken in a taxable year ending on or

1 after December 31, 2021, "x" equals the
2 depreciation deduction that would be allowed
3 on that property if the taxpayer had made the
4 election under Section 168(k)(7) of the
5 Internal Revenue Code to not claim bonus
6 depreciation on that property; and

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

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

25 (U) If the taxpayer sells, transfers, abandons, or
26 otherwise disposes of property for which the taxpayer

1 was required in any taxable year to make an addition
2 modification under subparagraph (E-10), then an amount
3 equal to that addition modification.

4 If the taxpayer continues to own property through
5 the last day of the last tax year for which a
6 subtraction is allowed with respect to that property
7 under subparagraph (T) and for which the taxpayer was
8 required in any taxable year to make an addition
9 modification under subparagraph (E-10), then an amount
10 equal to that addition modification.

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

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

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

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

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

1 included in the unitary business group because he or
2 she is ordinarily required to apportion business
3 income under different subsections of Section 304, but
4 not to exceed the addition modification required to be
5 made for the same taxable year under Section
6 203(b)(2)(E-12) for interest paid, accrued, or
7 incurred, directly or indirectly, to the same person.
8 This subparagraph (W) is exempt from the provisions of
9 Section 250;

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

1 203(b)(2)(E-13) for intangible expenses and costs
2 paid, accrued, or incurred, directly or indirectly, to
3 the same foreign person. This subparagraph (X) is
4 exempt from the provisions of Section 250;

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

21 (Z) The difference between the nondeductible
22 controlled foreign corporation dividends under Section
23 965(e)(3) of the Internal Revenue Code over the
24 taxable income of the taxpayer, computed without
25 regard to Section 965(e)(2)(A) of the Internal Revenue
26 Code, and without regard to any net operating loss

1 deduction. This subparagraph (Z) is exempt from the
2 provisions of Section 250; and

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

16 (3) Special rule. For purposes of paragraph (2)(A),
17 "gross income" in the case of a life insurance company,
18 for tax years ending on and after December 31, 1994, and
19 prior to December 31, 2011, shall mean the gross
20 investment income for the taxable year and, for tax years
21 ending on or after December 31, 2011, shall mean all
22 amounts included in life insurance gross income under
23 Section 803(a)(3) of the Internal Revenue Code.

24 (c) Trusts and estates.

25 (1) In general. In the case of a trust or estate, base

1 income means an amount equal to the taxpayer's taxable
2 income for the taxable year as modified by paragraph (2).

3 (2) Modifications. Subject to the provisions of
4 paragraph (3), the taxable income referred to in paragraph
5 (1) shall be modified by adding thereto the sum of the
6 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) In the case of (i) an estate, \$600; (ii) a
12 trust which, under its governing instrument, is
13 required to distribute all of its income currently,
14 \$300; and (iii) any other trust, \$100, but in each such
15 case, only to the extent such amount was deducted in
16 the computation of taxable income;

17 (C) An amount equal to the amount of tax imposed by
18 this Act to the extent deducted from gross income in
19 the computation of taxable income for the taxable
20 year;

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

25 (E) For taxable years in which a net operating
26 loss carryback or carryforward from a taxable year

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

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

17 (ii) the addition modification relating to the
18 net operating loss carried back or forward to the
19 taxable year from any taxable year ending prior to
20 December 31, 1986 shall not exceed the amount of
21 such carryback or carryforward;

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

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

3 (F) For taxable years ending on or after January
4 1, 1989, an amount equal to the tax deducted pursuant
5 to Section 164 of the Internal Revenue Code if the
6 trust or estate is claiming the same tax for purposes
7 of the Illinois foreign tax credit under Section 601
8 of this Act;

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

13 (G-5) For taxable years ending after December 31,
14 1997, an amount equal to any eligible remediation
15 costs that the trust or estate deducted in computing
16 adjusted gross income and for which the trust or
17 estate claims a credit under subsection (l) of Section
18 201;

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

24 (G-11) If the taxpayer sells, transfers, abandons,
25 or otherwise disposes of property for which the
26 taxpayer was required in any taxable year to make an

1 addition modification under subparagraph (G-10), then
2 an amount equal to the aggregate amount of the
3 deductions taken in all taxable years under
4 subparagraph (R) with respect to that property.

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

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

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

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

25 For taxable years ending before December 31, 2025,
26 this~~This~~ paragraph shall not apply to the following:

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

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

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

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

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

1 payment is not federal or Illinois tax avoidance;
2 or

3 (iv) 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 For taxable years ending on or after December 31,
11 2025, this paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

10 For taxable years ending before December 31, 2025,
11 this ~~This~~ paragraph shall not apply to the following:

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

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

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

1 not a related member, and

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

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

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

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

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

1 intangible expense or cost to a person that is
2 not a related member, and

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

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

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

1 its authority under Section 404 of this Act;

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

1 203(c)(2)(G-12) or Section 203(c)(2)(G-13) of this
2 Act;

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

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

11 (G-17) the amount that is claimed as a federal
12 deduction when computing the taxpayer's federal
13 taxable income for the taxable year and that is
14 attributable to an endowment gift for which the
15 taxpayer receives a credit under the Illinois Gives
16 Tax Credit Act;

17 and by deducting from the total so obtained the sum of the
18 following amounts:

19 (H) An amount equal to all amounts included in
20 such total pursuant to the provisions of Sections
21 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408
22 of the Internal Revenue Code or included in such total
23 as distributions under the provisions of any
24 retirement or disability plan for employees of any
25 governmental agency or unit, or retirement payments to
26 retired partners, which payments are excluded in

1 computing net earnings from self employment by Section
2 1402 of the Internal Revenue Code and regulations
3 adopted pursuant thereto;

4 (I) The valuation limitation amount;

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

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

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

1 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
2 Internal Revenue Code, plus, (iii) for taxable years
3 ending on or after December 31, 2011, Section
4 45G(e)(3) of the Internal Revenue Code and, for
5 taxable years ending on or after December 31, 2008,
6 any amount included in gross income under Section 87
7 of the Internal Revenue Code; the provisions of this
8 subparagraph are exempt from the provisions of Section
9 250;

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

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

21 (O) An amount equal to those dividends included in
22 such total that were paid by a corporation that
23 conducts business operations in a federally designated
24 Foreign Trade Zone or Sub-Zone and that is designated
25 a High Impact Business located in Illinois; provided
26 that dividends eligible for the deduction provided in

1 subparagraph (M) of paragraph (2) of this subsection
2 shall not be eligible for the deduction provided under
3 this subparagraph (O);

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

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

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

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

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

1 168 of the Internal Revenue Code, but not
2 including the bonus depreciation deduction;

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

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

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

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

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

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

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

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

24 If the taxpayer continues to own property through
25 the last day of the last tax year for which a
26 subtraction is allowed with respect to that property

1 under subparagraph (R) and for which the taxpayer was
2 required in any taxable year to make an addition
3 modification under subparagraph (G-10), then an amount
4 equal to that addition modification.

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

8 This subparagraph (S) is exempt from the
9 provisions of Section 250;

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

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

21 (V) An amount equal to the income from intangible
22 property taken into account for the taxable year (net
23 of the deductions allocable thereto) with respect to
24 transactions with (i) a foreign person who would be a
25 member of the taxpayer's unitary business group but
26 for the fact that the foreign person's business

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

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

23 (X) an amount equal to the refund included in such
24 total of any tax deducted for federal income tax
25 purposes, to the extent that deduction was added back
26 under subparagraph (F). This subparagraph (X) is

1 exempt from the provisions of Section 250;

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

18 (Z) For taxable years beginning after December 31,
19 2018 and before January 1, 2026, the amount of excess
20 business loss of the taxpayer disallowed as a
21 deduction by Section 461(l)(1)(B) of the Internal
22 Revenue Code; and

23 (AA) For taxable years beginning on or after
24 January 1, 2023, for any cannabis establishment
25 operating in this State and licensed under the
26 Cannabis Regulation and Tax Act or any cannabis

1 cultivation center or medical cannabis dispensing
2 organization operating in this State and licensed
3 under the Compassionate Use of Medical Cannabis
4 Program Act, an amount equal to the deductions that
5 were disallowed under Section 280E of the Internal
6 Revenue Code for the taxable year and that would not be
7 added back under this subsection. The provisions of
8 this subparagraph (AA) are exempt from the provisions
9 of Section 250.

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

17 (d) Partnerships.

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

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

24 (A) An amount equal to all amounts paid or accrued
25 to the taxpayer as interest or dividends during the

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

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

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

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

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

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

26 If the taxpayer continues to own property through

1 the last day of the last tax year for which a
2 subtraction is allowed with respect to that property
3 under subparagraph (O) and for which the taxpayer was
4 allowed in any taxable year to make a subtraction
5 modification under subparagraph (O), then an amount
6 equal to that subtraction modification.

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

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

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

20 For taxable years ending before December 31, 2025,
21 this ~~This~~ paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

24 (iv) an item of interest paid, accrued, or
25 incurred, directly or indirectly, to a person if
26 the taxpayer establishes by clear and convincing

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

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

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

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

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

22 (ii) an item of interest paid, accrued, or
23 incurred, directly or indirectly, to a person if
24 the taxpayer establishes, by clear and convincing
25 evidence, that the adjustments are unreasonable;
26 or if the taxpayer and the Director agree in

1 writing to the application or use of an
2 alternative method of apportionment under Section
3 304(f).

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

13 (D-8) An amount equal to the amount of intangible
14 expenses and costs otherwise allowed as a deduction in
15 computing base income, and that were paid, accrued, or
16 incurred, directly or indirectly, (i) for taxable
17 years ending on or after December 31, 2004, to a
18 foreign person who would be a member of the same
19 unitary business group but for the fact that the
20 foreign person's business activity outside the United
21 States is 80% or more of that person's total business
22 activity and (ii) for taxable years ending on or after
23 December 31, 2008, to a person who would be a member of
24 the same unitary business group but for the fact that
25 the person is prohibited under Section 1501(a)(27)
26 from being included in the unitary business group

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

1 similar expenses and costs. For purposes of this
2 subparagraph, "intangible property" includes patents,
3 patent applications, trade names, trademarks, service
4 marks, copyrights, mask works, trade secrets, and
5 similar types of intangible assets;

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

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

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

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

25 (b) the transaction giving rise to the
26 intangible expense or cost between the

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

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

15 For taxable years ending on or after December 31,
16 2025, this paragraph shall not apply to the following:

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

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

26 (b) the transaction giving rise to the

1 intangible expense or cost between the
2 taxpayer and the person did not have as a
3 principal purpose the avoidance of Illinois
4 income tax, and is paid pursuant to a contract
5 or agreement that reflects arm's-length terms;
6 or
7 (ii) any item of intangible expense or cost
8 paid, accrued, or incurred, directly or
9 indirectly, from a transaction with a person if
10 the taxpayer establishes, by clear and convincing
11 evidence, that the adjustments are unreasonable;
12 or if the taxpayer and the Director agree in
13 writing to the application or use of an
14 alternative method of apportionment under Section
15 304(f).

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

25 (D-9) For taxable years ending on or after
26 December 31, 2008, an amount equal to the amount of

1 insurance premium expenses and costs otherwise allowed
2 as a deduction in computing base income, and that were
3 paid, accrued, or incurred, directly or indirectly, to
4 a person who would be a member of the same unitary
5 business group but for the fact that the person is
6 prohibited under Section 1501(a)(27) from being
7 included in the unitary business group because he or
8 she is ordinarily required to apportion business
9 income under different subsections of Section 304. The
10 addition modification required by this subparagraph
11 shall be reduced to the extent that dividends were
12 included in base income of the unitary group for the
13 same taxable year and received by the taxpayer or by a
14 member of the taxpayer's unitary business group
15 (including amounts included in gross income under
16 Sections 951 through 964 of the Internal Revenue Code
17 and amounts included in gross income under Section 78
18 of the Internal Revenue Code) with respect to the
19 stock of the same person to whom the premiums and costs
20 were directly or indirectly paid, incurred, or
21 accrued. The preceding sentence does not apply to the
22 extent that the same dividends caused a reduction to
23 the addition modification required under Section
24 203(d)(2)(D-7) or Section 203(d)(2)(D-8) of this Act;
25 (D-10) An amount equal to the credit allowable to
26 the taxpayer under Section 218(a) of this Act,

1 determined without regard to Section 218(c) of this
2 Act;

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

7 (D-12) the amount that is claimed as a federal
8 deduction when computing the taxpayer's federal
9 taxable income for the taxable year and that is
10 attributable to an endowment gift for which the
11 taxpayer receives a credit under the Illinois Gives
12 Tax Credit Act;

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

15 (E) The valuation limitation amount;

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

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

1 this Act, the amount exempted shall be the interest
2 net of bond premium amortization;

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

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

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

1 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
2 Internal Revenue Code, plus, (iii) for taxable years
3 ending on or after December 31, 2011, Section
4 45G(e)(3) of the Internal Revenue Code and, for
5 taxable years ending on or after December 31, 2008,
6 any amount included in gross income under Section 87
7 of the Internal Revenue Code; the provisions of this
8 subparagraph are exempt from the provisions of Section
9 250;

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

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

21 (M) An amount equal to those dividends included in
22 such total that were paid by a corporation that
23 conducts business operations in a federally designated
24 Foreign Trade Zone or Sub-Zone and that is designated
25 a High Impact Business located in Illinois; provided
26 that dividends eligible for the deduction provided in

1 subparagraph (K) of paragraph (2) of this subsection
2 shall not be eligible for the deduction provided under
3 this subparagraph (M);

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

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

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

22 (2) for taxable years ending on or before
23 December 31, 2005, "x" equals "y" multiplied by 30
24 and then divided by 70 (or "y" multiplied by
25 0.429); and

26 (3) for taxable years ending after December

1 31, 2005:

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

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

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

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

1 then divided by 100 times 1 minus the
2 percentage bonus depreciation on the property
3 (that is, $100(1-\text{bonus}\%)$).

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

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

17 If the taxpayer continues to own property through
18 the last day of the last tax year for which a
19 subtraction is allowed with respect to that property
20 under subparagraph (O) and for which the taxpayer was
21 required in any taxable year to make an addition
22 modification under subparagraph (D-5), then an amount
23 equal to that addition modification.

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

1 This subparagraph (P) is exempt from the
2 provisions of Section 250;

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

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

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

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

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

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

25 (U) For taxable years beginning on or after
26 January 1, 2023, for any cannabis establishment

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

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

13 (1) In general. Subject to the provisions of paragraph
14 (2) and subsection (b)(3), for purposes of this Section
15 and Section 803(e), a taxpayer's gross income, adjusted
16 gross income, or taxable income for the taxable year shall
17 mean the amount of gross income, adjusted gross income or
18 taxable income properly reportable for federal income tax
19 purposes for the taxable year under the provisions of the
20 Internal Revenue Code. Taxable income may be less than
21 zero. However, for taxable years ending on or after
22 December 31, 1986, net operating loss carryforwards from
23 taxable years ending prior to December 31, 1986, may not
24 exceed the sum of federal taxable income for the taxable
25 year before net operating loss deduction, plus the excess

1 of addition modifications over subtraction modifications
2 for the taxable year. For taxable years ending prior to
3 December 31, 1986, taxable income may never be an amount
4 in excess of the net operating loss for the taxable year as
5 defined in subsections (c) and (d) of Section 172 of the
6 Internal Revenue Code, provided that when taxable income
7 of a corporation (other than a Subchapter S corporation),
8 trust, or estate is less than zero and addition
9 modifications, other than those provided by subparagraph
10 (E) of paragraph (2) of subsection (b) for corporations or
11 subparagraph (E) of paragraph (2) of subsection (c) for
12 trusts and estates, exceed subtraction modifications, an
13 addition modification must be made under those
14 subparagraphs for any other taxable year to which the
15 taxable income less than zero (net operating loss) is
16 applied under Section 172 of the Internal Revenue Code or
17 under subparagraph (E) of paragraph (2) of this subsection
18 (e) applied in conjunction with Section 172 of the
19 Internal Revenue Code.

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

23 (A) Certain life insurance companies. In the case
24 of a life insurance company subject to the tax imposed
25 by Section 801 of the Internal Revenue Code, life
26 insurance company taxable income, plus the amount of

1 distribution from pre-1984 policyholder surplus
2 accounts as calculated under Section 815a of the
3 Internal Revenue Code;

4 (B) Certain other insurance companies. In the case
5 of mutual insurance companies subject to the tax
6 imposed by Section 831 of the Internal Revenue Code,
7 insurance company taxable income;

8 (C) Regulated investment companies. In the case of
9 a regulated investment company subject to the tax
10 imposed by Section 852 of the Internal Revenue Code,
11 investment company taxable income;

12 (D) Real estate investment trusts. In the case of
13 a real estate investment trust subject to the tax
14 imposed by Section 857 of the Internal Revenue Code,
15 real estate investment trust taxable income;

16 (E) Consolidated corporations. In the case of a
17 corporation which is a member of an affiliated group
18 of corporations filing a consolidated income tax
19 return for the taxable year for federal income tax
20 purposes, taxable income determined as if such
21 corporation had filed a separate return for federal
22 income tax purposes for the taxable year and each
23 preceding taxable year for which it was a member of an
24 affiliated group. For purposes of this subparagraph,
25 the taxpayer's separate taxable income shall be
26 determined as if the election provided by Section

1 243(b)(2) of the Internal Revenue Code had been in
2 effect for all such years;

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

1 only be revoked upon approval of the Director. The
2 Department shall adopt rules setting forth
3 requirements for documenting the elections and any
4 resulting Illinois net loss and the standards to be
5 used by the Director in evaluating requests to revoke
6 elections. Public Act 96-932 is declaratory of
7 existing law;

8 (G) Subchapter S corporations. In the case of: (i)
9 a Subchapter S corporation for which there is in
10 effect an election for the taxable year under Section
11 1362 of the Internal Revenue Code, the taxable income
12 of such corporation determined in accordance with
13 Section 1363(b) of the Internal Revenue Code, except
14 that taxable income shall take into account those
15 items which are required by Section 1363(b)(1) of the
16 Internal Revenue Code to be separately stated; and
17 (ii) a Subchapter S corporation for which there is in
18 effect a federal election to opt out of the provisions
19 of the Subchapter S Revision Act of 1982 and have
20 applied instead the prior federal Subchapter S rules
21 as in effect on July 1, 1982, the taxable income of
22 such corporation determined in accordance with the
23 federal Subchapter S rules as in effect on July 1,
24 1982; and

25 (H) Partnerships. In the case of a partnership,
26 taxable income determined in accordance with Section

1 703 of the Internal Revenue Code, except that taxable
2 income shall take into account those items which are
3 required by Section 703(a)(1) to be separately stated
4 but which would be taken into account by an individual
5 in calculating his taxable income.

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

23 (f) Valuation limitation amount.

24 (1) In general. The valuation limitation amount
25 referred to in subsections (a)(2)(G), (c)(2)(I) and

1 (d) (2) (E) is an amount equal to:

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

8 (B) The lesser of (i) the sum of the pre-August 1,
9 1969 appreciation amounts (to the extent consisting of
10 capital gain) for all property in respect of which
11 such gain was reported for federal income tax purposes
12 for the taxable year, or (ii) the net capital gain for
13 the taxable year, reduced in either case by any amount
14 of such gain included in the amount determined under
15 subsection (a) (2) (F) or (c) (2) (H).

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

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

1 such property.

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

13 (C) The Department shall prescribe such
14 regulations as may be necessary to carry out the
15 purposes of this paragraph.

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

19 (h) Legislative intention. Except as expressly provided by
20 this Section there shall be no modifications or limitations on
21 the amounts of income, gain, loss or deduction taken into
22 account in determining gross income, adjusted gross income or
23 taxable income for federal income tax purposes for the taxable
24 year, or in the amount of such items entering into the

1 computation of base income and net income under this Act for
2 such taxable year, whether in respect of property values as of
3 August 1, 1969 or otherwise.

4 (Source: P.A. 102-16, eff. 6-17-21; 102-558, eff. 8-20-21;
5 102-658, eff. 8-27-21; 102-813, eff. 5-13-22; 102-1112, eff.
6 12-21-22; 103-8, eff. 6-7-23; 103-478, eff. 1-1-24; 103-592,
7 Article 10, Section 10-900, eff. 6-7-24; 103-592, Article 170,
8 Section 170-90, eff. 6-7-24; 103-605, eff. 7-1-24; 103-647,
9 eff. 7-1-24; revised 8-20-24.)

10 Section 99. Effective date. This Act takes effect upon
11 becoming law.