

# SB3377



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

SB3377

Introduced 2/4/2026, by Sen. Emil Jones, III

#### SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Income Tax Act. Creates a corporate income tax deduction for hemp business establishments in an amount equal to 50% of the income generated by the sale of products made by businesses owned by minority and other specific priority-population-owned businesses. Amends the Tobacco Products Tax Act of 1995 to exclude hemp-cannabinoid products subject to tax under the Industrial Hemp Act from the definition of tobacco products. Amends the Liquor Control Act of 1934 to provide that hemp extract and hemp-cannabinoid products made in compliance with State law are considered fit for human consumption. Authorizes liquor license holders to manufacture, distribute, and sell such products. Amends the Industrial Hemp Act to establish a comprehensive regulatory framework for hemp and hemp-derived cannabinoid products, including licensing, registration, packaging and labeling standards, age verification, laboratory testing, recordkeeping, enforcement, and penalties. Creates the Hemp Social Equity Fund to support loans, grants, and technical assistance for social equity applicants. Makes conforming changes to the State Finance Act. Effective January 1, 2027.

LRB104 17196 BDA 30615 b

A BILL FOR

1 AN ACT concerning agriculture.

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

4 Section 5. The State Finance Act is amended by adding  
5 Section 5.1038 as follows:

6 (30 ILCS 105/5.1038 new)

7 Sec. 5.1038. The Hemp Social Equity Fund.

8 Section 10. The Illinois Income Tax Act is amended by  
9 changing Section 203 as follows:

10 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

11 Sec. 203. Base income defined.

12 (a) Individuals.

13 (1) In general. In the case of an individual, base  
14 income means an amount equal to the taxpayer's adjusted  
15 gross income for the taxable year as modified by paragraph  
16 (2).

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

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

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

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

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

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

26 (D-5) An amount, to the extent not included in

1 adjusted gross income, equal to the amount of money  
2 withdrawn by the taxpayer in the taxable year from a  
3 medical care savings account and the interest earned  
4 on the account in the taxable year of a withdrawal  
5 pursuant to subsection (b) of Section 20 of the  
6 Medical Care Savings Account Act or subsection (b) of  
7 Section 20 of the Medical Care Savings Account Act of  
8 2000;

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

14 (D-15) For taxable years 2001 through 2025, 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; for taxable years 2026 and  
19 thereafter, an amount equal to the bonus depreciation  
20 deduction taken on the taxpayer's federal income tax  
21 return for the taxable year under subsection (k) or  
22 (n) of Section 168 of the Internal Revenue Code;

23 (D-16) If the taxpayer sells, transfers, abandons,  
24 or otherwise disposes of property for which the  
25 taxpayer was required in any taxable year to make an  
26 addition modification under subparagraph (D-15), then

1 an amount equal to the aggregate amount of the  
2 deductions taken in all taxable years under  
3 subparagraph (Z) with respect to that property.

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 (Z) and for which the taxpayer was  
8 allowed in any taxable year to make a subtraction  
9 modification under subparagraph (Z), then an amount  
10 equal to that subtraction modification.

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

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

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

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

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

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

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

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

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

20 (iii) the taxpayer can establish, based on  
21 clear and convincing evidence, that the interest  
22 paid, accrued, or incurred relates to a contract  
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 otherwise  
8           allowed under Section 404 of this Act for any tax year  
9           beginning after the effective date of this amendment  
10          provided such adjustment is made pursuant to  
11          regulation adopted by the Department and such  
12          regulations provide methods and standards by which the  
13          Department will utilize its authority under Section  
14          404 of this Act;

15          (D-18) 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 under Sections 951 through 964 of the Internal  
12 Revenue Code and amounts included in gross income  
13 under Section 78 of the Internal Revenue Code) with  
14 respect to the stock of the same person to whom the  
15 intangible expenses and costs were directly or  
16 indirectly paid, incurred, or accrued. The preceding  
17 sentence does not apply to the extent that the same  
18 dividends caused a reduction to the addition  
19 modification required under Section 203(a)(2)(D-17) 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 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 otherwise  
19 allowed under Section 404 of this Act for any tax year  
20 beginning after the effective date of this amendment  
21 provided such adjustment is made pursuant to  
22 regulation adopted by the Department and such  
23 regulations provide methods and standards by which the  
24 Department will utilize its authority under Section  
25 404 of this Act;

26 (D-19) 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(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
26 Act;

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

1 of in-state qualified tuition programs at least  
2 annually, an amount equal to the amount excluded from  
3 gross income under Section 529(c)(3)(B).

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

16 (D-20.5) For taxable years beginning on or after  
17 January 1, 2018, in the case of a distribution from a  
18 qualified ABLE program under Section 529A of the  
19 Internal Revenue Code, other than a distribution from  
20 a qualified ABLE program created under Section 16.6 of  
21 the State Treasurer Act, an amount equal to the amount  
22 excluded from gross income under Section 529A(c)(1)(B)  
23 of the Internal Revenue Code;

24 (D-21) For taxable years beginning on or after  
25 January 1, 2007, in the case of transfer of moneys from  
26 a qualified tuition program under Section 529 of the

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

5 (D-21.5) For taxable years beginning on or after  
6 January 1, 2018, in the case of the transfer of moneys  
7 from a qualified tuition program under Section 529 or  
8 a qualified ABLE program under Section 529A of the  
9 Internal Revenue Code that is administered by this  
10 State to an ABLE account established under an  
11 out-of-state ABLE account program, an amount equal to  
12 the contribution component of the transferred amount  
13 that was previously deducted from base income under  
14 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this  
15 Section;

16 (D-22) For taxable years beginning on or after  
17 January 1, 2009, and prior to January 1, 2018, in the  
18 case of a nonqualified withdrawal or refund of moneys  
19 from a qualified tuition program under Section 529 of  
20 the Internal Revenue Code administered by the State  
21 that is not used for qualified expenses at an eligible  
22 education institution, an amount equal to the  
23 contribution component of the nonqualified withdrawal  
24 or refund that was previously deducted from base  
25 income under subsection (a) (2) (y) of this Section,  
26 provided that the withdrawal or refund did not result

1 from the beneficiary's death or disability. For  
2 taxable years beginning on or after January 1, 2018:  
3 (1) in the case of a nonqualified withdrawal or  
4 refund, as defined under Section 16.5 of the State  
5 Treasurer Act, of moneys from a qualified tuition  
6 program under Section 529 of the Internal Revenue Code  
7 administered by the State, an amount equal to the  
8 contribution component of the nonqualified withdrawal  
9 or refund that was previously deducted from base  
10 income under subsection (a)(2)(Y) of this Section, and  
11 (2) in the case of a nonqualified withdrawal or refund  
12 from a qualified ABLE program under Section 529A of  
13 the Internal Revenue Code administered by the State  
14 that is not used for qualified disability expenses, an  
15 amount equal to the contribution component of the  
16 nonqualified withdrawal or refund that was previously  
17 deducted from base income under subsection (a)(2)(HH)  
18 of this Section;

19 (D-23) An amount equal to the credit allowable to  
20 the taxpayer under Section 218(a) of this Act,  
21 determined without regard to Section 218(c) of this  
22 Act;

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

1           (D-25) In the case of a resident, an amount equal  
2           to the amount of tax for which a credit is allowed  
3           pursuant to Section 201(p) (7) of this Act;  
4           and by deducting from the total so obtained the sum of the  
5           following amounts:

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

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

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

23 (G) The valuation limitation amount;

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

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

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

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

23           (L) For taxable years ending after December 31,  
24 1983, an amount equal to all social security benefits  
25 and railroad retirement benefits included in such  
26 total pursuant to Sections 72(r) and 86 of the

1 Internal Revenue Code;

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

19 (N) An amount equal to all amounts included in  
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 (O) An amount equal to any contribution made to a  
3 job training project established pursuant to the Tax  
4 Increment Allocation Redevelopment Act;

5 (P) An amount equal to the amount of the deduction  
6 used to compute the federal income tax credit for  
7 restoration of substantial amounts held under claim of  
8 right for the taxable year pursuant to Section 1341 of  
9 the Internal Revenue Code or of any itemized deduction  
10 taken from adjusted gross income in the computation of  
11 taxable income for restoration of substantial amounts  
12 held under claim of right for the taxable year;

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

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

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

1 contribution is accepted by the account administrator  
2 as provided in that Act;

3 (T) An amount, to the extent included in adjusted  
4 gross income, equal to the amount of interest earned  
5 in the taxable year on a medical care savings account  
6 established under the Medical Care Savings Account Act  
7 or the Medical Care Savings Account Act of 2000 on  
8 behalf of the taxpayer, other than interest added  
9 pursuant to item (D-5) of this paragraph (2);

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

16 (V) Beginning with tax years ending on or after  
17 December 31, 1995 and ending with tax years ending on  
18 or before December 31, 2004, an amount equal to the  
19 amount paid by a taxpayer who is a self-employed  
20 taxpayer, a partner of a partnership, or a shareholder  
21 in a Subchapter S corporation for health insurance or  
22 long-term care insurance for that taxpayer or that  
23 taxpayer's spouse or dependents, to the extent that  
24 the amount paid for that health insurance or long-term  
25 care insurance may be deducted under Section 213 of  
26 the Internal Revenue Code, has not been deducted on

1 the federal income tax return of the taxpayer, and  
2 does not exceed the taxable income attributable to  
3 that taxpayer's income, self-employment income, or  
4 Subchapter S corporation income; except that no  
5 deduction shall be allowed under this item (V) if the  
6 taxpayer is eligible to participate in any health  
7 insurance or long-term care insurance plan of an  
8 employer of the taxpayer or the taxpayer's spouse. The  
9 amount of the health insurance and long-term care  
10 insurance subtracted under this item (V) shall be  
11 determined by multiplying total health insurance and  
12 long-term care insurance premiums paid by the taxpayer  
13 times a number that represents the fractional  
14 percentage of eligible medical expenses under Section  
15 213 of the Internal Revenue Code of 1986 not actually  
16 deducted on the taxpayer's federal income tax return;

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

23 (X) For taxable year 1999 and thereafter, an  
24 amount equal to the amount of any (i) distributions,  
25 to the extent includible in gross income for federal  
26 income tax purposes, made to the taxpayer because of

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

1 of items (i) and (ii) of this paragraph in gross income  
2 for federal income tax purposes. This paragraph is  
3 exempt from the provisions of Section 250;

4 (Y) For taxable years beginning on or after  
5 January 1, 2002 and ending on or before December 31,  
6 2004, moneys contributed in the taxable year to a  
7 College Savings Pool account under Section 16.5 of the  
8 State Treasurer Act, except that amounts excluded from  
9 gross income under Section 529(c)(3)(C)(i) of the  
10 Internal Revenue Code shall not be considered moneys  
11 contributed under this subparagraph (Y). For taxable  
12 years beginning on or after January 1, 2005, a maximum  
13 of \$10,000 contributed in the taxable year to (i) a  
14 College Savings Pool account under Section 16.5 of the  
15 State Treasurer Act or (ii) the Illinois Prepaid  
16 Tuition Trust Fund, except that amounts excluded from  
17 gross income under Section 529(c)(3)(C)(i) of the  
18 Internal Revenue Code shall not be considered moneys  
19 contributed under this subparagraph (Y). For purposes  
20 of this subparagraph, contributions made by an  
21 employer on behalf of an employee, or matching  
22 contributions made by an employee, shall be treated as  
23 made by the employee. This subparagraph (Y) is exempt  
24 from the provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

1 Section 250;

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

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

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

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

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

22 (CC) The amount of (i) any interest income (net of  
23 the deductions allocable thereto) taken into account  
24 for the taxable year with respect to a transaction  
25 with a taxpayer that is required to make an addition  
26 modification with respect to such transaction under

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

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

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

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

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

9 (GG) 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(a)(2)(D-19), 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 (GG), 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 (GG). This  
23 subparagraph (GG) is exempt from the provisions of  
24 Section 250;

25 (HH) For taxable years beginning on or after  
26 January 1, 2018 and prior to January 1, 2028, a maximum

1 of \$10,000 contributed in the taxable year to a  
2 qualified ABLE account under Section 16.6 of the State  
3 Treasurer Act, except that amounts excluded from gross  
4 income under Section 529(c)(3)(C)(i) or Section  
5 529A(c)(1)(C) of the Internal Revenue Code shall not  
6 be considered moneys contributed under this  
7 subparagraph (HH). For purposes of this subparagraph  
8 (HH), contributions made by an employer on behalf of  
9 an employee, or matching contributions made by an  
10 employee, shall be treated as made by the employee;

11 (II) For taxable years that begin on or after  
12 January 1, 2021 and begin before January 1, 2026, the  
13 amount that is included in the taxpayer's federal  
14 adjusted gross income pursuant to Section 61 of the  
15 Internal Revenue Code as discharge of indebtedness  
16 attributable to student loan forgiveness and that is  
17 not excluded from the taxpayer's federal adjusted  
18 gross income pursuant to paragraph (5) of subsection  
19 (f) of Section 108 of the Internal Revenue Code;

20 (JJ) For taxable years beginning on or after  
21 January 1, 2023, for any cannabis establishment  
22 operating in this State and licensed under the  
23 Cannabis Regulation and Tax Act or any cannabis  
24 cultivation center or medical cannabis dispensing  
25 organization operating in this State and licensed  
26 under the Compassionate Use of Medical Cannabis

1 Program Act, an amount equal to the deductions that  
2 were disallowed under Section 280E of the Internal  
3 Revenue Code for the taxable year and that would not be  
4 added back under this subsection. The provisions of  
5 this subparagraph (JJ) are exempt from the provisions  
6 of Section 250;

7 (KK) To the extent includible in gross income for  
8 federal income tax purposes, any amount awarded or  
9 paid to the taxpayer as a result of a judgment or  
10 settlement for fertility fraud as provided in Section  
11 15 of the Illinois Fertility Fraud Act, donor  
12 fertility fraud as provided in Section 20 of the  
13 Illinois Fertility Fraud Act, or similar action in  
14 another state;

15 (LL) For taxable years beginning on or after  
16 January 1, 2026, if the taxpayer is a qualified  
17 worker, as defined in the Workforce Development  
18 through Charitable Loan Repayment Act, an amount equal  
19 to the amount included in the taxpayer's federal  
20 adjusted gross income that is attributable to student  
21 loan repayment assistance received by the taxpayer  
22 during the taxable year from a qualified community  
23 foundation under the provisions of the Workforce  
24 Development through Charitable Loan Repayment Act.

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

1 (MM) For taxable years beginning on or after  
2 January 1, 2025, if the taxpayer is an eligible  
3 resident as defined in the Medical Debt Relief Act, an  
4 amount equal to the amount included in the taxpayer's  
5 federal adjusted gross income that is attributable to  
6 medical debt relief received by the taxpayer during  
7 the taxable year from a nonprofit medical debt relief  
8 coordinator under the provisions of the Medical Debt  
9 Relief Act. This subparagraph (MM) is exempt from the  
10 provisions of Section 250.

11 (b) Corporations.

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

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

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

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

1 year;

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

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

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

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

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

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

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

25 (E-10) For taxable years 2001 through 2025, an  
26 amount equal to the bonus depreciation deduction taken

1 on the taxpayer's federal income tax return for the  
2 taxable year under subsection (k) of Section 168 of  
3 the Internal Revenue Code; for taxable years 2026 and  
4 thereafter, an amount equal to the bonus depreciation  
5 deduction taken on the taxpayer's federal income tax  
6 return for the taxable year under subsection (k) or  
7 (n) of Section 168 of the Internal Revenue Code;

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

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

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

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

1 interest paid, accrued, or incurred, directly or  
2 indirectly, (i) for taxable years ending on or after  
3 December 31, 2004, to a foreign person who would be a  
4 member of the same unitary business group but for the  
5 fact the foreign person's business activity outside  
6 the United States is 80% or more of the foreign  
7 person's total business activity and (ii) for taxable  
8 years ending on or after December 31, 2008, to a person  
9 who would be a member of the same unitary business  
10 group but for the fact that the person is prohibited  
11 under Section 1501(a)(27) from being included in the  
12 unitary business group because he or she is ordinarily  
13 required to apportion business income under different  
14 subsections of Section 304. The addition modification  
15 required by this subparagraph shall be reduced to the  
16 extent that dividends were included in base income of  
17 the unitary group for the same taxable year and  
18 received by the taxpayer or by a member of the  
19 taxpayer's unitary business group (including amounts  
20 included in gross income pursuant to Sections 951  
21 through 964 of the Internal Revenue Code and amounts  
22 included in gross income under Section 78 of the  
23 Internal Revenue Code) with respect to the stock of  
24 the same person to whom the interest was paid,  
25 accrued, or incurred. For taxable years ending on and  
26 after December 31, 2025, for purposes of applying this

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

8 For taxable years ending before December 31, 2025,  
9 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 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 interest; or

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

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

24 (b) the transaction giving rise to the  
25 interest expense between the taxpayer and the  
26 person did not have as a principal purpose the

1 avoidance of Illinois income tax, and is paid  
2 pursuant to a contract or agreement that  
3 reflects an arm's-length interest rate and  
4 terms; or

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

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

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

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

26 (a) the person, during the same taxable

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

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

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

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

26 (E-13) An amount equal to the amount of intangible

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

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

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

21 (i) any item of intangible expenses or costs  
22 paid, accrued, or incurred, directly or  
23 indirectly, from a transaction with 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 item; or

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

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

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

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

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

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

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

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

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

1           304(f).

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

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

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

12 (E-15) For taxable years beginning after December  
13 31, 2008, any deduction for dividends paid by a  
14 captive real estate investment trust that is allowed  
15 to a real estate investment trust under Section  
16 857(b)(2)(B) of the Internal Revenue Code for  
17 dividends paid;

18 (E-16) An amount equal to the credit allowable to  
19 the taxpayer under Section 218(a) of this Act,  
20 determined without regard to Section 218(c) of this  
21 Act;

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

26 (E-18) for taxable years beginning after December

1           31, 2018, an amount equal to the deduction allowed  
2           under Section 250(a)(1)(A) of the Internal Revenue  
3           Code for the taxable year;

4           (E-19) for taxable years ending on or after June  
5           30, 2021, an amount equal to the deduction allowed  
6           under Section 250(a)(1)(B)(i) of the Internal Revenue  
7           Code for the taxable year;

8           (E-20) for taxable years ending on or after June  
9           30, 2021, an amount equal to the deduction allowed  
10          under Sections 243(e) and 245A(a) of the Internal  
11          Revenue Code for the taxable year;

12          (E-21) the amount that is claimed as a federal  
13          deduction when computing the taxpayer's federal  
14          taxable income for the taxable year and that is  
15          attributable to an endowment gift for which the  
16          taxpayer receives a credit under the Illinois Gives  
17          Tax Credit Act;

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

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

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

25               (H) In the case of a regulated investment company,  
26               an amount equal to the amount of exempt interest

1 dividends as defined in subsection (b)(5) of Section  
2 852 of the Internal Revenue Code, paid to shareholders  
3 for the taxable year;

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

1 deduction for an increase in reserves for the tax  
2 year); the provisions of this subparagraph are exempt  
3 from the provisions of Section 250;

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

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

21 (L) 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 (L);

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

1 (M-1) For any taxpayer that is a financial  
2 organization within the meaning of Section 304(c) of  
3 this Act, an amount included in such total as interest  
4 income from a loan or loans made by such taxpayer to a  
5 borrower, to the extent that such a loan is secured by  
6 property which is eligible for the High Impact  
7 Business Investment Credit. To determine the portion  
8 of a loan or loans that is secured by property eligible  
9 for a Section 201(h) investment credit to the  
10 borrower, the entire principal amount of the loan or  
11 loans between the taxpayer and the borrower should be  
12 divided into the basis of the Section 201(h)  
13 investment credit property which secures the loan or  
14 loans, using for this purpose the original basis of  
15 such property on the date that it was placed in service  
16 in a federally designated Foreign Trade Zone or  
17 Sub-Zone located in Illinois. No taxpayer that is  
18 eligible for the deduction provided in subparagraph  
19 (M) of paragraph (2) of this subsection shall be  
20 eligible for the deduction provided under this  
21 subparagraph (M-1). The subtraction modification  
22 available to taxpayers in any year under this  
23 subsection shall be that portion of the total interest  
24 paid by the borrower with respect to such loan  
25 attributable to the eligible property as calculated  
26 under the previous sentence;

1           (N) Two times any contribution made during the  
2 taxable year to a designated zone organization to the  
3 extent that the contribution (i) qualifies as a  
4 charitable contribution under subsection (c) of  
5 Section 170 of the Internal Revenue Code and (ii)  
6 must, by its terms, be used for a project approved by  
7 the Department of Commerce and Economic Opportunity  
8 under Section 11 of the Illinois Enterprise Zone Act  
9 or under Section 10-10 of the River Edge Redevelopment  
10 Zone Act. This subparagraph (N) is exempt from the  
11 provisions of Section 250;

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

1 related to such dividends, and including, for taxable  
2 years ending on or after December 31, 2008, dividends  
3 received from a captive real estate investment trust;  
4 plus (ii) 100% of the amount by which dividends,  
5 included in taxable income and received, including,  
6 for taxable years ending on or after December 31,  
7 1988, dividends received or deemed received or paid or  
8 deemed paid under Sections 951 through 964 of the  
9 Internal Revenue Code and including, for taxable years  
10 ending on or after December 31, 2008, dividends  
11 received from a captive real estate investment trust,  
12 from any such corporation specified in clause (i) that  
13 would but for the provisions of Section 1504(b)(3) of  
14 the Internal Revenue Code be treated as a member of the  
15 affiliated group which includes the dividend  
16 recipient, exceed the amount of the modification  
17 provided under subparagraph (G) of paragraph (2) of  
18 this subsection (b) which is related to such  
19 dividends. For taxable years ending on or after June  
20 30, 2021, (i) for purposes of this subparagraph, the  
21 term "dividend" does not include any amount treated as  
22 a dividend under Section 1248 of the Internal Revenue  
23 Code, and (ii) this subparagraph shall not apply to  
24 dividends for which a deduction is allowed under  
25 Section 245(a) of the Internal Revenue Code. For  
26 taxable years ending on or after December 31, 2025,

1           50% of the amount of global intangible low-taxed  
2           income or net controlled foreign corporation (CFC)  
3           tested income received or deemed received or paid or  
4           deemed paid under Sections 951 through 965 of the  
5           Internal Revenue Code. This subparagraph (O) is exempt  
6           from the provisions of Section 250 of this Act;

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

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

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

1 Section 250;

2 (S) For taxable years ending on or after December  
3 31, 1997, in the case of a Subchapter S corporation, an  
4 amount equal to all amounts of income allocable to a  
5 shareholder subject to the Personal Property Tax  
6 Replacement Income Tax imposed by subsections (c) and  
7 (d) of Section 201 of this Act, including amounts  
8 allocable to organizations exempt from federal income  
9 tax by reason of Section 501(a) of the Internal  
10 Revenue Code. This subparagraph (S) is exempt from the  
11 provisions of Section 250;

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

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

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

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

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

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

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

14 (iii) for property on which a bonus  
15 depreciation deduction of 100% of the adjusted  
16 basis was taken in a taxable year ending on or  
17 after December 31, 2021, "x" equals the  
18 depreciation deduction that would be allowed  
19 on that property if the taxpayer had made the  
20 election under Section 168(k)(7) or Section  
21 168(n)(6) of the Internal Revenue Code to not  
22 claim bonus depreciation on that property; and

23 (iv) for property on which a bonus  
24 depreciation deduction of a percentage other  
25 than 30%, 50% or 100% of the adjusted basis  
26 was taken in a taxable year ending on or after

1 December 31, 2021, "x" equals "y" multiplied  
2 by 100 times the percentage bonus depreciation  
3 on the property (that is,  $100(\text{bonus}\%)$ ) and  
4 then divided by 100 times 1 minus the  
5 percentage bonus depreciation on the property  
6 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

20 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 (T) and for which the taxpayer was  
24 required in any taxable year to make an addition  
25 modification under subparagraph (E-10), then an amount  
26 equal to that addition modification.

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

4           This subparagraph (U) is exempt from the  
5 provisions of Section 250;

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

1           203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
2           203(d)(2)(D-9), but not to exceed the amount of that  
3           addition modification. This subparagraph (V) is exempt  
4           from the provisions of Section 250;

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

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

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

21 (Y) For taxable years ending on or after December  
22 31, 2011, in the case of a taxpayer who was required to  
23 add back any insurance premiums under Section  
24 203(b)(2)(E-14), such taxpayer may elect to subtract  
25 that part of a reimbursement received from the  
26 insurance company equal to the amount of the expense

1 or loss (including expenses incurred by the insurance  
2 company) that would have been taken into account as a  
3 deduction for federal income tax purposes if the  
4 expense or loss had been uninsured. If a taxpayer  
5 makes the election provided for by this subparagraph  
6 (Y), the insurer to which the premiums were paid must  
7 add back to income the amount subtracted by the  
8 taxpayer pursuant to this subparagraph (Y). This  
9 subparagraph (Y) is exempt from the provisions of  
10 Section 250;

11 (Z) The difference between the nondeductible  
12 controlled foreign corporation dividends under Section  
13 965(e)(3) of the Internal Revenue Code over the  
14 taxable income of the taxpayer, computed without  
15 regard to Section 965(e)(2)(A) of the Internal Revenue  
16 Code, and without regard to any net operating loss  
17 deduction. This subparagraph (Z) is exempt from the  
18 provisions of Section 250; and

19 (AA) For taxable years beginning on or after  
20 January 1, 2023, for any cannabis establishment  
21 operating in this State and licensed under the  
22 Cannabis Regulation and Tax Act or any cannabis  
23 cultivation center or medical cannabis dispensing  
24 organization operating in this State and licensed  
25 under the Compassionate Use of Medical Cannabis  
26 Program Act, an amount equal to the deductions that

1 were disallowed under Section 280E of the Internal  
2 Revenue Code for the taxable year and that would not be  
3 added back under this subsection. The provisions of  
4 this subparagraph (AA) are exempt from the provisions  
5 of Section 250.

6 (BB) For taxable years beginning on or after  
7 January 1, 2026, for any hemp business establishment  
8 operating in this State and licensed under the  
9 Industrial Hemp Act, an amount equal to 50% of the  
10 income generated by the sale of products made by  
11 minority and other specific priority-population-owned  
12 businesses. The provisions of this subparagraph are  
13 exempt from the provisions of Section 250. For  
14 purposes of this subparagraph, "minority and other  
15 specific priority-population-owned businesses"  
16 includes businesses 51% or more owned by women,  
17 parents, African Americans, Puerto Ricans, Hispanics,  
18 Asian Americans, veterans, persons 65 years of age or  
19 older, hemp justice or hemp social equity participants  
20 as defined by the Industrial Hemp Act, persons who are  
21 clients of services provided by other State agencies,  
22 individuals identifying as LGBTQ, persons with  
23 disabilities, intravenous drug users, persons with  
24 AIDS or who are HIV infected, and such other specific  
25 populations as the Department may from time to time  
26 identify.

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

9           (c) Trusts and estates.

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

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

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

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

1 the computation of taxable income;

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

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

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

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

1 base income of an earlier taxable year, and

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

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

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

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

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

1 adjusted gross income and for which the trust or  
2 estate claims a credit under subsection (l) of Section  
3 201;

4 (G-10) For taxable years 2001 through 2025, an  
5 amount equal to the bonus depreciation deduction taken  
6 on the taxpayer's federal income tax return for the  
7 taxable year under subsection (k) of Section 168 of  
8 the Internal Revenue Code; for taxable years 2026 and  
9 thereafter, an amount equal to the bonus depreciation  
10 deduction taken on the taxpayer's federal income tax  
11 return for the taxable year under subsection (k) or  
12 (n) of Section 168 of the Internal Revenue Code; and

13 (G-11) 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 (G-10), then  
17 an amount equal to the aggregate amount of the  
18 deductions taken in all taxable years under  
19 subparagraph (R) 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 (R) and for which the taxpayer was  
24 allowed in any taxable year to make a subtraction  
25 modification under subparagraph (R), 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           (G-12) 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 the foreign person's business activity  
11 outside 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 pursuant to Sections 951  
26 through 964 of the Internal Revenue Code and amounts

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

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

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

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

26 (a) the person, during the same taxable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 26 (i) any item of intangible expenses or costs

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 (G-15) An amount equal to the credit allowable to  
18 the taxpayer under Section 218(a) of this Act,  
19 determined without regard to Section 218(c) of this  
20 Act;

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

25 (G-17) the amount that is claimed as a federal  
26 deduction when computing the taxpayer's federal

1 taxable income for the taxable year and that is  
2 attributable to an endowment gift for which the  
3 taxpayer receives a credit under the Illinois Gives  
4 Tax Credit Act;

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

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

18 (I) The valuation limitation amount;

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

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

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

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

24 (M) An amount equal to those dividends included in  
25 such total which were paid by a corporation which  
26 conducts business operations in a River Edge

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

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

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

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

23          (Q) For taxable year 1999 and thereafter, an  
24          amount equal to the amount of any (i) distributions,  
25          to the extent includible in gross income for federal  
26          income tax purposes, made to the taxpayer because of

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

1 of items (i) and (ii) of this paragraph in gross income  
2 for federal income tax purposes. This paragraph is  
3 exempt from the provisions of Section 250;

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

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

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

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

23 (i) for property on which a bonus  
24 depreciation deduction of 30% of the adjusted  
25 basis was taken, "x" equals "y" multiplied by  
26 30 and then divided by 70 (or "y" multiplied

1 by 0.429);

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

6 (iii) for property on which a bonus  
7 depreciation deduction of 100% of the adjusted  
8 basis was taken in a taxable year ending on or  
9 after December 31, 2021, "x" equals the  
10 depreciation deduction that would be allowed  
11 on that property if the taxpayer had made the  
12 election under Section 168(k)(7) or Section  
13 168(n)(6) of the Internal Revenue Code to not  
14 claim bonus depreciation on that property; and

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

25 The aggregate amount deducted under this  
26 subparagraph in all taxable years for any one piece of

1 property may not exceed the amount of the bonus  
2 depreciation deduction taken on that property on the  
3 taxpayer's federal income tax return under subsection  
4 (k) or (n) of Section 168 of the Internal Revenue Code.  
5 This subparagraph (R) is exempt from the provisions of  
6 Section 250;

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

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

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

22 This subparagraph (S) is exempt from the  
23 provisions of Section 250;

24 (T) The amount of (i) any interest income (net of  
25 the deductions allocable thereto) taken into account  
26 for the taxable year with respect to a transaction

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

15 (U) 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 the foreign person's business activity  
21 outside the United States is 80% or more of that  
22 person's total business activity and (ii) for taxable  
23 years ending on or after December 31, 2008, to a person  
24 who would be a member of the same unitary business  
25 group but for the fact that the person is prohibited  
26 under Section 1501(a)(27) from being included in the

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

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

1           paid, accrued, or incurred, directly or indirectly, to  
2           the same foreign person. This subparagraph (V) is  
3           exempt from the provisions of Section 250;

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

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

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

1 (Y), the insurer to which the premiums were paid must  
2 add back to income the amount subtracted by the  
3 taxpayer pursuant to this subparagraph (Y). This  
4 subparagraph (Y) is exempt from the provisions of  
5 Section 250;

6 (Z) For taxable years beginning after December 31,  
7 2018, the amount of excess business loss of the  
8 taxpayer disallowed as a deduction by Section  
9 461(1)(1)(B) of the Internal Revenue Code; and

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

23 (BB) For taxable years beginning on or after  
24 January 1, 2026, for any hemp business establishment  
25 operating in this State and licensed under the  
26 Industrial Hemp Act, an amount equal to 50% of the

1 income generated by the sale of products made by  
2 minority and other specific priority-population-owned  
3 businesses. The provisions of this subparagraph are  
4 exempt from the provisions of Section 250. For  
5 purposes of this subparagraph, "minority and other  
6 specific priority-population-owned businesses"  
7 includes businesses 51% or more owned by women,  
8 parents, African Americans, Puerto Ricans, Hispanics,  
9 Asian Americans, veterans, persons 65 years of age or  
10 older, hemp justice or hemp social equity participants  
11 as defined by the Industrial Hemp Act, persons who are  
12 clients of services provided by other State agencies,  
13 individuals identifying as LGBTQ, persons with  
14 disabilities, intravenous drug users, persons with  
15 AIDS or who are HIV infected, and such other specific  
16 populations as the Department may from time to time  
17 identify.

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

25 (d) Partnerships.

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

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

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

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

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

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

22           (D-5) For taxable years 2001 through 2025, an  
23 amount equal to the bonus depreciation deduction taken  
24 on the taxpayer's federal income tax return for the  
25 taxable year under subsection (k) of Section 168 of  
26 the Internal Revenue Code; for taxable years 2026 and

1 thereafter, an amount equal to the bonus depreciation  
2 deduction taken on the taxpayer's federal income tax  
3 return for the taxable year under subsection (k) or  
4 (n) of Section 168 of the Internal Revenue Code;

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

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

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

22 (D-7) An amount equal to the amount otherwise  
23 allowed as a deduction in computing base income for  
24 interest paid, accrued, or incurred, directly or  
25 indirectly, (i) for taxable years ending on or after  
26 December 31, 2004, to a foreign person who would be a

1 member of the same unitary business group but for the  
2 fact the foreign person's business activity outside  
3 the United States is 80% or more of the foreign  
4 person's total business activity and (ii) for taxable  
5 years ending on or after December 31, 2008, to a person  
6 who would be a member of the same unitary business  
7 group but for the fact that the person is prohibited  
8 under Section 1501(a)(27) from being included in the  
9 unitary business group because he or she is ordinarily  
10 required to apportion business income under different  
11 subsections of Section 304. The addition modification  
12 required by this subparagraph shall be reduced to the  
13 extent that dividends were included in base income of  
14 the unitary group for the same taxable year and  
15 received by the taxpayer or by a member of the  
16 taxpayer's unitary business group (including amounts  
17 included in gross income pursuant to Sections 951  
18 through 964 of the Internal Revenue Code and amounts  
19 included in gross income under Section 78 of the  
20 Internal Revenue Code) with respect to the stock of  
21 the same person to whom the interest was paid,  
22 accrued, or incurred. For taxable years ending on and  
23 after December 31, 2025, for purposes of applying this  
24 paragraph in the case of a taxpayer to which Section  
25 163(j) of the Internal Revenue Code applies for the  
26 taxable year, the reduction in the amount of interest

1 for which a deduction is allowed by reason of Section  
2 163(j) shall be treated as allocable first to persons  
3 who are not foreign persons referred to in this  
4 paragraph and then to such foreign persons.

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

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

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

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

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

1 terms; or

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

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

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

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

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

26 (b) the transaction giving rise to the

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

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

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

23 (D-8) An amount equal to the amount of intangible  
24 expenses and costs otherwise allowed as a deduction in  
25 computing base income, and that were paid, accrued, or  
26 incurred, directly or indirectly, (i) for taxable

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

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

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

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

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

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

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

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

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

26 (i) any item of intangible expense or cost

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

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

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

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

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

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

8 (D-9) For taxable years ending on or after  
9 December 31, 2008, an amount equal to the amount of  
10 insurance premium expenses and costs otherwise allowed  
11 as a deduction in computing base income, and that were  
12 paid, accrued, or incurred, directly or indirectly, 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. The  
19 addition modification required by this subparagraph  
20 shall be reduced to the extent that dividends were  
21 included in base income of the unitary group for the  
22 same taxable year and received by the taxpayer or by a  
23 member of the taxpayer's unitary business group  
24 (including amounts included in gross income under  
25 Sections 951 through 964 of the Internal Revenue Code  
26 and amounts included in gross income under Section 78

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

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

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

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

22 and by deducting from the total so obtained the following  
23 amounts:

24 (E) The valuation limitation amount;

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

1 and included in such total for the taxable year;

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

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

20 (I) An amount equal to all amounts of income  
21 distributable to an entity subject to the Personal  
22 Property Tax Replacement Income Tax imposed by  
23 subsections (c) and (d) of Section 201 of this Act  
24 including amounts distributable to organizations  
25 exempt from federal income tax by reason of Section  
26 501(a) of the Internal Revenue Code; this subparagraph

1 (I) is exempt from the provisions of Section 250;

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

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

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

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

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

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

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

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

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

9 (3) for taxable years ending after December  
10 31, 2005:

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

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

20 (iii) for property on which a bonus  
21 depreciation deduction of 100% of the adjusted  
22 basis was taken in a taxable year ending on or  
23 after December 31, 2021, "x" equals the  
24 depreciation deduction that would be allowed  
25 on that property if the taxpayer had made the  
26 election under Section 168(k)(7) or Section

1 168(n) (6) of the Internal Revenue Code to not  
2 claim bonus depreciation on that property; and

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

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

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

26 If the taxpayer continues to own property through

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

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

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

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

1 addition modification. This subparagraph (Q) is exempt  
2 from Section 250;

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

23 (S) An amount equal to the income from intangible  
24 property taken into account for the taxable year (net  
25 of the deductions allocable thereto) with respect to  
26 transactions with (i) a foreign person who would be a

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

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

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

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

21 (V) For taxable years beginning on or after  
22 January 1, 2026, for any hemp business establishment  
23 operating in this State and licensed under the  
24 Industrial Hemp Act, an amount equal to 50% of the  
25 income generated by the sale of products made by  
26 minority and other specific priority-population-owned

1 businesses. The provisions of this subparagraph are  
2 exempt from the provisions of Section 250. For  
3 purposes of this subparagraph, "minority and other  
4 specific priority-population-owned businesses"  
5 includes businesses 51% or more owned by women,  
6 parents, African Americans, Puerto Ricans, Hispanics,  
7 Asian Americans, veterans, persons 65 years of age or  
8 older, hemp justice or hemp social equity participants  
9 as defined by the Industrial Hemp Act, persons who are  
10 clients of services provided by other State agencies,  
11 individuals identifying as LGBTQ, persons with  
12 disabilities, intravenous drug users, persons with  
13 AIDS or who are HIV infected, and such other specific  
14 populations as the Department may from time to time  
15 identify.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 federal Subchapter S rules as in effect on July 1,  
2 1982; and

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

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

1 (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

23 (h) Legislative intention. Except as expressly provided by  
24 this Section there shall be no modifications or limitations on

1 the amounts of income, gain, loss or deduction taken into  
2 account in determining gross income, adjusted gross income or  
3 taxable income for federal income tax purposes for the taxable  
4 year, or in the amount of such items entering into the  
5 computation of base income and net income under this Act for  
6 such taxable year, whether in respect of property values as of  
7 August 1, 1969 or otherwise.

8 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;  
9 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,  
10 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.  
11 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,  
12 eff. 8-15-25; 104-453, eff. 12-12-25.)

13 Section 15. The Tobacco Products Tax Act of 1995 is  
14 amended by changing Section 10-5 as follows:

15 (35 ILCS 143/10-5)

16 Sec. 10-5. Definitions. For purposes of this Act:

17 "Business" means any trade, occupation, activity, or  
18 enterprise engaged in, at any location whatsoever, for the  
19 purpose of selling tobacco products.

20 "Cigarette" has the meaning ascribed to the term in  
21 Section 1 of the Cigarette Tax Act.

22 "Contraband little cigar" means:

23 (1) packages of little cigars containing 20 or 25  
24 little cigars that do not bear a required tax stamp under

1 this Act;

2 (2) packages of little cigars containing 20 or 25  
3 little cigars that bear a fraudulent, imitation, or  
4 counterfeit tax stamp;

5 (3) packages of little cigars containing 20 or 25  
6 little cigars that are improperly tax stamped, including  
7 packages of little cigars that bear only a tax stamp of  
8 another state or taxing jurisdiction; or

9 (4) packages of little cigars containing other than 20  
10 or 25 little cigars in the possession of a distributor,  
11 retailer or wholesaler, unless the distributor, retailer,  
12 or wholesaler possesses, or produces within the time frame  
13 provided in Section 10-27 or 10-28 of this Act, an invoice  
14 from a stamping distributor, distributor, or wholesaler  
15 showing that the tax on the packages has been or will be  
16 paid.

17 "Correctional Industries program" means a program run by a  
18 State penal institution in which residents of the penal  
19 institution produce tobacco products for sale to persons  
20 incarcerated in penal institutions or resident patients of a  
21 State operated mental health facility.

22 "Department" means the Illinois Department of Revenue.

23 "Distributor" means any of the following:

24 (1) Any manufacturer or wholesaler in this State  
25 engaged in the business of selling tobacco products who  
26 sells, exchanges, or distributes tobacco products to

1           retailers or consumers in this State.

2           (2) Any manufacturer or wholesaler engaged in the  
3           business of selling tobacco products from without this  
4           State who sells, exchanges, distributes, ships, or  
5           transports tobacco products to retailers or consumers  
6           located in this State, so long as that manufacturer or  
7           wholesaler has or maintains within this State, directly or  
8           by subsidiary, an office, sales house, or other place of  
9           business, or any agent or other representative operating  
10          within this State under the authority of the person or  
11          subsidiary, irrespective of whether the place of business  
12          or agent or other representative is located here  
13          permanently or temporarily.

14          (3) Any retailer who receives tobacco products on  
15          which the tax has not been or will not be paid by another  
16          distributor.

17          "Distributor" does not include any person, wherever  
18          resident or located, who makes, manufactures, or fabricates  
19          tobacco products as part of a Correctional Industries program  
20          for sale to residents incarcerated in penal institutions or  
21          resident patients of a State operated mental health facility.

22          "Electronic cigarette" means:

23          (1) any device that employs a battery or other  
24          mechanism to heat a solution or substance to produce a  
25          vapor or aerosol intended for inhalation, except for (A)  
26          any device designed solely for use with cannabis that

1 contains a statement on the retail packaging that the  
2 device is designed solely for use with cannabis and not  
3 for use with tobacco or (B) any device that contains a  
4 solution or substance that contains cannabis subject to  
5 tax under the Compassionate Use of Medical Cannabis  
6 Program Act or the Cannabis Regulation and Tax Act;

7 (2) any cartridge or container of a solution or  
8 substance intended to be used with or in the device or to  
9 refill the device, except for any cartridge or container  
10 of a solution or substance that contains cannabis subject  
11 to tax under the Compassionate Use of Medical Cannabis  
12 Program Act or the Cannabis Regulation and Tax Act; or

13 (3) any solution or substance, whether or not it  
14 contains nicotine, intended for use in the device, except  
15 for any solution or substance that contains cannabis  
16 subject to tax under the Compassionate Use of Medical  
17 Cannabis Program Act or the Cannabis Regulation and Tax  
18 Act.

19 The changes made to the definition of "electronic  
20 cigarette" by this amendatory Act of the 102nd General  
21 Assembly apply on and after June 28, 2019, but no claim for  
22 credit or refund is allowed on or after the effective date of  
23 this amendatory Act of the 102nd General Assembly for such  
24 taxes paid during the period beginning June 28, 2019 and the  
25 effective date of this amendatory Act of the 102nd General  
26 Assembly.

1 "Electronic cigarette" includes, but is not limited to,  
2 any electronic nicotine delivery system, electronic cigar,  
3 electronic cigarillo, electronic pipe, electronic hookah, vape  
4 pen, or similar product or device, and any component or part  
5 that can be used to build the product or device. "Electronic  
6 cigarette" does not include: cigarettes, as defined in Section  
7 1 of the Cigarette Tax Act; any product approved by the United  
8 States Food and Drug Administration for sale as a tobacco  
9 cessation product, a tobacco dependence product, or for other  
10 medical purposes that is marketed and sold solely for that  
11 approved purpose; any asthma inhaler prescribed by a physician  
12 for that condition that is marketed and sold solely for that  
13 approved purpose; or any therapeutic product approved for use  
14 under the Compassionate Use of Medical Cannabis Program Act.

15 "Little cigar" means and includes any roll, made wholly or  
16 in part of tobacco, where such roll has an integrated  
17 cellulose acetate filter and weighs less than 4 pounds per  
18 thousand and the wrapper or cover of which is made in whole or  
19 in part of tobacco.

20 "Manufacturer" means any person, wherever resident or  
21 located, who manufactures and sells tobacco products, except a  
22 person who makes, manufactures, or fabricates tobacco products  
23 as a part of a Correctional Industries program for sale to  
24 persons incarcerated in penal institutions or resident  
25 patients of a State operated mental health facility.

26 Beginning on January 1, 2013, "moist snuff" means any

1 finely cut, ground, or powdered tobacco that is not intended  
2 to be smoked, but shall not include any finely cut, ground, or  
3 powdered tobacco that is intended to be placed in the nasal  
4 cavity.

5 "Nicotine" means any form of the chemical nicotine,  
6 including any salt or complex, regardless of whether the  
7 chemical is naturally or synthetically derived, and includes  
8 nicotinic alkaloids and nicotine analogs.

9 "Person" means any natural individual, firm, partnership,  
10 association, joint stock company, joint venture, limited  
11 liability company, or public or private corporation, however  
12 formed, or a receiver, executor, administrator, trustee,  
13 conservator, or other representative appointed by order of any  
14 court.

15 "Place of business" means and includes any place where  
16 tobacco products are sold or where tobacco products are  
17 manufactured, stored, or kept for the purpose of sale or  
18 consumption, including any vessel, vehicle, airplane, train,  
19 or vending machine.

20 "Prior continuous compliance taxpayer" means any person  
21 who is licensed under this Act and who, having been a licensee  
22 for a continuous period of 2 years, is determined by the  
23 Department not to have been either delinquent or deficient in  
24 the payment of tax liability during that period or otherwise  
25 in violation of this Act. "Prior continuous compliance  
26 taxpayer" also means any taxpayer who has, as verified by the

1 Department, continuously complied with the condition of his  
2 bond or other security under provisions of this Act for a  
3 period of 2 consecutive years. In calculating the consecutive  
4 period of time described in this definition for qualification  
5 as a prior continuous compliance taxpayer, a consecutive  
6 period of time of qualifying compliance immediately prior to  
7 the effective date of this amendatory Act of the 103rd General  
8 Assembly shall be credited to any licensee who became licensed  
9 on or before the effective date of this amendatory Act of the  
10 103rd General Assembly. A distributor that is a prior  
11 continuous compliance taxpayer and becomes a successor to a  
12 distributor as the result of an acquisition, merger, or  
13 consolidation of that distributor shall be deemed to be a  
14 prior continuous compliance taxpayer with respect to the  
15 acquired, merged, or consolidated entity.

16 "Retailer" means any person in this State engaged in the  
17 business of selling tobacco products to consumers in this  
18 State, regardless of quantity or number of sales.

19 "Sale" means any transfer, exchange, or barter in any  
20 manner or by any means whatsoever for a consideration and  
21 includes all sales made by persons.

22 "Stamp" or "stamps" mean the indicia required to be  
23 affixed on a package of little cigars that evidence payment of  
24 the tax on packages of little cigars containing 20 or 25 little  
25 cigars under Section 10-10 of this Act. These stamps shall be  
26 the same stamps used for cigarettes under the Cigarette Tax

1 Act.

2 "Stamping distributor" means a distributor licensed under  
3 this Act and also licensed as a distributor under the  
4 Cigarette Tax Act or Cigarette Use Tax Act.

5 "Tobacco products" means any product that is made from or  
6 derived from tobacco that is intended for human consumption or  
7 is likely to be consumed, including but not limited to cigars,  
8 including little cigars; cheroots; stogies; periques;  
9 granulated, plug cut, crimp cut, ready rubbed, and other  
10 smoking tobacco; snuff (including moist snuff) and snuff  
11 flour; cavendish; plug and twist tobacco; fine-cut and other  
12 chewing tobaccos; shorts; refuse scraps, clippings, cuttings,  
13 and sweeping of tobacco; snus; shisha and tobacco for use in  
14 waterpipes; and other kinds and forms of tobacco, prepared in  
15 such manner as to be suitable for chewing or smoking in a pipe  
16 or otherwise, or both for chewing and smoking or for  
17 inhalation, absorption, or ingesting by any other means; but  
18 does not include cigarettes as defined in Section 1 of the  
19 Cigarette Tax Act or tobacco purchased for the manufacture of  
20 cigarettes by cigarette distributors and manufacturers defined  
21 in the Cigarette Tax Act and persons who make, manufacture, or  
22 fabricate cigarettes as a part of a Correctional Industries  
23 program for sale to residents incarcerated in penal  
24 institutions or resident patients of a State operated mental  
25 health facility.

26 Beginning on July 1, 2019, "tobacco products" also

1 includes electronic cigarettes.

2 Beginning July 1, 2025, "tobacco products" also includes  
3 any product that is made from or derived from tobacco, or that  
4 contains nicotine whether natural or synthetic, that is  
5 intended for human consumption or is likely to be consumed,  
6 including but not limited to nicotine pouches, lozenges, and  
7 gum; and other kinds and forms of nicotine prepared in such  
8 manner as to be suitable for chewing or smoking in a pipe or  
9 otherwise, or both for chewing and smoking or for inhalation,  
10 absorption, or ingesting by any other means.

11 "Tobacco products" does not include any product that has  
12 been approved by the United States Food and Drug  
13 Administration for sale as a tobacco or smoking cessation  
14 product, a nicotine replacement therapy product, or for other  
15 medical purposes where that product is marketed and sold  
16 solely for such approved use, including but not limited to  
17 spray or inhaler prescribed by a physician, chewing gum, skin  
18 patches, or lozenges. "Tobacco products" also does not include  
19 any hemp-cannabinoid product subject to the tax under Section  
20 80 of the Industrial Hemp Act.

21 "Wholesale price" means the established list price for  
22 which a manufacturer sells tobacco products to a distributor,  
23 before the allowance of any discount, trade allowance, rebate,  
24 or other reduction. In the absence of such an established list  
25 price, the manufacturer's invoice price at which the  
26 manufacturer sells the tobacco product to unaffiliated

1 distributors, before any discounts, trade allowances, rebates,  
2 or other reductions, shall be presumed to be the wholesale  
3 price.

4 "Wholesaler" means any person, wherever resident or  
5 located, engaged in the business of selling tobacco products  
6 to others for the purpose of resale. "Wholesaler", when used  
7 in this Act, does not include a person licensed as a  
8 distributor under Section 10-20 of this Act unless expressly  
9 stated in this Act.

10 (Source: P.A. 103-1001, eff. 8-9-24; 104-6, eff. 7-1-25.)

11 Section 20. The Liquor Control Act of 1934 is amended by  
12 adding Section 6-29.2 as follows:

13 (235 ILCS 5/6-29.2 new)

14 Sec. 6-29.2. Hemp products.

15 (a) As used in this Section:

16 "Hemp business license" means a hemp distributor, hemp  
17 cultivator, hemp processor, hemp retailer, or hemp food  
18 establishment license issued under the Industrial Hemp Act.

19 "Hemp-cannabinoid product" means a finished product  
20 for sale to hemp-cannabinoid users or medical patients within  
21 the State that contains cannabinoids derived from industrial  
22 hemp and is intended for human consumption, and that meets the  
23 packaging, labeling, and testing requirements of the  
24 Industrial Hemp Act.

1           "Hemp extract" means a substance or compound intended  
2 for ingestion or inhalation that is derived from or contains  
3 hemp and that does not contain other controlled substances.

4           (b) Hemp extract, hemp-cannabinoid products, and any other  
5 ingredient or product derived from hemp made in compliance  
6 with State law or the originating jurisdiction shall be  
7 considered fit for human consumption and shall not be  
8 considered injurious to health or deleterious for human  
9 consumption.

10          (c) License holders under this Act may buy, import,  
11 manufacture, produce, possess, hold, distribute, transport,  
12 transfer, sell, serve, sample, dispense, deliver, market, and  
13 advertise hemp-cannabinoid products and any other act in  
14 compliance with this Section.

15          (d) Nothing in this Act:

16           (1) prohibits the issuance of a license or permit to a  
17 person also holding a hemp business establishment license  
18 authorizing the manufacture, distribution, or retail sale  
19 of hemp-cannabinoid products as described in the  
20 Industrial Hemp Act;

21           (2) allows any agreement between a licensing authority  
22 and license or permit holder that prohibits the license or  
23 permit holder from also holding a hemp manufacturer,  
24 distributor, or retailer license; or

25           (3) allows the revocation or suspension of a license  
26 or permit, or the imposition of a penalty on a license or

1 permit holder, due to the license or permit holder also  
2 holding a hemp business license.

3 Section 25. The Industrial Hemp Act is amended by changing  
4 Sections 5, 10, 15, 17, 18, 19, 20, and 25 and by adding  
5 Sections 3, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, 5.7, 5.8, 5.9, 5.10,  
6 5.11, 5.12, 5.13, 7, 8, 8-5, 11, 16, 18.5, 18.10, 21, 22, 22.5,  
7 22.10, 22.15, 23, 23.10, 23.15, 23.20, 23.25, 23.30, 23.35,  
8 24, 26, 27, 28, 30, 35, 40, 45, 50, 55, 60, 65, 80, and 100 as  
9 follows:

10 (505 ILCS 89/3 new)

11 Sec. 3. Findings. The General Assembly finds that:

12 (1) In the interest of allowing law enforcement to focus  
13 on violent and property crimes, generating revenue for  
14 education, substance abuse prevention and treatment, freeing  
15 public resources to invest in communities and other public  
16 purposes, and individual freedom, the General Assembly finds  
17 and declares that the use of hemp-derived cannabinoids should  
18 be legal for persons 21 years of age or older and should be  
19 taxed and regulated in a manner similar to beer, wine,  
20 spirits, and cannabis.

21 (2) In the interest of the health and public safety of the  
22 residents of the State, the General Assembly further finds and  
23 declares that hemp-derived cannabinoids should be regulated in  
24 a manner similar to beer, wine, spirits, and cannabis so that:

1           (A) Persons will have to show proof of age before  
2           purchasing hemp-derived cannabinoids.

3           (B) Selling, distributing or transferring hemp-derived  
4           cannabinoids to minors and other persons under 21 years of  
5           age shall be illegal, except for limited circumstances  
6           where the transfer is made by a parent or guardian to their  
7           children, or the transfer is to a medical patient under  
8           the Compassionate Use of Medical Cannabis Program Act.

9           (C) Driving under the influence of hemp-derived  
10           cannabinoids, operating a watercraft under the influence  
11           of hemp-derived cannabinoids, and operating a snowmobile  
12           under the influence of hemp-derived cannabinoids shall be  
13           illegal.

14           (D) Legitimate, taxpaying businesspeople, and not  
15           criminal actors, will conduct the sales of hemp-derived  
16           cannabinoids.

17           (E) Hemp-derived cannabinoids sold in the State will  
18           be tested, labeled, and subject to additional regulation  
19           to ensure that purchasers are informed and protected.

20           (F) Purchasers will be informed of known health risks  
21           associated with the use of hemp-derived cannabinoids, as  
22           concluded by evidence-based, peer reviewed research.

23           (3) It is necessary to ensure consistency and fairness in  
24           the application of this Act throughout the State and that,  
25           therefore, the matters by this Act are, except as specified in  
26           this Act, matters of statewide concern.

1       (4) This Act shall not diminish the State's duties and  
2       commitment to purchasers and businesses that operate under the  
3       Cannabis Regulation and Tax Act, nor alter the protections  
4       granted to them.

5       (5) This Act shall not diminish the State's duties and  
6       commitment to seriously ill patients registered under the  
7       Compassionate Use of Medical Cannabis Program Act, nor alter  
8       the protections granted to them.

9       (6) Supporting and encouraging labor neutrality in the  
10       hemp-derived cannabinoid industry and employee workplace  
11       safety is desirable, and employer workplace policies shall be  
12       interpreted broadly to protect employee safety.

13       (505 ILCS 89/5)

14       Sec. 5. Definitions. In this Act:

15       "Batch" means a specific quantity of a specific  
16       cannabinoid product that is manufactured at the same time and  
17       using the same methods, equipment, and ingredients, that is  
18       uniform and intended to meet specifications for identity,  
19       strength, purity, and composition, and that is manufactured,  
20       packaged, and labeled according to a single batch production  
21       record executed and documented during the same cycle of  
22       manufacture and produced by a continuous process.

23       "Batch cycle" means a specific quantity of a specific  
24       cannabinoid product that is manufactured using the same  
25       methods, equipment, and ingredients, that is uniform and

1 intended to meet specifications for identity, strength,  
2 purity, and composition, and that is manufactured, packaged,  
3 and labeled according to a batch cycle production record  
4 executed and documented during the same cycle of manufacture.

5 "Bona fide labor organization" means a labor organization  
6 recognized under the federal Labor Relations Act.

7 "Broad spectrum" means a hemp concentrate, or  
8 hemp-cannabinoid product containing multiple hemp-derived  
9 cannabinoids, terpenes, and other naturally occurring  
10 compounds, processed with the intentional removal of delta-9  
11 Tetrahydrocannabinol.

12 "Cannabinoid menu item" means a restaurant-type food that  
13 incorporates ready-to-eat cannabinoids included on a menu or  
14 menu board or offered as a self-service food or food on  
15 display.

16 "Cannabinoid retail tax" means a tax of 5% that is  
17 assessed on the final retail sale on qualified products.

18 "Cottage hemp-cannabinoid products" means a type of  
19 hemp-cannabinoid product available for human consumption.

20 "Cottage hemp-cannabinoid products" includes time and  
21 temperature controlled foods as defined in Section 1-201.10 of  
22 the Food Code that utilize intermediate hemp products as an  
23 input and are produced by a cottage hemp food operator.

24 "Cottage hemp food operator" means an individual who  
25 produces food or drink, other than foods and drinks listed as  
26 prohibited by Section 4 of the Food Handling Regulation

1 Enforcement Act, that incorporate intermediate hemp products  
2 in a kitchen located in that person's primary domestic  
3 residence or another appropriately designed and equipped  
4 kitchen on a farm for direct sale by the individual, a family  
5 member, or an employee.

6 "Department" means the Department of Agriculture, the  
7 Department of Public Health, or the Department of Financial  
8 and Professional Regulation from which the concerned  
9 hemp-cannabinoid business establishment secured its  
10 registration.

11 "Director" means the Director of Agriculture with  
12 jurisdiction over the licensee or registrant as specified in  
13 this Act.

14 "Disproportionately impacted area" means a census tract or  
15 comparable geographic area as determined by the Department of  
16 Commerce and Economic Opportunity, that meets at least one of  
17 the following criteria:

18 (1) 20% or more of the households in the area have  
19 incomes at or below 185% of the poverty guidelines updated  
20 periodically in the federal register by the federal  
21 Department of Health and Human Services under the  
22 authority of Section 9902 of the Community Services Block  
23 Grant Program;

24 (2) 75% or more of the children in the area  
25 participate in the national school lunch program according  
26 to reported statistics from the State Board of Education;

1           (3) at least 20% of the households in the area receive  
2           assistance under the Supplemental Nutrition Assistance  
3           Program; or

4           (4) the area has an average unemployment rate, as  
5           determined by the Department of Employment Security, that  
6           is more than 120% of the national employment average, as  
7           determined by the federal Department of Labor, for a  
8           period of at least 2 consecutive calendar years preceding  
9           the date of the application and has high rates or arrest,  
10           conviction, and incarceration related to the sale,  
11           possession, use, cultivation, manufacture, or transport of  
12           cannabis as defined under the Cannabis Regulation and Tax  
13           Act.

14           "Expiration date" or "use by date" means the month and  
15           year as determined by the manufacturer, packer, or  
16           distributor on the basis of tests or other information  
17           showing that the product, until that date, under the  
18           conditions of handling, storage, preparation, and use per  
19           label directions will, when consumed, contain not less  
20           than the quantity of each ingredient as set forth on its  
21           label.

22           "Full-panel test" means a test that includes potency  
23           testing and tests for contaminants, such as pesticides,  
24           heavy metals, yeast, mold, and residual solvents.

25           "Full spectrum" means a hemp concentrate or  
26           hemp-cannabinoid product containing multiple hemp-derived

1 cannabinoids, terpenes, and other naturally occurring  
2 compounds, processed without intentional complete removal  
3 of any compound and without the addition of isolated  
4 cannabinoids.

5 "Hemp" or "industrial hemp" means the plant Cannabis  
6 sativa L. and any part of that plant, whether growing or not,  
7 with a delta-9 tetrahydrocannabinol concentration of not more  
8 than 0.3% ~~percent~~ on a dry weight basis that has been  
9 cultivated under a license issued under this Act or is  
10 otherwise lawfully present in this State ~~and includes any~~  
11 ~~intermediate or finished product made or derived from~~  
12 ~~industrial hemp.~~

13 "Hemp business establishment" or "industrial hemp business  
14 establishment" means a hemp cultivator, hemp processor, hemp  
15 distributor, hemp retailer, hemp food establishment, or  
16 cottage hemp food operator.

17 "Hemp-cannabinoid" means the chemical constituents of  
18 industrial hemp plants that are naturally occurring and  
19 derived from hemp plants with less than 0.3% delta-9 THC as  
20 tested on a dry weight basis.

21 "Hemp-cannabinoid product" means a finished product for  
22 sale to hemp-cannabinoid users or medical patients within the  
23 State that contains cannabinoids derived from industrial hemp,  
24 is intended for human consumption, and meets the packaging,  
25 labeling, and testing requirements of this Act.

26 "Hemp-cannabinoid user" means a member of the general

1 public who buys or uses goods and who is protected by laws  
2 against unfair or fraudulent practices in the marketplace.

3 "Hemp concentrate" means the extracts and resins of a hemp  
4 plant or hemp plant parts, including the extracts or resins of  
5 a hemp plant or hemp plant parts that are refined to increase  
6 or decrease the presence of targeted cannabinoids.

7 "Hemp cultivator" means an Illinois farm or facility  
8 operated by an organization or business that is licensed by  
9 the Department of Agriculture to grow industrial hemp.

10 "Hemp distributor" means a facility operated by an  
11 organization or business that is licensed by the Department of  
12 Financial and Professional Regulation to distribute or sell  
13 live hemp products and hemp-cannabinoid products to other hemp  
14 business establishments.

15 "Hemp extract" means a substance or compound intended for  
16 ingestion or inhalation that is derived from or contains hemp  
17 and that does not contain other controlled substances.

18 "Hemp food establishment" means a facility regulated by  
19 the Department of Public Health that incorporates intermediate  
20 hemp products in the manufacturing, processing, or preparation  
21 of prepackaged or ready-to-eat hemp-cannabinoid products  
22 intended for human ingestion and which meets the requirements  
23 of this Act.

24 "Hemp justice participant" means an individual who is an  
25 Illinois resident, who has been convicted of a non-violent  
26 felony relating to a controlled substance under State or

1 federal law related to cannabis within the last 10 years  
2 before the effective date of this amendatory Act of the 104th  
3 General Assembly, and who is prohibited either by 7 U.S.C.  
4 1639q from participating in an industrial hemp program or by 7  
5 U.S.C. 1639r from producing hemp under any regulations or  
6 guidelines.

7 "Hemp microgreens" means immature hemp seedlings grown for  
8 human consumption that are harvested above the soil or  
9 substrate line before flowering, that are not more than 14  
10 days after germination, and that are no more than 5 inches in  
11 height.

12 "Hemp processor" means a facility operated by an  
13 organization or business that is licensed by the Department of  
14 Agriculture to convert raw industrial hemp material into  
15 processed hemp products or intermediate hemp products through  
16 processes, such as extraction, synthesis, or concentration of  
17 constituent chemicals and compounds from raw hemp or  
18 intermediate hemp products.

19 "Hemp production plan" means a plan submitted by the  
20 Department to the Secretary of the United States Department of  
21 Agriculture pursuant to the federal Agriculture Improvement  
22 Act of 2018, Public Law 115-334, and consistent with the  
23 Domestic Hemp Production Program pursuant to 7 CFR Part 990  
24 wherein the Department establishes its desire to have primary  
25 regulatory authority over the production of hemp.

26 "Hemp retailer" means a retailer operated by an

1 organization or business that is licensed by the Department of  
2 Financial and Professional Regulation to sell live hemp  
3 products or hemp-cannabinoid products to hemp-cannabinoid  
4 users or medical patients.

5 "Hemp social equity participant" means an individual who  
6 is a State resident or business entity in the State that meets  
7 one or a combination of any of the following criteria:

8 (1) an applicant with at least 51% ownership and  
9 control by one or more individuals who have resided for at  
10 least 5 of the preceding 10 years in a disproportionately  
11 impacted area; or

12 (2) an applicant with at least 51% ownership and  
13 control by one or more individuals who: (i) have been  
14 arrested for, convicted of, or adjudicated delinquent for  
15 any offense that is eligible for expungement under the  
16 Cannabis Regulation and Tax Act; or (ii) is a member of an  
17 impacted family.

18 "Human consumption" means inhalation or ingestion and does  
19 not include topical application.

20 "Illinois hemp" means industrial hemp grown, processed or  
21 produced by hemp business establishments licensed and located  
22 within the State under this Act.

23 "Imported hemp" means industrial hemp that incorporates  
24 raw hemp or intermediate hemp products not produced in  
25 Illinois.

26 "Ingestion" means the process of consuming cannabinoid

1 products through the mouth, whether by swallowing into the  
2 gastrointestinal system or through tissue absorption.

3 "Inhalation" means the process of consuming cannabinoid  
4 products through the mouth or nasal passages into the  
5 respiratory system.

6 "Intermediate hemp products" means products that are made  
7 from processed hemp that can only be sold to hemp business  
8 establishments to be used as ingredients for other  
9 intermediate hemp products or final hemp-cannabinoid products  
10 for human consumption, either by ingestion or inhalation.

11 "Isolate-based" means a hemp concentrate or  
12 hemp-cannabinoid product containing isolated hemp-derived  
13 cannabinoids as the only cannabinoid source.

14 "Labor peace agreement" means an agreement between a hemp  
15 business establishment and a bona fide labor organization that  
16 prohibits labor organizations and members from engaging in  
17 picketing, work stoppages, boycotts, and any other economic  
18 interference with the hemp business establishment and that  
19 prohibits the hemp business establishment from disrupting  
20 efforts by the bona fide labor organization to communicate  
21 with, and attempt to organize and represent, the hemp business  
22 establishment's employees.

23 "IDOA" means the Department of Agriculture.

24 "Land area" means a farm as defined in Section 1-60 of the  
25 Property Tax Code, land otherwise properly zoned for hemp  
26 cultivation in this State, or land or facilities under the

1 control of an institution of higher education.

2 "Live hemp products" means living plants, plant cuttings,  
3 viable seeds, or tissue culture that can be used to propagate  
4 new industrial hemp plants.

5 "Manufacturing" means preparing or packaging products  
6 consisting of or containing hemp extract intended for human  
7 consumption.

8 "Medical patient" means an individual that has been issued  
9 a medical card under the Compassionate Use of Medical Cannabis  
10 Program Act and that is allowed to purchase live hemp products  
11 and to grow at their residence under the Cannabis Regulation  
12 and Tax Act.

13 "Menu" or "menu board" means the primary writing of the  
14 establishment from which a customer makes an order selection,  
15 including, but not limited to, breakfast, lunch, and dinner  
16 menus, dessert menus, beverage menus, other specialty menus,  
17 electronic menus, and menus on the Internet.

18 "Ornamental hemp" means mature or immature hemp plants  
19 that are not grown for human consumption and will not be  
20 harvested for any purpose except disposal.

21 "Person" means any individual, partnership, firm,  
22 corporation, company, society, association, the State or any  
23 department, agency, or subdivision thereof, or any other  
24 entity.

25 "Potency test" means a test on hemp-derived products that  
26 measures the number and amount of cannabinoids, such as THC,

1 in a sample.

2 "Process" means the conversion of raw industrial hemp  
3 plant material into a form that is presently legal to import  
4 from outside the United States under federal law.

5 "Processor" or "extractor" means the establishment that  
6 removes the hemp extract oil from the hemp plant or refines or  
7 isomerizes the hemp extract oil into other cannabinoids.

8 "Processed hemp products" means products that are derived  
9 from industrial hemp that are made for purposes other than  
10 human consumption. "Processed hemp products" includes hemp  
11 fibers, hemp hurd, hempcrete, hemp fuels, hemp topicals and  
12 lotions, as well as other products, like clothing, plastics,  
13 paper or textiles that use or may incorporate elements of  
14 industrial hemp.

15 "Raw hemp products" means products that are derived from  
16 industrial hemp that are not processed or refined with any  
17 solvents or chemical reactions. "Raw hemp products" includes  
18 hulled hemp seed, hemp seed protein powder, hemp seed oil,  
19 hemp stalks, hemp leaves, and artwork incorporating hemp  
20 by-products.

21 "Ready-to-eat hemp-cannabinoid products" means a type of  
22 hemp-cannabinoid product available for human consumption,  
23 including time and temperature controlled foods as defined in  
24 Section 1-201.10 of the federal Food Code, that uses  
25 intermediate hemp products as an input and that is produced as  
26 a single serving in a retail food establishment.

1       "Retail sale" or "at retail" means any sale of cannabinoid  
2 products that would be subject to the Retailer's Occupation  
3 Tax Act.

4       "Serving" or "serving size" means the amount of product  
5 intended to be consumed in a single serving as declared on the  
6 label expressed in a common household measure.

7       "THC" means delta-9 tetrahydrocannabinol. "THC" does not  
8 include CBD, CBG, CBN, delta-7 THC, delta-8 THC, delta-10 THC,  
9 THCa, THCV, THCVa, and other yet to be discovered  
10 cannabinoids.

11       (Source: P.A. 102-690, eff. 12-17-21.)

12       (505 ILCS 89/5.1 new)

13       Sec. 5.1. Cottage hemp-cannabinoid product requirements.  
14 Cottage hemp-cannabinoid products may only be sold directly to  
15 hemp-cannabinoid users or medical patients within the State  
16 and must contain delta-9 THC levels below 0.3% by weight.

17       (505 ILCS 89/5.2 new)

18       Sec. 5.2. Cottage hemp food operator requirements. Cottage  
19 hemp food operators must disclose that prepared ready-to-eat  
20 hemp-cannabinoid products are Cottage hemp-cannabinoid  
21 products and adhere to the labeling and disclosure  
22 requirements in the Act. Cottage hemp food operators may not  
23 use more than the equivalent of 1,000 grams of delta-9 THC  
24 contained in intermediate hemp products on an annual basis and

1 must register with a hemp distributor, who is responsible for  
2 collecting and remitting hemp-cannabinoid taxes on behalf of  
3 the cottage hemp food operator. Cottage hemp food products  
4 cannot be sold to other hemp business establishments.

5 (505 ILCS 89/5.3 new)

6 Sec. 5.3. Hemp cultivator requirements. Hemp cultivator  
7 facilities may be located outdoors, in greenhouses, or indoors  
8 and may be located on residentially zoned properties in  
9 accordance with permitted agricultural use guidelines from  
10 local zoning ordinances, except as provided under Section 10.

11 (505 ILCS 89/5.4 new)

12 Sec. 5.4. Hemp food establishment requirements. Hemp food  
13 establishments that obtain a hemp retailer license, are  
14 licensed as retail food establishments, and who adhere to the  
15 additional requirements of this Act may sell ready-to-eat  
16 hemp-cannabinoid products to hemp-cannabinoid users or medical  
17 patients.

18 (505 ILCS 89/5.5 new)

19 Sec. 5.5. Hemp retailer requirements. Hemp retailers are  
20 responsible for collecting and remitting hemp-cannabinoid  
21 taxes under this Act.

22 (505 ILCS 89/5.6 new)

1       Sec. 5.6. Illinois hemp requirements. The Illinois hemp  
2 designation can be applied to live hemp products, raw hemp  
3 products, intermediate hemp products, and hemp-cannabinoid  
4 products. In order to maintain the Illinois hemp designation,  
5 hemp-cannabinoid and intermediate hemp products must be  
6 produced in the State and cannot incorporate any form of  
7 imported hemp. For Illinois hemp business establishments with  
8 certain programs, such as with respect to hemp program justice  
9 participants, individuals with non-violent State or federal  
10 controlled substance felony convictions within the last 10  
11 years, or other programs that may touch on federal  
12 prohibitions founded on the interstate commerce clause of the  
13 United States Constitution, these Illinois hemp business  
14 establishments may only legally produce, process, and  
15 distribute Illinois hemp within the State and they may not  
16 export Illinois hemp.

17           (505 ILCS 89/5.7 new)

18       Sec. 5.7. Intermediate hemp product requirements. The 0.3%  
19 delta-9 THC limit does not apply for intermediate hemp  
20 products.

21           (505 ILCS 89/5.8 new)

22       Sec. 5.8. Labor peace agreement requirements. A labor  
23 peace agreement shall provide a bona fide labor organization  
24 access at reasonable times to areas where the hemp business

1 establishment's employees work for the purpose of meeting with  
2 employees to discuss their right to representation, employment  
3 rights under State law, and terms and conditions of  
4 employment. A labor peace agreement shall not mandate a  
5 particular method of election or certification of the bona  
6 fide labor organization.

7 (505 ILCS 89/5.9 new)

8 Sec. 5.9. Live hemp product requirements. For a live hemp  
9 product, a representative sample of the live hemp material  
10 must test under 0.3% delta-9 THC by weight using high  
11 performance liquid chromatography or comparable technologies  
12 capable of identifying delta-9 THC separately from other  
13 cannabinoids. Live hemp material can only be sold or  
14 transferred to other hemp cultivators or medical patients.

15 (505 ILCS 89/5.10 new)

16 Sec. 5.10. Medical patient requirements. Medical patients  
17 under the age of 21 are authorized to purchase  
18 hemp-cannabinoid products.

19 (505 ILCS 89/5.11 new)

20 Sec. 5.11. Raw hemp product requirements. Raw hemp  
21 products may be sold by any legal business entity within the  
22 State, can be purchased by any member of the general public,  
23 and are not subject to hemp-cannabinoid product taxes.

1 (505 ILCS 89/5.12 new)

2 Sec. 5.12. Ready-to-eat hemp product requirements.  
3 Ready-to-eat hemp products must be registered under this Act  
4 and may only be sold directly to hemp-cannabinoid users or  
5 medical patients within the State.

6 (505 ILCS 89/5.13 new)

7 Sec. 5.13. Serving or serving size requirements. A serving  
8 size may be indicated by marking or scoring on packaging or  
9 labeling.

10 (505 ILCS 89/7 new)

11 Sec. 7. Lawful user and lawful product.

12 (a) A person shall not be considered an unlawful user or  
13 addicted to narcotics solely as a result of their possession  
14 or use of hemp-derived cannabinoids in accordance with this  
15 Act.

16 (b) Hemp extract used as a food ingredient or for any food  
17 products that are possessed, distributed, or sold in  
18 compliance with this Act shall not be considered adulterated  
19 or misbranded food products and shall be considered food.

20 (c) The Department shall permit the sale or transfer of  
21 marketable hemp products, including, but not limited to,  
22 stripped stalks, fiber, dried roots, nonviable seeds, seed  
23 oils, floral material, and plant extracts, to members of the

1 general public, both within and outside the State, in  
2 compliance with this Act.

3 (d) Lawful products under this Act may be transported by  
4 consumers and may not constitute probable cause for a traffic  
5 stop or vehicle inspection.

6 (e) Persons may legally possess, cultivate, transport,  
7 distribute, process, sell, and buy food products, including  
8 beverages, that contain a delta-9 THC concentration of not  
9 more than 0.3% by weight.

10 (505 ILCS 89/8 new)

11 Sec. 8. Unlawful user; persons under 21 years of age.

12 (a) Nothing in this Act is intended to permit the transfer  
13 of hemp-cannabinoid product, with or without remuneration, to  
14 a person under 21 years of age, or to allow a person under 21  
15 years of age to purchase, possess, use, process, transport, or  
16 consume hemp-cannabinoid products unless the person is:

17 (1) over the age of 18 and in possession of a valid  
18 medical card under the Compassionate Use of Medical  
19 Cannabis Program Act;

20 (2) over the age of 18 and in possession of a valid  
21 military ID; or

22 (3) under the supervision of a parent or legal  
23 guardian.

24 (b) Except as provided under subsection (a), nothing in  
25 this Act authorizes a person who is under 21 years of age to

1 possess hemp-cannabinoid products. Except as provided under  
2 subsection (a), a person under 21 years of age with  
3 hemp-cannabinoid products in his or her possession is guilty  
4 of a civil law violation as described in Section 4 of the  
5 Cannabis Control Act.

6 (c) If the person under the age of 21 was driving a motor  
7 vehicle at the time of the offense, the Secretary of State may  
8 suspend or revoke the driving privileges of any person for a  
9 violation of this Section under Section 6-206 of the Vehicle  
10 Code.

11 (505 ILCS 89/8-5 new)

12 Sec. 8-5. Unlawful user; limitations and penalties.

13 (a) This Act does not permit any person to engage in, and  
14 does not prevent the imposition of any civil, criminal, or  
15 other penalties for engaging in, any of the following conduct:

16 (1) Undertaking any task under the influence of  
17 hemp-cannabinoid products when doing so would constitute  
18 negligence, professional malpractice, or professional  
19 misconduct.

20 (2) Possessing hemp-cannabinoid products in the  
21 following places:

22 (A) on a school bus, unless permitted for a  
23 qualifying patient or caregiver pursuant to the  
24 Compassionate Use of Medical Cannabis Program Act;

25 (B) on the grounds of any preschool or primary or

1 secondary school, unless permitted for a qualifying  
2 patient or caregiver pursuant to the Compassionate Use  
3 of Medical Cannabis Program Act;

4 (C) any correctional facility; or

5 (D) a private residence that is used at any time to  
6 provide licensed childcare or other similar social  
7 service care on the premises;

8 (3) Using hemp-cannabinoid products:

9 (A) on a school bus, unless permitted for a  
10 qualifying patient or caregiver pursuant to the  
11 Compassionate Use of Medical Cannabis Program Act;

12 (B) on the grounds of any preschool or primary or  
13 secondary school, unless permitted for a qualifying  
14 patient or caregiver pursuant to the Compassionate Use  
15 of Medical Cannabis Program Act;

16 (C) any correctional facility;

17 (D) any motor vehicle; or

18 (E) a private residence that is used at any time to  
19 provide licensed childcare or other similar social  
20 service care on the premises.

21 (4) Smoking hemp in any place where smoking is  
22 prohibited under the Smoke Free Illinois Act;

23 (5) Operating, navigating, or being in actual physical  
24 control of any motor vehicle, aircraft, watercraft, or  
25 snowmobile while using or under the influence of  
26 hemp-cannabinoid products in violation of Sections 11-501

1 or 11-502.1 of the Vehicle Code, Section 5-16 of the Boat  
2 Registration and Safety Act, or Section 5-7 of the  
3 Snowmobile Registration and Safety Act;

4 (6) Facilitating the use of hemp-cannabinoid products  
5 by any person who is not allowed to use cannabis under this  
6 Act or the Compassionate Use of Medical Cannabis Program  
7 Act.

8 (7) Transferring hemp-cannabinoid products to any  
9 person contrary to this Act or the Compassionate Use of  
10 Medical Cannabis Program Act.

11 (8) Nothing in this Act prevents a public employer of  
12 law enforcement officers, corrections officers, probation  
13 officers, paramedics, or firefighters from prohibiting or  
14 taking disciplinary action for the consumption,  
15 possession, sales, purchase, or delivery of hemp or  
16 hemp-infused substances while on duty, unless provided for  
17 in the employer's policies. However, an employer may not  
18 take adverse employment action against an employee based  
19 solely on the lawful possession or consumption of hemp or  
20 hemp-infused substances by members of the employee's  
21 household. To the extent that this Section conflicts with  
22 any applicable collective bargaining agreement, the  
23 provisions of the collective bargaining agreement shall  
24 prevail. Furthermore, nothing in this Act shall be  
25 construed to limit in any way the right to collectively  
26 bargain over the subject matters contained in this Act.

1           (9) The use of hemp-cannabinoid products by a person  
2           who has a school bus permit or a commercial driver's  
3           license while on duty. As used in this Section, "public  
4           place" means any place where a person could reasonably be  
5           expected to be observed by others. "Public place" includes  
6           all parts of buildings owned in whole or in part, or  
7           leased, by the State or a unit of local government.  
8           "Public place" includes all areas in a park, recreation  
9           area, wildlife area, or playground owned in whole or in  
10           part, leased, or managed by the State or a unit of local  
11           government. "Public place" does not include a private  
12           residence unless the private residence is used to provide  
13           licensed childcare, foster care, or other similar social  
14           service care on the premises.

15           (b) Nothing in this Act shall be construed to prevent the  
16           arrest or prosecution of a person for reckless driving or  
17           driving under the influence of hemp-cannabinoid products,  
18           operating a watercraft under the influence of hemp-cannabinoid  
19           products, or operating a snowmobile under the influence of  
20           hemp-cannabinoid products if probable cause exists.

21           (c) Nothing in this Act shall prevent a private business  
22           from restricting or prohibiting the use of hemp-cannabinoid  
23           products on its property, including areas where motor vehicles  
24           are parked.

25           (d) Nothing in this Act shall be construed to allow an  
26           individual or business entity to violate federal law,

1 including institutions that must abide by the Drug-Free  
2 Schools and Communities Act Amendments of 1989.

3 (505 ILCS 89/10)

4 Sec. 10. Licenses and registration.

5 (a) (Blank) ~~No person shall cultivate industrial hemp in~~  
6 ~~this State without a license issued by the Department.~~

7 (b) (Blank) ~~The application for a license shall include:~~

8 ~~(1) the name and address of the applicant;~~

9 ~~(2) the legal description of the land area, including~~  
10 ~~Global Positioning System coordinates, to be used to~~  
11 ~~cultivate industrial hemp; and~~

12 ~~(3) if federal law requires a research purpose for the~~  
13 ~~cultivation of industrial hemp, a description of one or~~  
14 ~~more research purposes planned for the cultivation of~~  
15 ~~industrial hemp which may include the study of the growth,~~  
16 ~~cultivation, or marketing of industrial hemp; however, the~~  
17 ~~research purpose requirement shall not be construed to~~  
18 ~~limit the commercial sale of industrial hemp.~~

19 (b-5) (Blank) ~~A person shall not process industrial hemp~~  
20 ~~in this State without registering with the Department on a~~  
21 ~~form prescribed by the Department.~~

22 (c) (Blank) ~~The Department may determine, by rule, the~~  
23 ~~duration of a license or registration; application,~~  
24 ~~registration, and license fees; and the requirements for~~  
25 ~~license or registration renewal.~~

1       (d) Each applicant for an industrial hemp business  
2 establishment license shall submit a signed, complete,  
3 accurate and legible application form provided by the  
4 appropriate Department. The Department of Agriculture shall  
5 regulate hemp cultivation and hemp processing licenses. The  
6 Department of Financial and Professional Regulation shall  
7 regulate hemp distributors and hemp retailers. The Department  
8 of Public Health shall regulate hemp food establishments. The  
9 applicant shall provide the following for the appropriate  
10 license being sought:

11           (1) for all applicants, the name, address, phone  
12 number, and email address of the person or entity applying  
13 for the license.

14           (2) for all applicants, the type of business or  
15 organization (corporation, LLC, or partnership, etc.) as  
16 well as the entity's EIN.

17           (3) for all applicants, business name and address, if  
18 different than the ones submitted in response to paragraph  
19 (1) of subsection (d). This shall include the full name of  
20 the business, address of the principal business location,  
21 and the full name and title of the key participants.

22           (4) for hemp cultivator applicants, the legal  
23 description of the land area, including global positioning  
24 system coordinates of each contiguous land area, to be  
25 used to cultivate industrial hemp.

26           (5) optionally, for hemp cultivator applicants, a map

1 of the land area on which the applicant plans to grow  
2 industrial hemp, showing the boundaries and dimensions of  
3 the growing area in acres or square feet or a  
4 self-reporting of the hemp acreage of the cultivation to  
5 the nearest whole acre.

6 (6) for all applicants, the applicable fee prescribed  
7 by this Act.

8 (7) for hemp cultivator applicants, the varieties of  
9 industrial hemp that are intended for cultivation.

10 (8) for hemp cultivator applicants, an acknowledgment  
11 and consent to the Department collecting, maintaining, and  
12 providing to the U.S. Department of Agriculture directly  
13 and through the online platform of the U.S. Department of  
14 Agriculture, any required data, including but not limited  
15 to; status, contact, disposal reporting, background checks  
16 if required by the U.S. Department of Agriculture, and  
17 real-time information for each hemp licensee licensed or  
18 authorized in the State.

19 (9) for hemp cultivator applicants, if federal law  
20 requires a research purpose for the cultivation of  
21 industrial hemp and the applicant, a description of one or  
22 more research purposes planned for the cultivation of  
23 industrial hemp which may include the study of the growth,  
24 cultivation, or marketing of industrial hemp; however, the  
25 research purpose requirement shall not be construed to  
26 limit the commercial sale of industrial hemp.

1           (10) the nature of the processing by the registrant,  
2           should the applicant wish to process industrial hemp.

3           The Department of Agriculture may encourage hemp business  
4           establishment applicants under this Section to enter into a  
5           labor peace agreement with a bona fide labor organization.

6           (e) Within 30 calendar days after receipt of a completed  
7           application and the associated fee, the Department will either  
8           issue a license or deny the application. Incomplete  
9           applications or applications that do not meet the requirements  
10           for licensure or registration will be denied. A rejected and  
11           an additional application fee will be collected for corrected  
12           or new applications.

13           (f) License or registration shall be good for a maximum of  
14           one calendar year from the date of issuance.

15           (g) An applicant or licensee shall submit the following  
16           nonrefundable fees with each license application submitted, in  
17           the form of a certified check or money order payable to the  
18           licensing agency, or by such other means as approved by the  
19           Department. The registration, application, and renewal fee for  
20           any hemp business establishment shall be no more than \$500 for  
21           each annual license. Notwithstanding the foregoing, a hemp  
22           cultivator entity shall pay a flat annual fee of \$100 for a  
23           license and license renewal.

24           (h) Qualifying academic research institutions shall pay a  
25           flat annual fee of \$100 for license and license renewal.

26           (i) Qualifying government research and demonstration

1 entities shall pay a flat annual fee of \$100 for a license and  
2 license renewal. The Department is exempt from this fee when  
3 registering as a qualifying government research and  
4 demonstration entity.

5 (j) For social equity applicants, the Department shall  
6 waive 50% of any nonrefundable permit application fees, any  
7 nonrefundable fees associated with operating a hemp business  
8 establishment, and financial requirements for social equity  
9 applicant who is applying for its first hemp business  
10 establishment permit.

11 (k) If the Department determines that an applicant who  
12 applied as a social equity applicant is not eligible for such  
13 status, the applicant shall be provided an additional 10 days  
14 to provide alternative evidence that he or she qualifies as a  
15 social equity applicant. Alternatively, the applicant may pay  
16 the remainder of the waived fee and be considered as a  
17 non-social equity applicant. If the applicant cannot do  
18 either, then the Department may keep the initial permit fee.

19 (l) The Department shall issue an unlimited number of  
20 licenses for each type of hemp business establishment.

21 (m) The Department shall not limit the number of licenses  
22 an individual may hold.

23 (n) Any entity, including businesses licensed under the  
24 Cannabis Regulation and Tax Act and the Compassionate Use of  
25 Medical Cannabis Program Act, may hold any or all hemp  
26 business establishment license, except for a cottage food

1 operation license.

2 (o) A hemp business establishment license can be obtained  
3 by an out-of-state entity, provided that the applicant on the  
4 application agrees to submit to tax nexus within the State and  
5 agrees to comply with the provisions under this Act for  
6 jurisdictional, regulatory and enforcement purposes.

7 (p) A hemp business establishment's license shall only  
8 operate at the location listed on its license.

9 A hemp business establishment that wishes to change  
10 locations must submit a new application for the new location.

11 (q) As a condition of its license, hemp business  
12 establishments shall:

13 (1) operate in compliance with this Act;

14 (2) operate in accordance with the representations  
15 made in its application and license materials;

16 (3) ensure that any building used by the hemp business  
17 establishment is free from infestation by insects, rodents  
18 or pests; and

19 (4) ensure that any building or equipment used by the  
20 hemp business establishment for the storage or sale of  
21 live hemp, hemp-cannabinoid products, industrial hemp,  
22 hemp-cannabinoid products and ready-to-eat  
23 hemp-cannabinoid products are maintained in a clean and  
24 sanitary condition appropriate for the products being held  
25 and sold.

26 (r) No person except those holding the appropriate hemp

1 business establishment license and subject to the regulations  
2 established by the Department shall cultivate, grow, process,  
3 sell or infuse hemp, hemp-cannabinoid products for commercial  
4 purposes.

5 (s) The Department may refuse to issue a license to any of  
6 the following:

7 (1) anyone who fails to disclose or states falsely any  
8 information called for in the application;

9 (2) any principal officer, board member or persons  
10 having a financial or voting interest of 5% or greater on  
11 the license who is delinquent in (i) filing any required  
12 tax returns or (ii) paying any amounts owed to the State of  
13 Illinois; or

14 (3) anyone whose business address is zoned  
15 residential.

16 (Source: P.A. 102-690, eff. 12-17-21.)

17 (505 ILCS 89/11 new)

18 Sec. 11. Recordkeeping and reports.

19 (a) It is the duty of the hemp business establishment to  
20 keep at its licensed address or place of business, to be  
21 located within the State or digitally, complete and accurate  
22 records of all sales or other dispositions of live hemp  
23 products, intermediate hemp products and hemp-cannabinoid  
24 products sold, whether for itself or for another.

25 (b) The hemp business establishment must keep an actual

1 record of all sales and must report tax at the applicable  
2 rates, based on sales as reflected in the retailer's records.  
3 Books and records must be maintained in sufficient detail so  
4 that all receipts reported with respect to hemp products can  
5 be supported.

6 (c) At least 30 calendar days prior to harvest, to the best  
7 of the licensee's ability, each cultivator licensee shall file  
8 a harvest report on a form provided by the Department, that  
9 includes the expected harvest dates for industrial hemp  
10 cultivated by the licensee. Should the harvest dates change in  
11 excess of 5 calendar days, the licensee shall notify the  
12 Department of the new expected harvest date.

13 (d) No later than February 1 of each year, each cultivator  
14 licensee shall submit an industrial hemp cultivator final  
15 report to the Department that includes:

16 (1) total acres or square feet of industrial hemp  
17 planted in the previous calendar year;

18 (2) a description of each variety planted and  
19 harvested in the previous calendar year;

20 (3) total acres or square feet harvested in the  
21 previous calendar year; and

22 (4) total yield in the appropriate measurement, such  
23 as tonnage, seeds per acre, or other measurement approved  
24 by the Department.

25 (e) The Department shall provide the information in this  
26 Section to the U.S. Department of Agriculture within 30

1 calendar days of its receipt.

2 (f) Cultivator licensees shall report hemp planting  
3 acreage to the Farm Service Agency of the U.S. Department of  
4 Agriculture. This report shall be submitted to the Farm  
5 Service Agency within 30 calendar days after the completion of  
6 planting of an outdoor crop site, or within 30 calendar days  
7 after the first planting of hemp in the calendar year in an  
8 indoor cultivation site. At a minimum, the following  
9 information shall be reported:

- 10 (1) street address for each crop site;  
11 (2) geospatial location for each crop site;  
12 (3) acreage of each crop site; and  
13 (4) licensee identifying information.

14 (g) Each hemp business establishment is required to retain  
15 records sufficient to support deductions on the ground that  
16 deliveries of live hemp products, intermediate hemp products  
17 and hemp-cannabinoid products were made outside of the State,  
18 records shall include satisfactory evidence of delivery to and  
19 receipt by out-of-state consignees.

20 (h) Where a hemp business establishment sells live hemp  
21 products, intermediate hemp products, or hemp-cannabinoid  
22 products to another hemp business establishment that is not  
23 cottage hemp food operator, the seller shall render to the  
24 buyer an invoice describing the hemp product sold (including  
25 the tax rate category applicable to the product sold), the  
26 date of sale, and the quantity sold. Duplicate copies of all

1 such invoices must be made and preserved by such distributor  
2 for audit purposes.

3 (i) Where a distributor sells intermediate hemp products  
4 to a cottage hemp food operator, each original and duplicate  
5 invoice pertaining to such sale must be printed, stamped, or  
6 bear in writing, the following language: "Payment of Illinois  
7 hemp tax made by vendor issuing this invoice".

8 (j) Hemp business establishment records may be maintained  
9 electronically or physically for 3 years and be available for  
10 inspection by the Department upon request, unless the  
11 Department, in writing, authorizes their destruction or  
12 disposal at an earlier date.

13 (k) If a hemp distributor closes due to insolvency,  
14 revocation, bankruptcy or for any other reasons, all records  
15 must be preserved at the expense of the hemp distributing  
16 organization for at least 3 years in a form and location in the  
17 State acceptable to the Department, whose approval shall not  
18 be unreasonably withheld. The hemp distributing organization  
19 shall keep the records longer if requested by the Department  
20 for good cause. Upon request by the Department, the hemp  
21 distributing organization shall notify the Department of the  
22 location where the hemp retailing records are stored or  
23 transferred.

24 (l) Hemp food establishment records must be maintained  
25 electronically for 3 years and be available for inspection by  
26 the Department upon request. Required records include the

1 following:

2 (1) operating procedures and recipes;

3 (2) inventory records, policies and procedures;

4 (3) batch creation logs of intermediate hemp products;

5 and

6 (4) dosing records of ready-to-eat products.

7 (505 ILCS 89/15)

8 Sec. 15. Rules.

9 (a) The Department shall submit to the Secretary of the  
10 United States Department of Agriculture a hemp production plan  
11 under which the Department monitors and regulates the  
12 production of industrial hemp in this State. ~~The Department~~  
13 ~~shall adopt rules incorporating the hemp production plan,~~  
14 ~~including application and licensing requirements.~~

15 (b) (Blank) ~~The rules set by the Department shall include~~  
16 ~~one yearly inspection of a licensed industrial hemp~~  
17 ~~cultivation operation and allow for additional unannounced~~  
18 ~~inspections of a licensed industrial hemp cultivation~~  
19 ~~operation at the Department's discretion.~~

20 (c) (Blank) ~~The Department shall adopt rules necessary for~~  
21 ~~the administration and enforcement of this Act in accordance~~  
22 ~~with all applicable State and federal laws and regulations,~~  
23 ~~including rules concerning standards and criteria for~~  
24 ~~licensure and registration, for the payment of applicable~~  
25 ~~fees, signage, and for forms required for the administration~~

1 ~~of this Act.~~

2 (d) (Blank) ~~The Department shall adopt rules for the~~  
3 ~~testing of the industrial hemp THC levels and the disposal of~~  
4 ~~plant matter exceeding lawful THC levels, including an option~~  
5 ~~for a cultivator to retest for a minor violation, with the~~  
6 ~~retest threshold determined by the Department and set in rule.~~  
7 ~~Those rules may provide for the use of seed certified to meet~~  
8 ~~the THC levels mandated by this Act as an alternative to~~  
9 ~~testing.~~

10 (e) The application form under Section 10 shall be  
11 determined by the Department and set by rule within 180 days of  
12 the effective date of this Act.

13 (f) The Department shall adopt rules necessary for the  
14 administration and enforcement of this Act, including rules  
15 concerning the payment of applicable fees and forms required  
16 for the administration of applying for licenses issued under  
17 this Act. The fee for any hemp business license or renewal  
18 shall not exceed the maximum amount under subsection (g) of  
19 Section 10 of this Act.

20 (g) The Department shall adopt rules concerning the review  
21 of standard operating procedures for hemp food establishments.

22 (h) The rules set by the appropriate regulatory Department  
23 may include one yearly inspection of a licensed hemp business  
24 establishment and allow for additional unannounced inspections  
25 of a licensed hemp business establishment upon good cause.

26 (i) The Department shall not limit the quantity of any

1 hemp licenses. The hemp business establishment license  
2 application process shall be open indefinitely and the  
3 Department must approve or deny all license applications  
4 within 30 calendar days.

5 (j) The Department shall expressly permit individuals who  
6 are disallowed from holding an Illinois hemp license by  
7 Section 297B(e) (3) (B) (i) of the Agricultural Marketing Act of  
8 1946 to hold a hemp business license, work for a hemp business  
9 establishment, and produce Illinois hemp.

10 (k) Any rules adopted by a Department shall not be more  
11 restrictive than this Act.

12 (Source: P.A. 102-690, eff. 12-17-21.)

13 (505 ILCS 89/16 new)

14 Sec. 16. Other violations; criminal penalties.

15 (a) Subject to the provisions of this Act, the Department  
16 may:

17 (1) Examine, inspect, and investigate the premises,  
18 operations, and records of hemp business establishment  
19 applicants and licensees.

20 (2) Conduct investigations of possible violations of  
21 this Act pertaining to hemp business establishment  
22 applicants and licensees.

23 (3) Conduct hearings on proceedings to refuse to issue  
24 or renew licenses or to revoke, suspend, place on  
25 probation, reprimand or otherwise discipline a license

1 holder under this Act or take other non-disciplinary  
2 action for good cause specified in writing.

3 (b) It is the duty of the Department to administer and  
4 enforce the provisions of this Act relating to licensing and  
5 oversight of hemp business establishments unless otherwise  
6 provided in this Act. Notwithstanding the provisions of this  
7 Act, a person who does any of the following regarding a product  
8 regulated under this Act is guilty of a Class A misdemeanor and  
9 may be required to pay a fine of not more than \$3,000:

10 (1) knowingly alters or otherwise falsifies testing  
11 results;

12 (2) intentionally alters or falsifies any information  
13 required to be included on the label of any  
14 hemp-cannabinoid product; or

15 (3) intentionally makes a false material statement to  
16 the Department of Public Health, Department of  
17 Agriculture, or the Department of Financial and  
18 Professional Regulation.

19 (c) Notwithstanding the provisions of this Act, a hemp  
20 business establishment that does any of the following on the  
21 premises of a registered retailer or another business that  
22 sells retail goods to customers is guilty of a Class A  
23 misdemeanor:

24 (1) sells a hemp-cannabinoid product knowing that the  
25 product does not comply with the limits on the amount or  
26 types of cannabinoids that a product may contain;

1           (2) sells a hemp-cannabinoid product knowing that the  
2           product does not comply with the applicable testing,  
3           packaging, or labeling requirements; or

4           (3) sells a hemp-cannabinoid product to a person under  
5           the age of 21, except that it is an affirmative defense to  
6           a charge under this paragraph if the defendant proves by a  
7           preponderance of the evidence that the defendant  
8           reasonably and in good faith relied on proof of age as  
9           described in Section 21.

10          (d) No hemp business establishment shall intentionally  
11          hold itself out to be a "dispensary", "marijuana dispensary",  
12          "dispensing organization", or any kind of cannabis business  
13          establishment unless such entity holds a valid cannabis  
14          business establishment license. A person who intentionally  
15          falsely holds itself out to be a cannabis business  
16          establishment is guilty of a misdemeanor and may be required  
17          to pay a fine of not less than \$10,000.

18           (505 ILCS 89/17)

19           Sec. 17. Administrative hearings; judicial review.

20          (a) Administrative hearings involving licensees under this  
21          Act shall be conducted under the Department's rules governing  
22          formal administrative proceedings.

23          (b) Notwithstanding any other provisions of the Act, the  
24          following administrative fines may be imposed by the  
25          Department upon any person who violates any provision of this

1 Act:

2 (1) a penalty of \$2,500 for a first violation;

3 (2) a penalty of \$5,000 for a second violation at the  
4 same location within 2 years of the first violation or a  
5 penalty of \$2,500 for a second violation under other  
6 circumstances; and

7 (3) a penalty of \$10,000 for a third or subsequent  
8 violation at the same location within 2 years of the  
9 second violation or a penalty of \$2,500 for a third or  
10 subsequent violation under other circumstances.

11 (c) Monies collected by the Department under this Section  
12 shall be deposited into the Industrial Hemp Regulatory Fund.  
13 Any penalty of \$5,000 or greater that is not paid within 120  
14 days of issuance of notice from the Department shall be  
15 submitted to the Department of Revenue for collection as  
16 provided under the State Collection Act of 1986.

17 (d) All final administrative decisions of the Department  
18 are subject to judicial review under the Administrative Review  
19 Law. The term "administrative decision" has the meaning  
20 ascribed to that term in Section 3-101 of the Code of Civil  
21 Procedure.

22 (e) Notwithstanding the provisions of this Act, the  
23 Department may, after notice and a reasonable period to cure,  
24 and the conduct of an administrative hearing, revoke, cancel,  
25 or suspend the license of any hemp-cannabinoid business  
26 establishment that violates any of the provisions of this Act

1 more than 3 times in a calendar year.

2 (Source: P.A. 100-1091, eff. 8-26-18.)

3 (505 ILCS 89/18)

4 Sec. 18. Industrial Hemp Regulatory Fund.

5 (a) There is created in the State treasury a special fund  
6 to be known as the Industrial Hemp Regulatory Fund. All taxes  
7 paid and all fees and fines collected by the Department under  
8 this Act shall be deposited into the Industrial Hemp  
9 Regulatory Fund. ~~Moneys in the Fund shall be utilized by the~~  
10 ~~Department for the purposes of implementation, administration,~~  
11 ~~and enforcement of this Act.~~

12 (b) The General Assembly finds that in order to address  
13 the disparities in diversely owned businesses, aggressive  
14 approaches and targeted technical assistance resources to  
15 support social equity entrepreneurs are required. To carry  
16 this intent, the Hemp Social Equity Fund is created to  
17 directly address the impact of economic disinvestment,  
18 violence and the historical overuse of criminal justice  
19 response to community and individual needs by providing  
20 resources, funding and technical assistance for hemp social  
21 equity applicants to setup, build and create ownership in hemp  
22 business establishments.

23 (c) The amount of 15% of all monies in the Industrial Hemp  
24 Regulatory Fund shall be used by the Department of Agriculture  
25 for the purposes of implementation, administration, and

1 enforcement of this Act. The amount of 15% of all monies in the  
2 Fund shall be used by the Department of Public Health for the  
3 purposes of implementation, administration, and enforcement of  
4 this Act. The amount of 15% of all monies in the Fund shall be  
5 used by the Department of Financial and Professional  
6 Regulation for the purposes of implementation, administration,  
7 and enforcement of this Act. The amount of 55% of all monies  
8 deposited into the Fund shall be immediately deposited into  
9 the Hemp Social Equity Fund and be used by the Department of  
10 Agriculture exclusively for the following purposes:

11 (1) to provide no-interest rate loans to qualified  
12 social equity applicants to pay for ordinary and necessary  
13 expenses to start and operate a hemp business  
14 establishment permitted by this Act;

15 (2) to provide grants to qualified social equity  
16 applicants to pay for ordinary and necessary expenses to  
17 start and operate a hemp business establishment permitted  
18 by this Act;

19 (3) to compensate the Department of Commerce and  
20 Economic Opportunity for any costs related to the  
21 provision of low-interest loans and grants to qualified  
22 social equity applicants;

23 (4) to pay for education, outreach, and technical  
24 assistance that may be provided or targeted to attract and  
25 support social equity applicants; and

26 (5) to support urban and rural farming, medicinal and

1 food security, and hemp-related criminal justice reform.

2 (d) Notwithstanding any other law to the contrary, the  
3 Hemp Social Equity Fund is not subject to sweeps,  
4 administrative chargebacks, or any other fiscal or budgetary  
5 maneuver that would in any way transfer any amounts from the  
6 Hemp Social Equity Fund into any other fund of the State.

7 (Source: P.A. 100-1091, eff. 8-26-18.)

8 (505 ILCS 89/18.5 new)

9 Sec. 18.5. Availability studies.

10 (a) The Director shall commission and publish one or more  
11 disparity and availability studies that:

12 (1) evaluate the risks and benefits of cannabinoids;

13 (2) evaluate the availability of hemp and cannabis  
14 products to minors;

15 (3) evaluate economic development attributable to hemp  
16 and hemp-derived cannabinoids across the State, especially  
17 in communities who have been most impacted by the war on  
18 drugs; and

19 (4) evaluate whether there exists discrimination in  
20 the State's hemp industry, and, if so, evaluate the impact  
21 of such discrimination on the State and includes  
22 recommendations to the Department of Agriculture for  
23 reducing or eliminating any identified barriers to entry  
24 into the hemp market.

25 The disparity and availability studies shall examine each

1 license type issued pursuant to Section 10 of this Act and  
2 shall be initiated within 180 days from the issuance of the  
3 first of each license authorized by those Sections. The report  
4 must include legislative recommendations regarding further  
5 cannabinoid research, the use and availability of cannabinoid  
6 products and cannabis products among minors, and the impact of  
7 cannabinoid products on minority and women-owned business  
8 creation. Additionally, the report must contain an analysis of  
9 the effectiveness of each recommendation. This analysis will  
10 assess the potential impact and outcomes of the proposed  
11 legislative measures. Finally, the Director will make rule  
12 recommendations as part of the report. The results of each  
13 disparity and availability study shall be reported to the  
14 General Assembly and the Governor no later than 12 months  
15 after the commission of each study.

16 (b) The Director shall forward a copy of the findings and  
17 recommendations to the Department of Financial and  
18 Professional Regulation, the Department of Agriculture, the  
19 Department of Commerce and Economic Opportunity, the General  
20 Assembly, and the Governor.

21 (c) The Department of Agriculture may compile, collect, or  
22 otherwise gather data necessary for the administration of this  
23 Act and to carry out the Director's duty relating to the  
24 recommendation of policy changes. The Department of  
25 Agriculture may direct the Department of Financial and  
26 Professional Regulation, Department of Public Health,

1 Department of Human Services, and Department of Commerce and  
2 Economic Opportunity to assist in the compilation, collection,  
3 and data gathering authorized pursuant to this subsection. The  
4 Director shall compile all of the data into a single report and  
5 submit the report to the Governor and the General Assembly and  
6 publish the report on its website.

7 (d) The Director may use a third party to complete the  
8 responsibilities of this Section. If the Director elects to  
9 use a third party to complete any element of this Section,  
10 preference shall be given to entities with experience in  
11 increasing diversity in the hemp or cannabis industry and  
12 making policy recommendations to the General Assembly.

13 (505 ILCS 89/18.10 new)

14 Sec. 18.10. Loans and grants to social equity hemp  
15 applicants.

16 (a) The Department of Commerce and Economic Opportunity  
17 shall establish grant and loan programs, subject to  
18 appropriations from the Hemp Social Equity Fund, for the  
19 purpose of providing financial assistance, loans, grants and  
20 technical assistance to social equity applicants.

21 (b) The Department of Commerce and Economic Opportunity  
22 has the power to:

23 (1) Provide hemp social equity loans and grants from  
24 appropriations from the Hemp Social Equity Fund to assist  
25 qualified social equity applicants in gaining entry to,

1 and successfully operating in, the State's regulated  
2 hemp-derived cannabinoid marketplace.

3 (2) Enter into agreements that set forth terms and  
4 conditions of the financial assistance, accept funds, or  
5 grants and engage in cooperation with private entities and  
6 agencies of State or local government to carry out the  
7 purposes of this Section.

8 (3) Fix, determine, charge and collect any premiums,  
9 fees, charges, costs and expenses, including application  
10 fees, commitment fees, program fees, financing charges, or  
11 publication fees in connection with its activities under  
12 this Section.

13 (4) Coordinate assistance under these loan programs  
14 with activities of the Department of Financial and  
15 Professional Regulation, the Department of Agriculture and  
16 other agencies as needed to maximize the effectiveness and  
17 efficiency of this Act.

18 (5) Provide staff, administrative and related support  
19 required to administer this Section.

20 (6) Take whatever actions are necessary or appropriate  
21 to protect the State's interest in the event of  
22 bankruptcy, default, foreclosure, or noncompliance with  
23 the terms and conditions of financial assistance provided  
24 under this Section, including the ability to recapture  
25 funds if the recipient is found to be noncompliant with  
26 the terms and conditions of the financial assistance

1 agreement.

2 (7) Establish application, notification, contract, and  
3 other forms, procedures or rules deemed necessary and  
4 appropriate.

5 (8) Use vendors or contract work to carry out the  
6 purposes of this Act.

7 (c) Loans made under this Section shall:

8 (1) only be made if the project furthers the goals set  
9 forth in this Act; and

10 (2) be in such principal amount and form and contain  
11 such terms and provisions with respect to security,  
12 insurance, reporting, delinquency charges, default  
13 remedies, and other matters as the Department shall  
14 determine appropriate to protect the public interest and  
15 to be consistent with the purposes of this Section. The  
16 terms and provisions may be less than required for similar  
17 loans not covered by this Section.

18 (d) Grants made under this Section shall be awarded on a  
19 competitive and annual basis under the Grant Accountability  
20 and Transparency Act. Grants made under this Section shall  
21 further and promote the goals of this Act, including promotion  
22 of social equity applicants, job training and workforce  
23 development, and technical assistance to social equity  
24 applicants.

25 (e) Beginning January 1, 2026 and each year thereafter,  
26 the Department shall annually report to the Governor and the

1 General Assembly on the outcomes and effectiveness of this  
2 Section that shall include the following:

3 (1) the number of persons or businesses receiving  
4 financial assistance under this Section;

5 (2) the amount in financial assistance awarded in the  
6 aggregate, in addition to the amount of loans made that  
7 are outstanding and the amount of grants awarded;

8 (3) the location of the project engaged in by the  
9 person or business; and

10 (4) the number of new jobs and other forms of economic  
11 output created as a result of the financial assistance.

12 (f) The Department of Commerce and Economic Opportunity  
13 shall include engagement with individuals with limited English  
14 proficiency as part of its outreach provided or targeted to  
15 attract and support social equity applicants.

16 (505 ILCS 89/19)

17 Sec. 19. Immunity. Except for willful or wanton  
18 misconduct, a person employed by a ~~the~~ Department with  
19 jurisdiction over a licensee issued and administered under  
20 this Act shall not be subject to criminal or civil penalties  
21 for taking any action under this Act when the actions are  
22 within the scope of his or her employment. Representation and  
23 indemnification of Department employees shall be provided to  
24 Department employees as set forth in Section 2 of the State  
25 Employee Indemnification Act.

1 (Source: P.A. 100-1091, eff. 8-26-18.)

2 (505 ILCS 89/20)

3 Sec. 20. Hemp products.

4 (a) Nothing in this Act shall alter the legality of hemp or  
5 hemp products that are presently legal to possess or own. The  
6 Department shall not promulgate any rules altering the  
7 legality of the same.

8 (b) Hemp extract intended for human consumption or  
9 hemp-cannabinoid products shall not be manufactured,  
10 processed, packaged, held, or prepared in a private home or in  
11 a room used as living or sleeping quarters, except as  
12 otherwise permitted in this Act.

13 (c) All hemp extract and hemp-cannabinoid products for  
14 human consumption shall be manufactured by a source that meets  
15 local and state health standards from the jurisdiction of  
16 origin.

17 (d) The maximum THC per serving of a hemp-cannabinoid  
18 products for human consumption is 50 milligrams.

19 (Source: P.A. 100-1091, eff. 8-26-18.)

20 (505 ILCS 89/21 new)

21 Sec. 21. Age verification.

22 (a) Hemp-cannabinoid consumers must be at least 21 years  
23 of age to purchase, transport, or consume hemp-cannabinoids  
24 products, be over 18 and present a valid medical card, or over

1 the age of 18 and in possession of a valid military ID.

2 (b) The giving or sampling of hemp extract or  
3 hemp-cannabinoid products intended for human consumption by a  
4 hemp food establishment or any person to any person under the  
5 age of 21 is prohibited.

6 (c) Hemp food establishments shall exercise diligence in  
7 the management and supervision of their premises and in the  
8 supervision and training of their employees to prevent the  
9 underage sale of these products.

10 Prior to initiating a sale or otherwise providing  
11 hemp-cannabinoid product to an individual, an employee of a  
12 retailer must verify that the individual is (i) at least 21  
13 years of age, (ii) is over 18 and presents a valid medical  
14 card, or over the age of 18 and in possession of a valid  
15 military ID;

16 (d) Proof of age may be established only by verifying the  
17 birthdate and age on one of the following:

18 (1) a valid driver's license or identification card  
19 issued by the State, another state, or a province of  
20 Canada and including the photograph and date of birth of  
21 the licensed person;

22 (2) a valid Tribal identification card/indigenous  
23 reservation government identification card;

24 (3) a valid passport issued by the United States;

25 (4) in the case of a foreign national, by a valid  
26 passport;

1 (5) consular identification card;

2 (6) temporary visitor driver's license;

3 (7) Chicago city key identification;

4 (8) international election identification cards;

5 (9) visa; or

6 (10) green card.

7 (e) A registered retailer may seize a form of  
8 identification listed under subsection (b) of this Section if  
9 the registered retailer has reasonable grounds to believe that  
10 the form of identification has been altered or falsified or is  
11 being used to violate any law. A registered retailer that  
12 seizes a form of identification as authorized under this  
13 paragraph must deliver it to a law enforcement agency within  
14 14 days of seizing it.

15 (505 ILCS 89/22 new)

16 Sec. 22. Hemp-cannabinoid product packaging and labeling.

17 (a) The Department shall be authorized to audit and  
18 inspect labels for compliance with this Act.

19 In the event of any violation of this Section, the  
20 Department may issue a citation against the offender as  
21 official notice of the offense committed and to require the  
22 offender to correct the offense within 180 days.

23 (b) Unless otherwise specified in this Act, each  
24 hemp-cannabinoid product, with the exception of ready-to-eat  
25 hemp-cannabinoid and cottage hemp-cannabinoid products shall

1 be labeled before sale and each label shall be securely  
2 affixed to the package and shall state in legible English:

3 (1) The name and mailing address of the manufacturer.

4 (2) The common or usual name of the item and the name  
5 of the hemp-cannabinoid product.

6 (3) The "use by" date.

7 (4) A list of any hemp-derived cannabinoid exceeding 1  
8 mg per serving.

9 (5) All other ingredients of the item, including any  
10 colors, artificial flavors and preservatives, listed in  
11 descending order by predominance of weight shown with  
12 common or usual names. However, ingredients listed on the  
13 label may be combined into similar categories including  
14 but not limited to hemp extract or emulsion, natural  
15 colors, artificial colors, natural flavors, or artificial  
16 flavors.

17 (6) For hemp-cannabinoid products:

18 (A) the date of testing and the identification of  
19 the independent testing laboratory; and

20 (B) a pass/fail rating based on the laboratory's  
21 microbiological, mycotoxins, and pesticide and solvent  
22 residue analysis.

23 (7) For ready to eat hemp-cannabinoid products:

24 (A) the date of the intermediate hemp product  
25 testing, packaging and the identification of the  
26 independent testing laboratory; and

1           (B) a pass/fail rating based on the laboratory's  
2           microbiological, mycotoxins, and pesticide and solvent  
3           residue analysis of the Intermediate Hemp Product.

4           (8) The required packaging elements of paragraphs (5)  
5           through (7) of this subsection may be satisfied by means  
6           of a QR code linking to a website where the information is  
7           available for a consumer.

8           (c) Packaging for packaged hemp-cannabinoid products must  
9           not contain information that:

10           (1) is materially false;

11           (2) depicts a person under 21 years of age consuming  
12           hemp-cannabinoids;

13           (3) includes images designed or likely to appeal to  
14           minors, including cartoons, toys, animals, or children, or  
15           any other likeness to images, characters, or phrases that  
16           are popularly used to advertise to children, or any  
17           packaging or labeling that bears reasonable resemblance to  
18           any product available for consumption as a commercially  
19           available candy; or

20           (4) contains any seal, flag, crest, coat of arms, or  
21           other insignia likely to mislead the purchaser to believe  
22           that the product has been endorsed, made, or used by the  
23           State or any of its representatives except where  
24           authorized by this Act.

25           (d) All packaged hemp-cannabinoid products must contain  
26           warning statements specified in subsection (e) of this

1 Section, of a size that is legible and readily visible to a  
2 consumer inspecting a package, which may not be covered or  
3 obscured in any way. Notwithstanding the foregoing, batch and  
4 lot information printed on packaging that is printed on the  
5 labeling shall not be considered to cover or obscure the  
6 label.

7 (e) hemp-cannabinoid products must have warning statements  
8 on the packaging in a form and manner that clearly  
9 communicates the following:

10 (1) That the product contains hemp derived  
11 cannabinoids.

12 (2) A warning to consumers not to use if pregnant or  
13 breastfeeding.

14 (3) A warning not to use if operating a motor vehicle  
15 or machinery.

16 (4) The product is for use by adults 21 years of age or  
17 over.

18 (f) hemp-cannabinoid products of the following product  
19 types must have warning statements on the packaging in a form  
20 and manner that clearly communicates the following:

21 (1) Hemp-cannabinoid products for inhalation must  
22 contain a statement that clearly communicates smoking is  
23 hazardous to your health.

24 (2) Hemp-cannabinoid products for ingestion must  
25 contain a statement that communicates the effects of  
26 cannabinoids may be delayed.

1           (3) Hemp-cannabinoids products for ingestion must  
2           contain a statement that communicates this product was  
3           produced in a facility that may also process common food  
4           allergens or a list of known allergens in the product.

5           (4) That the required packaging elements of subsection  
6           (b) of this Section may be satisfied by means of a QR code  
7           linking to a website where the information is available  
8           for a consumer.

9           (g) Hemp extract intended for human consumption must have  
10          warning statements on the packaging in a form and manner that  
11          clearly communicating the following:

12           (1) If cannabinoids are marketed, for every  
13           cannabinoid with more than 1mg per serving, the number of  
14           milligrams of each cannabinoid per serving and the serving  
15           size must be declared on the label.

16           (2) The label and advertisement shall not contain  
17           claims indicating the product is intended for diagnosis,  
18           cure, mitigation, treatment, or prevention of disease,  
19           unless such claims are approved by the FDA; and if  
20           unapproved claims are included, then the product shall be  
21           considered misbranded.

22           (3) Hemp extract intended solely for inhalation must  
23           communicate the product is not intended for ingestion and  
24           for consumers not to eat.

25           (h) Hemp extract intended for human consumption that is  
26          not clearly labeled as intended for inhalation or ingestion

1 must meet all of the requirements for hemp products intended  
2 for both inhalation and ingestion. If there are different  
3 requirements for hemp products intended for inhalation and  
4 hemp products intended for ingestion, the stricter standard  
5 shall apply.

6 (505 ILCS 89/22.5 new)

7 Sec. 22.5. Ready-to-eat hemp-cannabinoid product packaging  
8 and labeling.

9 (a) Hemp food establishments must ensure that the total  
10 milligram content of each type of hemp-cannabinoid exceeding 1  
11 mg contained in each ready-to-eat hemp-cannabinoid menu item  
12 is listed on the menu board adjacent to the name or the price  
13 of the associated menu item.

14 (b) Hemp food establishments must ensure that served  
15 ready-to-eat hemp-cannabinoid menu items include a label that  
16 indicates:

17 (1) total milligram content of the served item; and

18 (2) QR code to links to a web page containing:

19 (A) a copy of the testing results of the  
20 intermediate hemp product used;

21 (B) a copy of the dosing standard operating  
22 procedures; and

23 (C) a copy of a representative compliance test for  
24 the recipe.

25 (c) Ready to eat hemp-cannabinoid products may not be

1 shipped out of State.

2 (505 ILCS 89/22.10 new)

3 Sec. 22.10. Labeling for certain hemp-cannabinoid  
4 products.

5 (a) The following types of hemp-cannabinoid products are  
6 exempted from the requirements of Section 22:

7 (1) broad spectrum hemp-cannabinoid products;

8 (2) full-spectrum hemp-cannabinoid products;

9 (3) isolate-based hemp-cannabinoid products;

10 (4) cannabinoid products sold for research purposes;

11 (5) cannabinoid products with less than 0.5mg delta-9

12 Tetrahydrocannabinol per serving; and

13 (6) topical products.

14 (b) The Department shall be authorized to audit and  
15 inspect labels for compliance with this Act.

16 In the event of any violation of this Section, the  
17 Department may issue a citation against the offender as  
18 official notice of the offense committed and to require the  
19 offender to correct the offense within 180 days.

20 (c) The hemp-cannabinoid products in subsection (a) of  
21 this Section shall be labeled before sale and each label shall  
22 be securely affixed to the package and shall state in legible  
23 English:

24 (1) The name and mailing address of the manufacturer.

25 (2) The common or usual name of the item and the name

1 of the hemp-cannabinoid product.

2 (3) The "use by" date.

3 (4) A list of any hemp-derived cannabinoids exceeding  
4 1 mg per serving;

5 (5) For hemp-cannabinoid products:

6 (A) The date of testing and the identification of  
7 the independent testing laboratory.

8 (B) A pass/fail rating based on the laboratory's  
9 microbiological, mycotoxins, and pesticide and solvent  
10 residue analysis.

11 (6) All other ingredients of the item, including any  
12 colors, artificial flavors and preservatives, listed in  
13 descending order by predominance of weight shown with  
14 common or usual names. However, ingredients listed on the  
15 label may be combined into similar categories including  
16 but not limited to hemp extract or emulsion, natural  
17 colors, artificial colors, natural flavors, or artificial  
18 flavors.

19 (7) The required packaging elements of subsection (d)  
20 of this Section may be satisfied by means of a QR code  
21 linking to a website where the information is available  
22 for a consumer.

23 (d) The label and advertisement shall not contain claims  
24 indicating the product is intended for diagnosis, cure,  
25 mitigation, treatment, or prevention of disease, unless such  
26 claims are approved by the FDA; and if unapproved claims are

1 included, then the product shall be considered misbranded.

2 (e) The hemp-cannabinoid products in subsection (a) of  
3 this Section shall have warning statements on the packaging  
4 that clearly indicates the following:

5 (1) The product contains hemp derived cannabinoids.

6 (2) A warning to consumers not to use if pregnant or  
7 breastfeeding.

8 (3) The product is for use by adults 21 or over unless  
9 under the supervision of a parent or guardian.

10 (4) The required packaging elements of this subsection  
11 may be satisfied by means of a QR code linking to a website  
12 where the warnings are available for a consumer.

13 (f) The following types of hemp-cannabinoid products are  
14 exempted from the requirements of this Section: processed  
15 hemp, live hemp products, raw hemp products, processed-hemp  
16 products, and cottage hemp-cannabinoid products.

17  
18 (505 ILCS 89/22.15 new)

19 Sec. 22.15. Labeling for intermediate hemp products.

20 (a) Intermediate hemp-cannabinoid products shall be  
21 labeled and each label shall be securely affixed to the  
22 package and shall state in legible English:

23 (1) The name and mailing address of the manufacturer.

24 (2) The common or usual name of the item and the name  
25 of the intermediate hemp-cannabinoid product.

- 1           (3) The "use by" date.
- 2           (4) The storage instructions.
- 3           (5) The batch information.
- 4           (6) The net weight.
- 5           (7) A list of any hemp-derived cannabinoid exceeding 1  
6 mg/g of potency.
- 7           (8) The total amount of each cannabinoid with a  
8 potency exceeding 1mg/g per container.
- 9           (9) All other ingredients of the item, including any  
10 colors, artificial flavors and preservatives, listed in  
11 descending order by predominance of weight shown with  
12 common or usual names.
- 13           (10) For intermediate hemp-cannabinoid products:
- 14               (A) The date of testing and the identification of  
15 the independent testing laboratory.
- 16               (B) A pass/fail rating based on the laboratory's  
17 microbiological, mycotoxins, and pesticide and solvent  
18 residue analysis.
- 19           (11) The required packaging elements paragraphs of  
20 (7)-(10) of this subsection (a) may be satisfied by means  
21 of a QR code linking to a website where the information is  
22 available for a consumer.
- 23           (b) Intermediate hemp-cannabinoid products must have  
24 warning statements on the packaging in a form and manner that  
25 clearly communicating the following:
- 26               (1) This product contains hemp derived cannabinoids.

1           (2) A warning for use as an ingredient.

2           (3) A warning that the product is not for consumption  
3 without dilution.

4           (4) Poison control contact information.

5           (505 ILCS 89/23 new)

6           Sec. 23. Laboratory approval.

7           (a) No laboratory shall be approved to handle, test or  
8 analyze hemp unless the laboratory:

9           (1) is accredited to the ISO/IEC 17025 standard by a  
10 private non-profit laboratory accrediting organization, or  
11 can demonstrate that it has a current working relationship  
12 with an accrediting organization and receives final  
13 accreditation within one year of applying to be an  
14 approved laboratory with the Department;

15           (2) is independent from all other persons involved in  
16 the hemp industry in the State, which shall mean that no  
17 person with a direct or indirect interest in the  
18 laboratory shall have a direct or indirect financial,  
19 management, or other interest in a hemp business  
20 establishment license;

21           (3) has employed at least one person to oversee and be  
22 responsible for the laboratory testing who has earned,  
23 from a college or university accredited by a national or  
24 regional certifying authority, at least:

25           (A) a master's level degree in chemical or

1 biological sciences and a minimum of 2 years  
2 post-degree laboratory experience; or

3 (B) a bachelor's degree in chemical or biological  
4 sciences and a minimum of 4 years post-degree  
5 laboratory experience; and

6 (4) has procedures requiring hemp testing adherence to  
7 standards of performance for detecting delta-9 THC  
8 concentration, including the measurement of uncertainty  
9 (MU).

10 (b) The Department may request a copy of the most recent  
11 annual inspection report granting accreditation or any annual  
12 report thereafter.

13 (c) All laboratories with a valid Drug Enforcement  
14 Administration registration, a current cannabis laboratory  
15 license issued by the Department, or a valid ISO 17025  
16 certification are considered approved.

17 (505 ILCS 89/23.10 new)

18 Sec. 23.10. Testing requirements.

19 (a) Industrial hemp sampled for testing may be transported  
20 to the approved laboratory.

21 (b) The industrial hemp shall be tested using a reliable  
22 method, including those approved by the USDA, to detect  
23 delta-9 THC concentration levels of the sampled hemp. Reliable  
24 methods of testing shall include gas chromatography or a  
25 high-performance liquid chromatography technique.

1       (c) No more than 30 days prior to harvest, hemp  
2       cultivators shall submit to an approved laboratory a sample of  
3       industrial hemp to verify that the delta-9 THC concentration  
4       does not exceed 0.3% on a dry weight basis.

5           (1) A sample shall be sent for each separate strain and/or  
6           for each separate growing area at the Department's  
7           discretion.

8           (2) A sample will consist of at least one ounce, weighed at  
9           the time of harvest, consisting of full buds (with any  
10          attached leaves and stems).

11          (3) Quantitative laboratory determination of THC  
12          concentration on a dry weight basis will be performed.

13          (d) A test result with a THC concentration on a dry weight  
14          basis that exceeds 0.3% but is less than 0.7% may be retested  
15          at the expense of the licensee. A request for a retest by the  
16          licensee must be received by the Department within 3 days  
17          after initial receipt of the original test results by the  
18          licensee.

19          (e) All harvested industrial hemp receiving a sample test  
20          result with a delta-9 THC concentration on a dry weight basis  
21          that exceeds 0.3% and is not retested at the request of the  
22          licensee shall be destroyed.

23          (f) All harvested industrial hemp receiving both a sample  
24          test result and a sample retest result with delta-9 THC  
25          concentrations on a dry weight basis that exceeds 0.3% shall  
26          be destroyed.

1       (g) All harvested industrial hemp receiving a sample test  
2       result with a delta-9 THC concentration on a dry weight basis  
3       that equals or exceeds 1.0% shall be destroyed.

4       (h) All harvested industrial hemp awaiting test results  
5       shall be stored by the licensee or processor and shall not be  
6       processed or transported until test results are obtained and  
7       the industrial hemp is released by the Department.

8       (i) The Department shall have the authority to set and  
9       collect fees for hemp testing conducted by the Department.  
10       Such fees shall be deposited into the Industrial Hemp  
11       Regulatory Fund.

12       (505 ILCS 89/23.15 new)

13       Sec. 23.15. Laboratory testing of intermediate hemp  
14       products.

15       (a) Immediately after the manufacturing or processing of  
16       any intermediate hemp product, each batch shall be tested by  
17       an approved laboratory for:

18               (i) microbiological contaminants;

19               (ii) mycotoxins;

20               (iii) pesticide active ingredients;

21               (iv) residual solvents; and

22               (v) an active ingredient analysis.

23       (b) The laboratory shall immediately return or dispose of  
24       any intermediate hemp product upon the completion of any  
25       testing, use or research. If intermediate hemp is disposed of,

1 it shall be done in compliance with this Act.

2 (c) If a sample of the intermediate hemp product does not  
3 pass the microbiological, mycotoxin, pesticide chemical  
4 residue or solvent residual test, based on the standards  
5 established by the Department of Agriculture, the following  
6 shall apply:

7 (1) If the sample failed the pesticide chemical  
8 residue test, the entire batch from which the sample was  
9 taken shall, if applicable, be recalled as provided by  
10 rule.

11 (2) If the sample failed any other test, the batch may  
12 be used to make a CO2-based or solvent-based extract.  
13 After processing, the CO2-based or solvent-based extract  
14 must still pass all required tests.

15 (d) The laboratory shall maintain the laboratory test  
16 results for at least 3 years and make them available at the  
17 Department of Agriculture's request.

18 (e) The hemp processor or hemp distributor shall provide  
19 to a hemp business establishment the laboratory test results  
20 for each batch of intermediate hemp products purchased by the  
21 hemp business establishment, upon request. Each hemp business  
22 establishment must have these laboratory results available  
23 online or in-person upon request of the purchasers.

24 (505 ILCS 89/23.20 new)

25 Sec. 23.20. Laboratory testing for hemp-cannabinoid

1 products utilizing hemp-cannabinoids directly extracted from  
2 raw hemp or untested intermediate-hemp products and  
3 hemp-cannabinoid products for human inhalation.

4 (a) Hemp processors, hemp distributors, and hemp food  
5 establishments must begin a new batch cycle every time a  
6 specific hemp-cannabinoid product is made. A manufacturer of a  
7 product regulated under this Section shall be tested by the  
8 approved laboratory for:

9 (1) potency;

10 (2) microbiological contaminants;

11 (3) mycotoxins;

12 (4) pesticide active ingredients;

13 (5) residual solvents; and

14 (6) an active ingredient analysis.

15 (b) The laboratory shall immediately return or dispose of  
16 any hemp-cannabinoid product upon the completion of any  
17 testing, use or research. If the hemp-cannabinoid product is  
18 disposed of, it shall be done in compliance with any rules  
19 adopted by the Department of Agriculture.

20 (c) If a sample of the hemp-cannabinoid does not pass the  
21 microbiological, mycotoxin, pesticide chemical residue, or  
22 solvent residual test, based on the standards established by  
23 the Department of Agriculture, which shall be no stricter than  
24 the standards listed below, the stricter shall apply.

25 (d) Products intended for human consumption shall be  
26 considered adulterated if contaminants are detected at levels

1 greater than the limits listed in this Section. Contaminant  
2 limits under this Section do not constitute authorization to  
3 use or apply any of the following contaminants during hemp  
4 cultivation or processing.

5 (1) The following substances are prohibited in  
6 intermediate hemp products, hemp extract, and  
7 hemp-cannabinoid products:

8 (A) Abamectin, 300 parts per billion for  
9 ingestion; 100 parts per billion for inhalation.

10 (B) Acephate, 3,000 parts per billion for  
11 ingestion; 100 parts per billion for inhalation.

12 (C) Acequinocyl, 2,000 parts per billion for  
13 ingestion; 100 parts per billion for inhalation.

14 (D) Acetamiprid, 3,000 parts per billion for  
15 ingestion; 100 parts per billion for inhalation.

16 (E) Aldicarb, 100 parts per billion for ingestion  
17 or inhalation.

18 (F) Azoxystrobin, 3,000 parts per billion for  
19 ingestion; 100 parts per billion for inhalation.

20 (G) Bifenazate, 3,000 parts per billion for  
21 ingestion; 100 parts per billion for inhalation.

22 (H) Bifenthrin, 500 parts per billion for  
23 ingestion; 100 parts per billion for inhalation.

24 (I) Boscalid, 3,000 parts per billion for  
25 ingestion; 100 parts per billion for inhalation.

26 (J) Captan, 3,000 parts per billion for ingestion;

1 700 parts per billion for inhalation.

2 (K) Carbaryl, 500 parts per billion for ingestion;  
3 500 parts per billion for inhalation.

4 (L) Carbofuran, 100 parts per billion for  
5 ingestion or inhalation.

6 (M) Chlorantraniliprole, 3,000 parts per billion  
7 for ingestion; 1,000 parts per billion for inhalation.

8 (N) Chlordane, 100 parts per billion for ingestion  
9 or inhalation.

10 (O) Chlorfenapyr, 100 parts per billion for  
11 ingestion or inhalation.

12 (P) Chlormequat chloride, 3,000 parts per billion  
13 for ingestion; 1,000 parts per billion for inhalation.

14 (Q) Chlorpyrifos, 100 parts per billion for  
15 ingestion or inhalation.

16 (R) Clofentezine, 500 parts per billion for  
17 ingestion; 200 parts per billion for inhalation.

18 (S) Coumaphos, 100 parts per billion for ingestion  
19 or inhalation.

20 (T) Cyfluthrin, 1,000 parts per billion for  
21 ingestion; 500 parts per billion for inhalation.

22 (U) Cypermethrin, 1,000 parts per billion for  
23 ingestion; 500 parts per billion for inhalation.

24 (V) Daminozide, 100 parts per billion for  
25 ingestion or inhalation.

26 (W) DDVP (Dichlorvos), 100 parts per billion for

1 ingestion or inhalation.

2 (X) Diazinon, 200 parts per billion for ingestion;  
3 100 parts per billion for inhalation.

4 (Y) Dimethoate, 100 parts per billion for  
5 ingestion or inhalation.

6 (Z) Dimethomorph, 3,000 parts per billion for  
7 ingestion; 200 parts per billion for inhalation.

8 (AA) Ethoprop(hos), 100 parts per billion for  
9 ingestion or inhalation.

10 (BB) Etofenprox, 100 parts per billion for  
11 ingestion or inhalation.

12 (CC) Etoxazole, 1,500 parts per billion for  
13 ingestion; 100 parts per billion for inhalation.

14 (DD) Fenhexamid, 3,000 parts per billion for  
15 ingestion; 100 parts per billion for inhalation.

16 (EE) Fenoxycarb, 100 parts per billion for  
17 ingestion or inhalation.

18 (FF) Fenpyroximate, 2,000 parts per billion for  
19 ingestion; 100 parts per billion for inhalation.

20 (GG) Fipronil, 100 parts per billion for ingestion  
21 or inhalation.

22 (HH) Flonicamid, 2,000 parts per billion for  
23 ingestion; 100 parts per billion for inhalation.

24 (II) Fludioxonil, 3,000 parts per billion for  
25 ingestion; 100 parts per billion for inhalation.

26 (JJ) Hexythiazox, 2,000 parts per billion for

1 ingestion; 100 parts per billion for inhalation.

2 (KK) Imazalil, 100 parts per billion for ingestion  
3 or inhalation.

4 (LL) Imidacloprid, 3,000 parts per billion for  
5 ingestion; 400 parts per billion for inhalation.

6 (MM) Kresoxim-methyl, 1,000 parts per billion for  
7 ingestion; 100 parts per billion for inhalation.

8 (NN) Malathion, 2,000 parts per billion for  
9 ingestion; 200 parts per billion for inhalation.

10 (OO) Metalaxyl, 3,000 parts per billion for  
11 ingestion; 100 parts per billion for inhalation.

12 (PP) Methiocarb, 100 parts per billion for  
13 ingestion or inhalation.

14 (QQ) Methomyl, 100 parts per billion for ingestion  
15 or inhalation.

16 (RR) Methyl parathion, 100 parts per billion for  
17 ingestion or inhalation.

18 (SS) Mevinphos, 100 parts per billion for  
19 ingestion or inhalation.

20 (TT) Myclobutanil, 3,000 parts per billion for  
21 ingestion; prohibited at any concentration for  
22 inhalation.

23 (UU) Naled, 500 parts per billion for ingestion;  
24 250 parts per billion for inhalation.

25 (VV) Oxamyl, 500 parts per billion for ingestion  
26 or inhalation.

1           (WW) Paclobutrazol, 100 parts per billion for  
2           ingestion or inhalation.

3           (XX) Pentachloronitrobenzene, 200 parts per  
4           billion for ingestion; 150 parts per billion for  
5           inhalation.

6           (YY) Permethrin, 1,000 parts per billion for  
7           ingestion; 100 parts per billion for inhalation.

8           (ZZ) Phosmet, 200 parts per billion for ingestion;  
9           100 parts per billion for inhalation.

10           (AAA) Piperonyl butoxide, 3,000 parts per billion  
11           for ingestion or inhalation.

12           (BBB) Prallethrin, 400 parts per billion for  
13           ingestion; 100 parts per billion for inhalation.

14           (CCC) Propiconazole, 1,000 parts per billion for  
15           ingestion; 100 parts per billion for inhalation.

16           (DDD) Propoxur, 100 parts per billion for  
17           ingestion or inhalation.

18           (EEE) Pyrethrins, 1,000 parts per billion for  
19           ingestion; 500 parts per billion for inhalation.

20           (FFF) Pyridaben, 3,000 parts per billion for  
21           ingestion; 200 parts per billion for inhalation.

22           (GGG) Spinetoram, 3,000 parts per billion for  
23           ingestion; 200 parts per billion for inhalation.

24           (HHH) Spinosad A & D, 3,000 parts per billion for  
25           ingestion; 100 parts per billion for inhalation.

26           (III) Spiromesifen, 3,000 parts per billion for

1 ingestion; 100 parts per billion for inhalation.

2 (JJJ) Spirotetramat, 3,000 parts per billion for  
3 ingestion; 100 parts per billion for inhalation.

4 (KKK) Spiroxamine, 100 parts per billion for  
5 ingestion or inhalation.

6 (LLL) Tebuconazole, 1,000 parts per billion for  
7 ingestion; 100 parts per billion for inhalation.

8 (MMM) Thiacloprid, 100 parts per billion for  
9 ingestion; 100 parts per billion for inhalation.

10 (NNN) Thiamethoxam, 1,000 parts per billion for  
11 ingestion; 500 parts per billion for inhalation.

12 (OOO) Trifloxystrobin, 3,000 parts per billion for  
13 ingestion; 100 parts per billion for inhalation.

14 (2) Residual solvent limits for ingestion or  
15 inhalation:

16 (A) 1,2-Dichloroethane, 2 parts per million.

17 (B) 1,1-Dichloroethene, 8 parts per million.

18 (C) Acetone, 750 parts per million.

19 (D) Acetonitrile, 60 parts per million.

20 (E) Benzene, 1 part per million.

21 (F) Butane, 5,000 parts per million.

22 (G) Chloroform, 2 parts per million.

23 (H) Ethanol, 5,000 parts per million.

24 (I) Ethyl Acetate, 400 parts per million.

25 (J) Ethyl Ether, 500 parts per million.

26 (K) Ethylene Oxide, 5 parts per million.

1 (L) Heptane, 5,000 parts per million.

2 (M) Hexane, 250 parts per million.

3 (N) Isopropyl Alcohol, 500 parts per million.

4 (O) Methanol, 250 parts per million.

5 (P) Methylene Chloride, 125 parts per million.

6 (Q) Pentane, 750 parts per million.

7 (R) Propane, 5,000 parts per million.

8 (S) Toluene, 150 parts per million.

9 (T) Trichloroethylene 25 parts per million.

10 (U) Xylenes, Total (ortho-, meta-, para-), 150  
11 parts per million.

12 (3) Metals limits are:

13 (A) Cadmium, 500 parts per billion for ingestion;  
14 200 parts per billion for inhalation.

15 (B) Lead, 500 parts per billion for ingestion or  
16 inhalation.

17 (C) Arsenic, 1,500 parts per billion for  
18 ingestion; 200 parts per billion for inhalation.

19 (D) Mercury, 3,000 parts per billion for  
20 ingestion; 200 parts per billion for inhalation.

21 (4) Biological limits for ingestion or inhalation:

22 (A) Shiga toxin-producing escherichia coli (STEC  
23 E. coli) and other pathogenic E. coli, 1 CFU per gram.

24 (B) Salmonella, 1 CFU per gram.

25 (C) Aspergillus niger, aspergillus fumigatus,  
26 aspergillus flavus, aspergillus terreus, 1 CFU per

1 gram.

2 (5) Mycotoxin limits are:

3 (A) Total aflatoxin (B1, B2, G1, G2), 20 parts per  
4 billion for ingestion or inhalation.

5 (B) Ochratoxin, 20 parts per billion for ingestion  
6 or inhalation.

7 (6) The total combined yeast and mold limit is 100,000  
8 CFU per gram for ingestion or inhalation.

9 (7) The cannabinoid limits are: delta-9  
10 tetrahydrocannabinol concentration shall not exceed 0.3%  
11 by weight.

12 (8) If a testing sample is found to contain levels of  
13 any pathogen, toxicant, residual solvent, metal, or  
14 pesticide not enumerated in this Section or by State law,  
15 then the hemp extract shall be considered adulterated.

16 (9) Devices used during the inhalation process must  
17 not introduce contaminants over the limits listed in this  
18 Section into the hemp extract product.

19 (e) If the sample failed the pesticide chemical residue  
20 test, the entire batch from which the sample was taken shall,  
21 if applicable, be recalled as provided by rule.

22 (f) If the sample failed any other test, the batch may be  
23 used to make a CO2-based or solvent-based extract. After  
24 processing, the CO2-based or solvent-based extract must still  
25 pass all required tests.

26 (g) The Department of Agriculture shall establish

1 standards for microbial, mycotoxin, pesticide residue, solvent  
2 residue, or other standards for the presence of possible  
3 contaminants which shall be no stricter than those listed in  
4 this Section.

5 (h) A hemp business establishment shall provide the  
6 laboratory test results for each batch of hemp-cannabinoid  
7 products purchased by any other hemp business establishment,  
8 upon request.

9 (505 ILCS 89/23.25 new)

10 Sec. 23.25. Laboratory testing for hemp-cannabinoid  
11 products for human ingestion using intermediate-hemp products.

12 (a) Hemp food establishments using intermediate hemp  
13 products to create hemp-cannabinoid products for human  
14 ingestion that have passed the testing requirements under this  
15 Act only need to test for potency provided that all other  
16 ingredients and inputs to be added into the hemp-cannabinoid  
17 products are food-grade.

18 (b) The manufacturer of a product regulated under this  
19 section must submit a representative sample of the batch cycle  
20 every time a different intermediate hemp product batch is used  
21 to an independent, accredited laboratory, which shall be  
22 tested by the approved laboratory for potency.

23 (c) The laboratory shall immediately return or dispose of  
24 any hemp-cannabinoid product upon the completion of any  
25 testing, use, or research. If the hemp-cannabinoid product is

1 disposed of, it shall be done in compliance with Department of  
2 Agriculture rule.

3 (d) The hemp distributor or food establishment shall  
4 provide to a hemp business establishment the laboratory test  
5 results for each batch of hemp-cannabinoid products purchased  
6 by the hemp business establishment. Each hemp business  
7 establishment must have these laboratory results available  
8 upon request to purchasers.

9 (505 ILCS 89/23.30 new)

10 Sec. 23.30. Laboratory testing for ready-to-eat  
11 hemp-cannabinoid products using tested intermediate-hemp  
12 products.

13 (a) Retail hemp food establishments using intermediate  
14 hemp products that have passed testing to create ready-to-eat  
15 hemp-cannabinoid products only need to test for potency  
16 provided that all other ingredients and inputs to be added  
17 into the hemp-cannabinoid products are food-grade. The retail  
18 hemp food establishment creating the ready-to-eat  
19 hemp-cannabinoid product for manufacturer of a product  
20 regulated under this Section must submit a representative  
21 sample of its registered recipe using its registered dosing  
22 standard operating procedure ("SOP") either (i) annually or  
23 (ii) every time a different intermediate hemp product batch is  
24 used to an independent, accredited laboratory, which shall be  
25 tested by the approved laboratory for potency.

1       (b) The laboratory shall immediately return or dispose of  
2 any ready-to-eat hemp-cannabinoid product upon the completion  
3 of any testing, use, or research. If the ready-to-eat  
4 hemp-cannabinoid product is disposed of, it shall be done in  
5 compliance with Department of Agriculture rule.

6       (c) The retail hemp food establishment shall provide to  
7 its customers a copy of its registered recipe and registered  
8 dosing SOP. The hemp distributor or food establishment shall  
9 provide to a hemp business establishment the laboratory test  
10 results for each batch of hemp-cannabinoid products purchased  
11 by the hemp business establishment, upon request.

12       (d) Each hemp business establishment must have these  
13 laboratory results available upon request to purchasers.

14       (505 ILCS 89/23.35 new)

15       Sec. 23.35. Standard remediation procedures and  
16 guidelines.

17       (a) Non-compliant hemp may only be disposed of or  
18 remediated. Only successfully remediated crops will be allowed  
19 to enter the stream of commerce. All other non-compliant crops  
20 shall be disposed.

21       (b) Remediation may take place using one of the following  
22 options.

23           (1) Non-compliant hemp may be remediated by separating  
24 and destroying non-compliant flowers, while retaining  
25 stalks, leaves, and seeds.

1           (2) Non-compliant hemp may be remediated by shredding  
2           the entire hemp lot to create biomass. Lots shall be kept  
3           separate and shall not be combined during this process.

4           (c) The licensee, designated employee, or an approved  
5           representative of the Department, as the Department deems  
6           appropriate, shall remediate or dispose of non-compliant hemp.  
7           The Department may require that a representative of the  
8           Department be present during the remediation or disposal  
9           process.

10          (d) Upon notification that a lot has tested above the  
11          acceptable hemp THC level, the licensee shall notify the  
12          Department of the licensee's decision to either dispose of or  
13          remediate the non-compliant lot and the method of disposal or  
14          remediation the licensee will use. If the licensee refuses to  
15          dispose of or remediate the non-compliant hemp lot, the  
16          Department will issue the licensee an order of disposal.

17          (e) All lots subject to remediation shall be stored,  
18          labeled and kept apart from each other and from other  
19          compliant hemp lots stored or held nearby.

20          (f) The following procedures must be followed during the  
21          creation of biomass:

22               (1) The entire lot, as reported to the Department  
23               shall be shredded to create a homogenous and uniform  
24               biomass.

25               (2) The biomass created through this process shall be  
26               resampled and retested to ensure compliance before

1 entering the stream of commerce. Biomass that fails the  
2 retesting is non-compliant hemp and shall be disposed.

3 (g) Remediated biomass shall be separated from any  
4 compliant hemp stored in the area and clearly labeled as "hemp  
5 for remediation purposes". Remediated biomass shall not leave  
6 the labeled area until a test result showing compliance with  
7 the acceptable hemp THC level is received or the biomass is  
8 ready to be disposed.

9 (h) Remediated biomass or remediated stalks, leaves, and  
10 seeds shall be resampled and retested to ensure compliance  
11 before entering the stream of commerce. Remediated biomass or  
12 remediated stalks, leaves, and seeds that fail the retesting  
13 shall be destroyed.

14 (i) The resample must be taken by the sampling agent in a  
15 manner described in USDA published guidance and must meet the  
16 USDA requirements set forth in Sections 990.3 and 990.27 of  
17 the Domestic Hemp Production Program and the federal Code of  
18 Regulations.

19 (j) When taking the resample, the sampling agent under  
20 contract with a licensee or registrant shall take remediated  
21 biomass or remediated stalks, leaves and seeds material from  
22 various depths, locations, and containers in the labeled and  
23 demarkated area to collect a representative sample of the  
24 material. At minimum, 750 mL or three standard measuring cups  
25 of remediated biomass or remediated stalks, leaves and seeds  
26 material shall be collected. Sampling agents may collect more

1 remediated biomass or remediated stalks, leaves and seeds  
2 material based on the requirements of the testing laboratory.  
3 If 750 mL of material is not available, the sampling agent  
4 shall collect enough remediated biomass or remediated stalks,  
5 leaves and seeds material for a representative sample.

6 (k) An original copy of the resample test results, or a  
7 legible copy, must be retained by the licensee or an  
8 authorized representative and available for inspection for a  
9 period of three years from the date of receipt.

10 (l) Laboratories testing a resample shall use the same  
11 testing protocols as when testing a standard sample.

12 (m) If a crop will be harvested for hemp microgreens, the  
13 crop will not be subject to the sampling and testing  
14 requirements described in this Section).

15 (1) Due to extremely low levels of cannabinoids in the  
16 immature plants, sampling and testing of every lot hemp  
17 microgreens is unnecessary.

18 (2) Licensees are solely responsible for ensuring  
19 seeds used by the licensee for hemp microgreen production  
20 are from cannabis varieties meeting the definition of  
21 hemp.

22 (3) A licensed grower who produces a crop that does  
23 not meet the criteria for an exception as a hemp  
24 microgreen under this subsection shall either:

25 (A) follow the compliance, sampling and testing  
26 requirement pursuant to this Section; or

1           (B) dispose of the crop in by approved methods of  
2           disposal include plowing, tilling, or disking plant  
3           material into the soil; mulching, composting,  
4           chopping, or bush mowing plant material into green  
5           manure; burning plant material; burying plant material  
6           into the earth and covering with soil, and any other  
7           methods approved by USDA or the Department.

8           (n) If a hemp crop will be grown for ornamental purposes,  
9           the crop will not be subject to the sampling and testing  
10           requirements described in this Section.

11           (1) Due to extremely low levels of cannabinoids in the  
12           plants, sampling and testing of every lot of ornamental  
13           hemp is unnecessary.

14           (2) Licensees are solely responsible for ensuring  
15           seeds used by the licensee for ornamental hemp production  
16           are from varieties meeting the definition of hemp.

17           (3) A licensed grower who produces a crop that does  
18           not meet the criteria for an exception as ornamental hemp  
19           under this subsection shall either:

20           (A) follow the compliance, sampling and testing  
21           requirement pursuant to this Section; or

22           (B) dispose of the crop in by approved methods of  
23           disposal include plowing, tilling, or disking plant  
24           material into the soil; mulching, composting,  
25           chopping, or bush mowing plant material into green  
26           manure; burning plant material; burying plant material

1           into the earth and covering with soil, and any other  
2           methods approved by USDA or the Department.

3           (o) If a hemp crop will be grown for grain or fiber  
4           purposes, the crop will not be subject to the sampling and  
5           testing requirements described in this Section.

6           (1) Due to extremely low levels of cannabinoids in the  
7           plants, sampling and testing of every lot of grain and  
8           fiber hemp is unnecessary.

9           (2) Licensees are solely responsible for ensuring  
10          seeds used by the licensee for grain or fiber hemp  
11          production are from varieties meeting the definition of  
12          hemp.

13          (3) A licensed grower who produces a crop that does  
14          not meet the criteria for an exception as grain or fiber  
15          hemp under this subsection shall either:

16                (A) follow the compliance, sampling and testing  
17                requirement pursuant to this Act; or

18                (B) dispose of the crop in by approved methods of  
19                disposal include plowing, tilling, or disking plant  
20                material into the soil; mulching, composting,  
21                chopping, or bush mowing plant material into green  
22                manure; burning plant material; burying plant material  
23                into the earth and covering with soil, and any other  
24                methods approved by USDA or the Department.

1       Sec. 24. Transportation of industrial hemp.

2       (a) Industrial hemp that has not been processed may be  
3 transferred by the licensee or registrant from the place of  
4 cultivation to the place of processing at any time after  
5 passing official THC compliance testing. Approved laboratory  
6 personnel, Department personnel, a third party designated by  
7 the Department, cannabis transporter licensees, sampling  
8 agents or hemp business establishment employees may transport  
9 hemp samples for testing to laboratories for testing purposes.

10       (b) There is no State restriction on the transportation of  
11 any hemp or hemp-cannabinoid product including after the  
12 retail sale to a member of the public.

13       (c) A licensed or registered person shall not ship or  
14 transport, or allow to be shipped or transported, live hemp  
15 plants, cuttings for planting, or viable seeds from a variety  
16 that is currently designated by the Department as a prohibited  
17 variety or a variety of concern to any location outside the  
18 State.

19       (d) A licensed person shall not sell or transfer, or  
20 permit the sale or transfer of, living plants or viable seeds  
21 outside the State that is not authorized by a state agency  
22 under the laws of the destination state.

23       (505 ILCS 89/25)

24       Sec. 25. Violation of State and federal law.

25       (a) Nothing in this Act shall be construed to authorize

1 any person to violate federal rules, regulations, or laws. If  
2 any part of this Act conflicts with a provision of the federal  
3 laws regarding industrial hemp, the federal provisions shall  
4 control to the extent of the conflict.

5 (b) Any violations of this Act or any State or federal  
6 criminal code may subject the licensee or registrant to  
7 administrative penalties as set forth in this Act and may also  
8 subject the licensee or registrant to criminal prosecution.

9 (c) Licensee information may be shared with law  
10 enforcement without notice to the licensee.

11 (d) No hemp business establishment shall: hold itself out  
12 to be a "dispensary", "marijuana dispensary", "dispensing  
13 organization" or any kind of cannabis business establishment  
14 unless such entity holds a valid cannabis business  
15 establishment license.

16 (e) A licensee or registrant shall be subject to  
17 subsection (b) if the Department determines that the licensee  
18 or registrant has negligently violated this Act, including by  
19 negligently:

20 (1) failing to obtain a license, registration or other  
21 required authorization required by this Section from the  
22 Department; or

23 (2) producing or processing cannabis sativa L. with a  
24 THC concentration exceeding the acceptable hemp THC level.  
25 Licensees do not commit a negligent violation if they make  
26 reasonable efforts to grow hemp and the cannabis does not

1 have a delta-9 THC concentration of more than 1% on a dry  
2 weight basis.

3 (f) A hemp licensee or registrant described in subsection  
4 (a) shall comply with a corrective action plan established by  
5 the Department to correct the negligent violation. The  
6 corrective action plan shall include the following:

7 (1) a reasonable date by which the licensee or  
8 registrant shall correct the negligent violation; and

9 (2) a requirement that the licensee or registrant  
10 shall periodically report to the Department on the  
11 compliance of the licensee or registrant for a period of  
12 not less than 2 calendar years; and

13 (3) announced or unannounced inspections by Department  
14 of licensee or registrant to confirm compliance with the  
15 corrective action plan.

16 (g) A licensee or registrant who violates this Act shall  
17 not, as a result of that violation, be subject to any criminal  
18 enforcement action by any federal, State, or local government.

19 (h) The Department may, on its own initiative, or after  
20 receipt of a complaint against a licensee or registrant,  
21 investigate to determine whether a violation has taken place.

22 (i) A licensee or registrant who wants to contest the  
23 Department's determination of a violation of the Act must do  
24 so by submitting a request for an administrative hearing in  
25 writing to the Department's Division of Cannabis Regulation,  
26 attention hemp program, within 90 calendar days after

1 receiving notice of the violation.

2 (Source: P.A. 100-1091, eff. 8-26-18.)

3 (505 ILCS 89/26 new)

4 Sec. 26. hemp-cannabinoid products enforcement.

5 (a) The Department of Public Health, the Department of  
6 Agriculture, and the Department of Financial and Professional  
7 Regulation shall enforce the provisions of this Act with  
8 regard to the hemp-cannabinoid business establishments  
9 registered under their respective authority, including the  
10 authority to embargo products described in subsection (b).

11 (b) Hemp or hemp extract products must meet the  
12 requirements of this Section. Hemp or hemp extract products  
13 that do not meet the requirements of this Section or without  
14 the documentation required in this Section may not be sold in  
15 this State.

16 (c) Violations of this Section shall result in the  
17 imposition of stop-sale or stop-use orders and an  
18 administrative fine of up to \$5,000 per violation payable by  
19 the hemp business establishment.

20 (d) The sale of hemp extract intended for inhalation to  
21 persons under the age of 21, an individual under the age of 18  
22 with a valid medical card shall result in an administrative  
23 fine of \$5,000 per occurrence.

24 (e) All licensees and registrants shall be subject to  
25 inspections at the discretion of the Department to ensure

1 compliance with the Act. The inspections may be scheduled and  
2 unannounced annual inspections, random inspections, and  
3 inspections for the purposes of auditing.

4 (f) The Department shall provide a minimum of 5 business  
5 days notice to the licensee for an annual of the inspection.  
6 The notification shall inform the licensee of the scope and  
7 process by which the annual inspection will be conducted.

8 (g) Failure to comply with a properly noticed inspection  
9 shall result in the initiation of disciplinary proceedings  
10 pursuant to this Act.

11 (h) For a non-random inspection, either the licensee or an  
12 agent of the licensee shall be present for the inspection and  
13 sampling and shall provide the inspector with unrestricted  
14 access to all industrial hemp plants, parts, seeds,  
15 hemp-cannabinoid products, intermediate hemp products, and  
16 harvested material, including all buildings and other  
17 structures used for the cultivation and storage of industrial  
18 hemp and all documents pertaining to the licensee's industrial  
19 hemp cultivation, processing, distributing, retailing and  
20 business.

21 (505 ILCS 89/27 new)

22 Sec. 27. Publishing information. The Department shall make  
23 available to the public complaints about cannabinoid products,  
24 information regarding a pending administrative hearing or  
25 court case under this Act, or any disciplinary action taken

1 against a hemp business establishment.

2 (505 ILCS 89/28 new)

3 Sec. 28. Temporary restraining order or injunction. The  
4 Director, through the Attorney General, may file a complaint  
5 and apply to the circuit court for, and the court upon hearing  
6 and for cause shown may grant, a temporary restraining order  
7 or a preliminary or permanent injunction restraining any  
8 person from violating this Act.

9 (505 ILCS 89/30 new)

10 Sec. 30. Licensing and regulation; hemp cultivators.

11 (a) In this Section, "Department" means the Department of  
12 Agriculture.

13 (b) No person shall cultivate industrial hemp for the  
14 purposes of commerce in the State without first receiving an  
15 industrial hemp cultivator license from the Department.

16 (c) All licensed hemp cultivators shall be responsible to  
17 ensure that their harvest of raw hemp products and live hemp  
18 products test under 0.3% delta-9 THC.

19 (d) No land area may contain cannabis plants or parts of  
20 cannabis plants that the licensee knows or has reason to know  
21 are of a variety that will produce a plant that, when tested,  
22 will produce more than 0.3% delta-9 THC concentration on a dry  
23 weight basis. No licensee shall use any such variety for any  
24 purpose associated with the cultivation of industrial hemp.

1       (e) There shall be no minimum land area for hemp  
2 cultivation.

3       (f) All licensed hemp cultivators can sell their harvest  
4 of raw hemp products and live hemp products that test under  
5 0.3% delta-9 THC to other hemp businesses or persons.

6       (g) A hemp business establishment that handles or stores  
7 live hemp products must obtain a separate hemp cultivator  
8 license for that location.

9       (h) A licensed hemp business establishment shall not plant  
10 or grow hemp on any site not listed in the application.

11       (i) Licensed industrial hemp cultivators are solely  
12 responsible for procuring seeds, clones, transplants or  
13 propagules for planting.

14       (j) No licensee shall harvest any portion of a hemp crop  
15 until after the lot to be harvested has been sampled pursuant  
16 to this Act, unless they can show good cause or receive prior  
17 department approval in writing.

18       (k) There shall be no change of ownership of any hemp crop  
19 until laboratory testing has been completed on such crop  
20 pursuant to this Act.

21       (l) All licensees and registrants are subject to audit and  
22 inspection by the Department.

23       (m) Each licensee and registrant shall maintain all  
24 records for a period of at least 3 years. "Records" includes  
25 harvest reports, sales data including license numbers of  
26 licensees or registrants purchasing seed, propagules or raw

1 industrial hemp, testing results, sampling documentation,  
2 resampling results, disposal reports, transportation records,  
3 and any reports made to USDA, FSA, or the Department.

4 (n) A licensed or registered person shall not ship or  
5 transport cannabis seeds, plants or parts of cannabis plants  
6 that the licensee knows or has reason to know are of a variety  
7 that will produce a plant that, when tested, will produce more  
8 than 0.3% delta-9 THC concentration on a dry weight basis.

9 (505 ILCS 89/35 new)

10 Sec. 35. Licensing and regulation; hemp processors.

11 (a) In this Section, "Department" means the Department of  
12 Agriculture.

13 (b) In addition to processing hemp, licensed hemp  
14 processors may turn hemp plant material into intermediate hemp  
15 products, manufacture hemp products for inhalation or topical  
16 use, and manufacture intermediate hemp products.

17 (c) No person shall prepare and sell wholesale packaged  
18 cannabinoid products that are intended for inhalation or  
19 intermediate hemp products, unless it is licensed by the  
20 Department as a hemp processor or hemp distributor.

21 (505 ILCS 89/40 new)

22 Sec. 40. Licensing and regulation; hemp distributors.

23 (a) In this Section, "Department" means the Department of  
24 Financial and Professional Regulation.

1       (b) All intermediate hemp products, live hemp products and  
2       hemp-cannabinoid products must be obtained from a hemp  
3       business establishment licensed by the State or from another  
4       similarly licensed out-of-state entity.

5       (c) No person shall prepare and sell wholesale packaged  
6       cannabinoid products that are intended for inhalation or  
7       intermediate cannabinoid products unless it is licensed by the  
8       Department as a hemp processor or hemp distributor.

9           (505 ILCS 89/45 new)

10       Sec. 45. Licensing and regulation; hemp retailers.

11       (a) In this Section, "Department" means the Department of  
12       Financial and Professional Regulation.

13       (b) No person shall operate a hemp retail establishment  
14       for the purpose of serving purchasers of hemp-cannabinoid  
15       products without a license issued under this Section by the  
16       Department.

17       (c) All live hemp products and hemp-cannabinoid products  
18       must be obtained from a hemp cultivator, hemp distributor,  
19       hemp food establishment or another hemp retailer licensed by  
20       the State or from another similarly licensed out-of-state  
21       entity.

22       (d) Hemp retailing organizations that obtain a hemp food  
23       establishment license may prepare and sell ready-to-eat  
24       hemp-cannabinoid products.

25       (e) Hemp retailing organizations that maintain a hemp food

1 establishment license may host cottage hemp food operators on  
2 the licensed home food establishment premises for special  
3 events lasting no longer than 3 days.

4 (f) Out of state organizations are not allowed to sell  
5 hemp-cannabinoid products to end-consumers within the State  
6 unless they obtain a hemp retailer license and maintain proof  
7 of age verification and shipping manifests for a period of 1  
8 year.

9 (g) No person shall offer inhalable cannabinoid products  
10 for sale directly to the public unless it is licensed as a hemp  
11 retailer.

12 (h) Any retailer that sells hemp extract intended for  
13 inhalation shall post a clear and conspicuous sign directly  
14 adjacent to the display of the product that states the  
15 following: "The sale of hemp extract intended for inhalation  
16 to persons under the age of 21 is prohibited. Proof of age is  
17 required for purchase".

18 (i) Hemp extract or hemp-cannabinoid products intended for  
19 inhalation or ingestion may not be mailed, shipped, or  
20 otherwise delivered to a purchaser unless, before the delivery  
21 to the purchaser, the hemp food establishment obtains  
22 confirmation that the purchaser is 21 years of age or older.

23 (505 ILCS 89/50 new)

24 Sec. 50. Licensing and regulation; hemp food  
25 establishments.

1       (a) In this Section, "Department" means the Department of  
2 Public Health.

3       (b) Hemp retailing licensees under Section 45 that obtain  
4 a hemp food establishment license under this Section may  
5 prepare and sell ready-to-eat hemp-cannabinoid products.

6       (c) No person shall operate a hemp retail establishment  
7 for the purpose of serving purchasers of hemp-cannabinoid  
8 products for human ingestion or ready-to-eat hemp-cannabinoid  
9 products without a license issued under this Section by the  
10 Department.

11       (d) A hemp food establishment will comply with the food  
12 handling, preparation, packaging and labeling provisions of  
13 the Food, Drug, and Cosmetic Act, the Food Handling Regulation  
14 Enforcement Act, and the Sanitary Food Preparation Act.

15       (e) A hemp food establishment shall be under the  
16 operational supervision of a certified food service sanitation  
17 manager, in possession of a valid BASSET certification,  
18 responsible vendor training, or other similar on-premises or  
19 off-promise alcohol serving certification.

20       (f) Any hemp food establishment dealing in the manufacture  
21 and sale of food items which does not comply with the existing  
22 State laws related to food handling or does not comply with the  
23 health and food handling regulations of any unit of local  
24 government having jurisdiction of such establishment may be  
25 enjoined from doing business in the following manner: the  
26 Department of Public Health or local departments of health may

1 seek an injunction in the circuit court for the county in which  
2 such establishment is located. Such injunction, if granted,  
3 shall prohibit such business establishments from selling  
4 hemp-cannabinoid products for human ingestion until it  
5 complies with any applicable State law or regulations of a  
6 local governmental agency. However, no injunction may be  
7 sought or granted before January 1, 2026, to enforce any rule  
8 or regulation requiring a licensed food business to adhere to  
9 these regulations.

10 (g) Ready to eat hemp-cannabinoid products are not allowed  
11 to be imported.

12 (h) In order to sell ready-to-eat hemp-cannabinoid  
13 products, a hemp food establishment shall:

14 (1) Use only intermediate hemp products that have  
15 passed a full-panel test in accordance with this Act.

16 (2) Sell no product containing more than 50mg of THC  
17 per serving.

18 (3) Submit a standard operating procedure ("SOP") for  
19 dosing to the Department for approval and registration.  
20 Such approval shall be granted within 30 days of  
21 submission unless the Department provides good cause, in  
22 writing, for withholding approval.

23 (4) Submit the SOP, at the hemp food establishment's  
24 expense, to a third party testing laboratory for potency  
25 testing to ensure 0.3% delta-9 THC compliance, once a  
26 year.

1           (5) Use only the varietal or proportional varietals of  
2           ingredients included in the tested recipe for all  
3           subsequent batches of such recipe.

4           (6) Provide documentation of the annual test results  
5           of the recipe submitted under this paragraph upon  
6           registration and to an inspector upon request during any  
7           inspection authorized by the Department.

8           (i) A hemp food establishment shall provide a valid hemp  
9           food establishment license and the most recent food safety or  
10          health inspection report from the approved source to the  
11          Department upon request.

12           (505 ILCS 89/55 new)

13           Sec. 55. Licensing and regulation of cottage hemp food  
14           operators.

15           (a) In this Section, "Department" means the Department of  
16           Public Health.

17           (b) No person shall operate a cottage hemp food operator  
18           for the purpose of serving purchasers of ready-to-eat  
19           hemp-cannabinoid products without a license issued under this  
20           Section.

21           (c) The Fee for a cottage hemp food operator license shall  
22           be \$75.

23           (d) Applicants for a cottage hemp food operator license  
24           shall be individuals.

25           (e) Businesses licensed under the Cannabis Regulation and

1 Tax Act or the Compassionate Use of Medical Cannabis Program  
2 Act may not hold a hemp cottage food license.

3 (f) "Cottage hemp food operators" must register with a  
4 hemp distributor on an annual basis.

5 (g) "Cottage hemp food operators" are responsible for  
6 paying hemp taxes to their hemp distributor.

7 (h) "Cottage hemp food operators" have an annual  
8 intermediate hemp products purchase limit equivalent to of  
9 1,000 g (1,000,000 mg) of THC.

10 (i) Cottage hemp food operators must comply with all  
11 aspects of Section 4 of the Food Handling Regulation  
12 Enforcement Act.

13 (j) In order to produce cottage hemp-cannabinoid products,  
14 the cottage hemp food operator shall:

15 (1) Use only intermediate hemp products from its  
16 registered distributor that have been fully tested in  
17 accordance with this Act.

18 (2) Attest to following a standard operating procedure  
19 ("SOP") submitted by its registered distributor for dosing  
20 to the Department for approval and registration

21 (3) Not dose each serving with more than 50 mg of THC.

22 (k) In order to sell cottage hemp-cannabinoid products,  
23 the cottage hemp food operator shall display at the point of  
24 sale:

25 (1) A QR code with to links to a web page containing:

26 (A) a copy of the testing results of the

1 intermediate hemp product used; and

2 (B) a copy of the registered distributor's dosing  
3 SOP.

4 (2) Notice in a prominent location that states "This  
5 product was made using tested cannabinoids but was  
6 produced in a home kitchen not inspected by a health  
7 department that may also process common food allergens and  
8 may not be accurately dosed. If you have safety concerns,  
9 contact your local health department."

10 (1) Cottage hemp-cannabinoid products must conform with  
11 the labeling requirements of the Food, Drug and Cosmetic Act  
12 and the food shall be affixed with a prominent label that  
13 includes the following:

14 (1) The name of the cottage hemp food operation.

15 (2) The identifying registration number provided for  
16 the cottage hemp food operation.

17 (3) A label displaying the total milligram content of  
18 each type of cannabinoid exceeding 1 mg contained in each  
19 cottage hemp-cannabinoid product.

20 (4) The following phrase in prominent lettering "This  
21 product was made using tested cannabinoids but was  
22 produced in a home kitchen not inspected by a health  
23 department that may also process common food allergens and  
24 may not be accurately dosed. If you have safety concerns,  
25 contact your local health department".

26 (m) Cottage hemp-cannabinoid products are not allowed to

1 be imported.

2 (n) Cottage hemp-cannabinoid products produced by a  
3 cottage hemp food operator shall be sold directly to consumers  
4 for their own consumption and not for resale. Sales directly  
5 to consumers include, but are not limited to, sales at or  
6 through:

7 (1) farmer's markets;

8 (2) fairs, festivals, public events, or online;

9 (3) pickup from the private home or farm of the  
10 cottage hemp food operator, if the pickup is not  
11 prohibited by any law of the unit of local government that  
12 applies equally to all cottage food operations; in a  
13 municipality with a population of 1,000,000 or more, a  
14 cottage hemp food operator shall comply with any law of  
15 the municipality that applies equally to all home-based  
16 businesses;

17 (4) delivery to the customer;

18 (5) pick-up from a third-party private property with  
19 the consent of the third-party property holder; and

20 (6) hemp retail establishments.

21 (505 ILCS 89/60 new)

22 Sec. 60. Academic research institutions. Academic research  
23 institutions shall be subject to all provisions of this Act  
24 with the exception of the following:

25 (1) The fee for a license and for renewal of that

1 license will be \$100 annually.

2 (2) An academic research institution is exempt from  
3 the testing described in this Act. Potency testing shall  
4 be conducted by academic research designated laboratory.

5 (3) An academic research institution shall provide the  
6 following reports, which shall be confidential to the  
7 extent that they reveal, or release research conducted,  
8 unless the academic research institution provides  
9 authorization for release:

10 (A) Within 72 hours after the academic research  
11 institution receives test results, the following data  
12 shall be provided to the Department:

13 (i) the test results;

14 (ii) photos of samples; and

15 (iii) documentation of sampling chain of  
16 custody.

17 (B) No later than December 1 of each year, each  
18 academic research institution shall submit an  
19 industrial hemp academic institution research report  
20 to the Department that includes:

21 (i) Total acres or square feet of industrial  
22 hemp planted in the current calendar year.

23 (ii) A description of each variety planted and  
24 harvested in the current calendar year.

25 (iii) Total acres or square feet harvested in  
26 the current calendar year.

1                   (iv) Total yield in the appropriate  
2                   measurement, such as tonnage, seeds per acre, or  
3                   other measurement approved by the Department.

4                   (v) A disposal report for each lot or field  
5                   harvested at the conclusion of the academic  
6                   research.

7                   (vi) A description of the research and  
8                   research findings.

9                   (4) Academic research institutions shall report hemp  
10                  planting acreage to the federal Department of Agriculture  
11                  Farm Service Agency as described in this Act, with the  
12                  exception that this report does not have to be broken down  
13                  by lot or planting date.

14                  (5) Hemp grown for research purposes may not enter the  
15                  stream of commerce at any time. Hemp grown for research  
16                  purposes must be disposed of in accordance with these  
17                  administrative rules at the conclusion of the research  
18                  period.

19                  (6) Academic research institutions shall be exempt  
20                  from the inspection and sampling provisions in this Act.  
21                  Academic research institution sampling procedures shall  
22                  include the following:

23                   (A) Academic research institutions shall notify  
24                   the Department at least seven business days prior to  
25                   collection of samples. The notification shall include  
26                   the name of the individual designated as the academic

1 sampling agent and the GPS coordinates for the samples  
2 to be taken.

3 (B) Academic research institutions shall identify  
4 and designate a sampling agent. For academic research  
5 institutions only, a sampling agent may be an  
6 employee.

7 (C) The academic sampling agent shall verify the  
8 GPS coordinates of the growing area as compared with  
9 the GPS coordinates submitted by the academic research  
10 institution to Department.

11 (D) The sampling agent shall estimate the average  
12 height, appearance, approximate density, condition of  
13 the plants, and degree of maturity of the  
14 inflorescences, or flowers and buds. The sampling  
15 agent shall visually establish the homogeneity of the  
16 stand to establish that the growing area is of like  
17 variety.

18 (E) All samples shall be collected from the  
19 flowering tops of the plant by cutting the top 5 to 8  
20 inches from the main stem (that includes the leaves  
21 and flowers), terminal bud (that occurs at the end of a  
22 stem), or central cola (cut stem that could develop  
23 into a bud) of the flowering top of the plant. Samples  
24 shall be collected and maintained in such a way that  
25 there is no commingling of samples or sample material.

26 (7) At the request of the academic research

1 institution, and with the Department's written permission,  
2 an academic research institution may opt for  
3 performance-based sampling protocols instead of the  
4 provisions outlined in this Act.

5 (8) Consideration for performance-based sampling  
6 protocols will include:

7 (A) Whether the academic research institution can  
8 provide proof of a seed certification process or  
9 process that identifies varieties that have  
10 consistently demonstrated to result in compliant hemp  
11 plants.

12 (B) The academic research institution's history of  
13 producing compliant hemp plants over an extended  
14 period of time.

15 (C) The academic research institution's plan to  
16 ensure, at a confidence level of 95%, that no more than  
17 1% of the plants in each sampling will exceed the  
18 acceptable THC level.

19 (i) Performance-based sampling protocol will be subject to  
20 the following terms and conditions:

21 (1) When samples are collected, the sampling procedure  
22 must follow the provisions of this Act.

23 (2) The Department reserves the right to sample and  
24 test, or order the sampling and testing, of any hemp lot at  
25 any time to ensure compliance with the acceptable hemp THC  
26 level.

1           (3) Violations of performance-based methods will  
2           result in academic research institutions no longer being  
3           exempt from the sampling procedures outlined in this Act  
4           and may result in administrative penalties as outlined in  
5           this Act.

6           (505 ILCS 89/65 new)

7           Sec. 65. Government demonstration and research entity.

8           (a) Government demonstration and research entity shall be  
9           subject to all provisions of this Act with the exception of the  
10           following:

11                 (1) The fee for a license shall be \$100.

12                 (2) Renewal fee shall be \$100.

13                 (3) Licenses shall be valid for a period of one year.

14                 (4) The Department shall be exempt from the license  
15           fee and background check.

16           (b) A government demonstration and research entity are  
17           exempt from the testing described in this Act, so long as all  
18           hemp produced is destroyed according to the Act and the  
19           provisions of this Section.

20           (c) Hemp grown for governmental research and demonstration  
21           purposes may not enter the stream of commerce at any time.

22           (d) Hemp grown for governmental research and demonstration  
23           purposes must be disposed of in accordance with this Act at the  
24           conclusion of the demonstration or research period.

1 (505 ILCS 89/80 new)

2 Sec. 80. hemp-cannabinoid tax.

3 (a) A tax is imposed upon the privilege of engaging or  
4 continuing within this State in the business of the retail  
5 sale of hemp-cannabinoid products, including hemp-cannabinoid  
6 products for inhalation, help-cannabinoid products for  
7 ingestion, and ready-to-eat hemp-cannabinoid products. The  
8 applicable tax rate is equal to 5% of the retail sales price of  
9 the hemp-cannabinoid products sold during the reporting  
10 period. Such tax is imposed in addition to all other  
11 applicable taxes.

12 (b) On or before the 20th day of the first month following  
13 the end of the calendar quarter, a person in the business of  
14 the retail sale of hemp-cannabinoid products shall file with  
15 the Department of Revenue a return on a form prescribed by the  
16 Department of Revenue. Each person in the business of the  
17 retail sale of hemp-cannabinoid products in this State shall  
18 pay to the Department of Revenue the amount of the tax at the  
19 time when the person is required to file the person's return  
20 for the period during which the tax was collected.

21 (c) Revenue from the tax shall be deposited in the  
22 Industrial Hemp Fund.

23 (d) The following types of hemp-cannabinoid products shall  
24 not be taxed under this Act:

25 (1) full-spectrum products;

26 (2) broad spectrum products;

1           (3) isolate-based hemp-cannabinoid products;

2           (4) hemp-cannabinoid products sold for research  
3           purposes;

4           (5) hemp-cannabinoid products with less than .5mg  
5           delta-9 Tetrahydrocannabinol per serving;

6           (6) processed hemp, live hemp products, raw hemp  
7           products, processed-hemp products, intermediate-hemp  
8           products and cottage hemp-cannabinoid products.

9           (e) The tax imposed under this Section shall be in  
10          addition to all other occupation, privilege or excise taxes  
11          imposed by the State or by any unit of local government.

12          (f) The tax imposed under this Section shall not be  
13          imposed on any purchase by a purchaser if the hemp retailer is  
14          prohibited by the federal or State Constitution, treaty,  
15          convention, statute, or court decision from collecting the tax  
16          from the purchaser.

17          (g) The tax imposed by this Section shall be collected  
18          from the purchaser by the hemp retailer or hemp food  
19          establishment and shall be remitted to the Department of  
20          Revenue on or before the 20th day following the end of the  
21          preceding calendar quarter stating the following:

22                 (1) The hemp retailer's or hemp food establishments  
23                 name.

24                 (2) The address of the hemp retailer's principal place  
25                 of business and the address of the principal place of  
26                 business (if that is a different address) from which the

1 hemp retailer engaged in the business of selling  
2 cannabinoid products subject to tax under this Section.

3 (3) The total purchase price received by the hemp  
4 retailer for hemp subject to tax under this Section.

5 (4) The amount of tax due.

6 (5) The signature of the hemp retailer.

7 (6) All returns required to be filed and payments  
8 required to be made under this Section shall be by  
9 electronic means.

10 (h) Any amount that is required to be shown or reported on  
11 any return or other document under this Section shall, if the  
12 amount is not a whole-dollar amount, be increased to the  
13 nearest whole-dollar amount if the fractional part of a dollar  
14 is \$0.50 or more and decreased to the nearest whole-dollar  
15 amount if the fractional part of a dollar is less than \$0.50.  
16 If a total amount of less than \$1 is payable, refundable, or  
17 creditable, the amount shall be disregarded if it is less than  
18 \$0.50 and shall be increased to \$1 if it is \$0.50 or more.

19 (i) Any hemp retailer who ceases to engage in the kind of  
20 business that makes the person responsible for filing returns  
21 under this Section shall file a final return under this  
22 Section with the Department of Revenue within one month after  
23 discontinuing the business.

24 (j) A person required to file a return under this Section  
25 who knowingly files a false or incomplete return is guilty of a  
26 Class A misdemeanor.

1       (k) The Department of Revenue has full power to: (i)  
2 administer and enforce this Law; (ii) collect all taxes,  
3 penalties, and interest due under this Section; (iii) dispose  
4 of taxes, penalties, and interest so collected; and (iv)  
5 determine all rights to credit memoranda or refunds arising on  
6 account of the erroneous payment of tax, penalty, or interest  
7 under this Law.

8       (l) All of the provisions of Sections 5a, 5b, 5c, 5d, 5e,  
9 5f, 5g, 5i, and 5j of the Retailers' Occupation Tax Act, which  
10 are not inconsistent with this Act, and Section 3-7 of the  
11 Uniform Penalty and Interest Act shall apply, as far as  
12 practicable, to the subject matter of this Act to the same  
13 extent as if such provisions were included herein.

14       (m) The tax imposed in this Section shall be administered  
15 by the Department of Revenue under rules adopted by the  
16 Department of Revenue. The Department of Revenue shall adopt  
17 rules as necessary to implement this Section.

18       (505 ILCS 89/100 new)

19       Sec. 100. Local ordinances; home rule.

20       (a) Unless otherwise provided under this Act or otherwise  
21 in accordance with State law:

22       (1) A unit of local government, including a home rule  
23 unit or any non-home rule county within the unincorporated  
24 territory of the county, may enact reasonable zoning  
25 ordinances or resolution, not in conflict with this Act or

1 rules adopted pursuant to the Act, regulating hemp  
2 business establishments. No unit of local government,  
3 including a home rule unit or any non-home rule county  
4 within the unincorporated territory of the county, may  
5 prohibit home cultivation or consumption of hemp or  
6 cannabinoid products authorized by this Act.

7 (2) A unit of local government, including a home rule  
8 unit or any non-home rule county within the unincorporated  
9 territory of the county, may enact ordinances or rules not  
10 in conflict with this Act or with rules adopted pursuant  
11 to this Act governing the time and manner of hemp business  
12 establishment operations through the use of conditional  
13 use permits. A unit of local government, including a home  
14 rule unit, may establish civil penalties for violation of  
15 an ordinance or rules governing the time and manner of  
16 operation of a hemp business establishment or a  
17 conditional use permit in the jurisdiction of the unit of  
18 local government. No unit of local government, including a  
19 home rule unit or non-home rule county within an  
20 unincorporated territory of the county, may unreasonably  
21 restrict the time or manner of hemp business establishment  
22 operations authorized by this Act. No unit of local  
23 government, including a home rule unit or non-home rule  
24 county within an unincorporated territory of the county,  
25 may restrict the number of hemp business establishment  
26 operations authorized by this Act.

1           (3) A unit of local government, including a home rule  
2           unit or any non-home rule county within the unincorporated  
3           territory of the county, may not enact minimum distance  
4           limitations between hemp business establishments and  
5           locations it deems sensitive.

6           (4) A unit of local government, including a home rule  
7           unit, or any non-home rule county within the  
8           unincorporated territory of the county may authorize or  
9           permit the on-premises consumption of cannabinoid products  
10           at or in a dispensing organization or retail tobacco  
11           store, as defined in Section 10 of the Smoke Free Illinois  
12           Act, within its jurisdiction in a manner consistent with  
13           this Act. A dispensing organization or retail tobacco  
14           store authorized or permitted by a unit of local  
15           government to allow on-site consumption shall not be  
16           deemed a public place within the meaning of the Smoke Free  
17           Illinois Act.

18           (5) A unit of local government, including a home rule  
19           unit, or any non-home rule county within the  
20           unincorporated territory of the county may issue licenses  
21           to regulate hemp food establishments in a manner  
22           consistent with this Act.

23           (6) A unit of local government, including a home rule  
24           unit or any non-home rule county within the unincorporated  
25           territory of the county, may not regulate the activities  
26           described in paragraph (1), (2), or (3) in a manner more

1 restrictive than the regulation of those activities by the  
2 State under this Act. This Section is a limitation under  
3 Section 6 of Article VII of the Illinois Constitution.

4 (vii) A unit of local government, including a home  
5 rule unit or any non-home rule county within the  
6 unincorporated territory of the county, may not enact  
7 ordinances to prohibit or significantly limit a hemp  
8 business establishment's location.

9 (b) Except as otherwise provided in this Act, the  
10 regulation and permitting of the activities described in this  
11 Act are exclusive powers and functions of the State. Except as  
12 otherwise provided in this Act, a unit of local government,  
13 including a home rule unit, may not regulate or license the  
14 activities described in this Act. This Act is a denial and  
15 limitation of home rule powers and functions under subsection  
16 (g) of Section 6 of Article VII of the Illinois Constitution.

17 (c) A unit of local government, including a home rule unit  
18 or any non-home rule county within the unincorporated  
19 territory of the county, may not require the issuance of a  
20 tobacco license as a condition of authorizing a hemp business  
21 establishment.

22 Section 99. Effective date. This Act takes effect on  
23 January 1, 2027.

1	INDEX	
2	Statutes amended in order of appearance	
3	30 ILCS 105/5.1038 new	
4	35 ILCS 5/203	from Ch. 120, par. 2-203
5	35 ILCS 143/10-5	
6	235 ILCS 5/6-29.2 new	
7	505 ILCS 89/3 new	
8	505 ILCS 89/5	
9	505 ILCS 89/5.1 new	
10	505 ILCS 89/5.2 new	
11	505 ILCS 89/5.3 new	
12	505 ILCS 89/5.4 new	
13	505 ILCS 89/5.5 new	
14	505 ILCS 89/5.6 new	
15	505 ILCS 89/5.7 new	
16	505 ILCS 89/5.8 new	
17	505 ILCS 89/5.9 new	
18	505 ILCS 89/5.10 new	
19	505 ILCS 89/5.11 new	
20	505 ILCS 89/5.12 new	
21	505 ILCS 89/5.13 new	
22	505 ILCS 89/7 new	
23	505 ILCS 89/8 new	
24	505 ILCS 89/8-5 new	
25	505 ILCS 89/10	

- 1 505 ILCS 89/11 new
- 2 505 ILCS 89/15
- 3 505 ILCS 89/16 new
- 4 505 ILCS 89/17
- 5 505 ILCS 89/18
- 6 505 ILCS 89/18.5 new
- 7 505 ILCS 89/18.10 new
- 8 505 ILCS 89/19
- 9 505 ILCS 89/20
- 10 505 ILCS 89/21 new
- 11 505 ILCS 89/22 new
- 12 505 ILCS 89/22.5 new
- 13 505 ILCS 89/22.10 new
- 14 505 ILCS 89/22.15 new
- 15 505 ILCS 89/23 new
- 16 505 ILCS 89/23.10 new
- 17 505 ILCS 89/23.15 new
- 18 505 ILCS 89/23.20 new
- 19 505 ILCS 89/23.25 new
- 20 505 ILCS 89/23.30 new
- 21 505 ILCS 89/23.35 new
- 22 505 ILCS 89/24 new
- 23 505 ILCS 89/25
- 24 505 ILCS 89/26 new
- 25 505 ILCS 89/27 new
- 26 505 ILCS 89/28 new

- 1 505 ILCS 89/30 new
- 2 505 ILCS 89/35 new
- 3 505 ILCS 89/40 new
- 4 505 ILCS 89/45 new
- 5 505 ILCS 89/50 new
- 6 505 ILCS 89/55 new
- 7 505 ILCS 89/60 new
- 8 505 ILCS 89/65 new
- 9 505 ILCS 89/80 new
- 10 505 ILCS 89/100 new