



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

SB3884

Introduced 2/6/2026, by Sen. Mike Simmons

SYNOPSIS AS INTRODUCED:

New Act

20 ILCS 605/605-1119 new

35 ILCS 5/201

35 ILCS 5/203

from Ch. 120, par. 2-203

Creates the Extremely High Wealth Mark-to-Market Tax Act. Provides that a resident taxpayer with net assets worth \$1,000,000,000 or more shall recognize gains or losses as if each asset owned by that taxpayer had been sold for its fair market value on December 31 of the taxable year. Contains provisions concerning the calculation of the amount of tax due from those gains or losses. Amends the Illinois Income Tax Act to make conforming changes. Amends the Department of Commerce and Economic Opportunity Law of the Civil Administrative Code of Illinois Provides that the Department of Commerce and Economic Opportunity shall develop a child care assistance program that includes child care subsidies and has benchmarks for limiting co-payments, by the year 2030, to no more than 7% of a family's income. Amends the Illinois Income Tax Act. Provides that, for taxable years beginning on or after January 1, 2027, the corporate income tax rate shall be 9% (currently, 7%). Effective immediately

LRB104 20160 HLH 33611 b

1 AN ACT concerning revenue.

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

4 Section 1. Short title. This Act may be cited as the
5 Extremely High Wealth Mark-to-Market Tax Act.

6 Section 5. Definitions. As used in this Act:

7 "Asset" means, to the extent allowable under the Illinois
8 Constitution, the United States Constitution, and any other
9 governing federal law, all real or personal property, whether
10 tangible or intangible and wherever situated, that is:

11 (1) owned by the taxpayer;

12 (2) owned by (i) the taxpayer's spouse, (ii) the
13 taxpayer's minor children, or (iii) any trust or estate of
14 which the taxpayer is a beneficiary;

15 (3) contributed by the taxpayer or the taxpayer's
16 spouse, minor children, or any trust or estate of which
17 the taxpayer is a beneficiary to any private foundation,
18 donor-advised fund, or any other entity described in
19 Section 501(c) or Section 527 of the Internal Revenue Code
20 if the taxpayer or the taxpayer's spouse, minor children,
21 or any trust or estate of which the taxpayer is a
22 beneficiary is a substantial contributor (as such term is
23 defined in Section 4958(c)(3)(B)(i) of the Internal

1 Revenue Code) to that foundation, fund, or other entity;
2 and

3 (4) without duplication, all gifts and donations made
4 within the 5 years immediately preceding the taxable year
5 by the taxpayer or the taxpayer's spouse, minor children,
6 or any trust or estate of which the taxpayer is a
7 beneficiary, as if those gifts and donations were owned by
8 the taxpayer on December 31 of the taxable year.

9 "Basis" means the fair market value of an asset on
10 December 31 of the taxable year immediately preceding the
11 taxable year in which the gain or loss is calculated under this
12 Act. If the asset is acquired by the taxpayer during the
13 taxable year, then the basis shall be the taxpayer's basis in
14 the asset for the purpose of calculating capital gains under
15 the federal Internal Revenue Code.

16 "Department" means the Department of Revenue.

17 "Net assets" means the fair market value of the taxpayer's
18 assets less the fair market value of the taxpayer's
19 liabilities and, in appropriate cases as determined by the
20 Department, liabilities of such other persons described in
21 this Section.

22 "Net income" has the meaning given to that term in Section
23 202 of the Illinois Income Tax Act.

24 "Phase-in cap amount" means an amount equal to 25% of the
25 worth of a taxpayer's net assets in excess of \$1,000,000,000
26 on December 31 of the taxable year for which gains or losses

1 are calculated under this Act.

2 "Resident taxpayer" means an individual, other than a
3 nonresident of the State or a part-year resident of the State,
4 who is subject to the tax imposed under subsections (a) and (b)
5 of Section 201 of the Illinois Income Tax Act for the taxable
6 year.

7 "Taxable year" has the meaning ascribed to that term in
8 Section 1501 of the Illinois Income Tax Act.

9 Section 10. Tax imposed for taxable years ending on or
10 after December 31, 2026 and ending prior to December 31, 2027.

11 (a) Notwithstanding any other provision of law, for
12 taxable years ending on or after December 31, 2026 and ending
13 before December 31, 2027, a resident taxpayer with net assets
14 worth \$1,000,000,000 or more on December 31, 2026 shall
15 recognize gains or losses as if each asset owned by that
16 taxpayer had been sold for its fair market value on December
17 31, 2026. An amount equal to the lesser of (i) any resulting
18 net gains from these deemed sales or (ii) the phase-in cap
19 amount shall be included in the taxpayer's net income for that
20 taxable year for the purpose of calculating the tax due under
21 the Illinois Income Tax Act. Proper adjustment shall be made
22 in the amount of any gain or loss subsequently realized for
23 gains or losses taken into account under this subsection. At
24 the taxpayer's option, the tax payable as a result of this
25 Section shall either be payable in one installment or else

1 shall be payable annually in 10 equal installments beginning
2 in the year of the effective date of this Act and with all such
3 installment payments commencing after the initial installment
4 payment also being subject to an annual nondeductible deferral
5 charge of 7.5% annually.

6 (b) For resident taxpayers who would recognize net gains
7 as a result of this Section except for the operation of this
8 sentence, if the taxpayer can show that any portion of those
9 gains was accumulated prior to the taxpayer becoming a
10 resident taxpayer of Illinois, and if the taxpayer can also
11 show that a portion of those gains was previously taxed by any
12 state or jurisdiction in which the taxpayer was a resident
13 prior to becoming a resident of Illinois, then a credit
14 against the tax imposed by this Act shall be provided in the
15 amount of the tax on those gains that was paid to any such
16 prior state or jurisdiction. Any credits so provided by this
17 subsection, however, shall not exceed the lesser of the total
18 tax owed under this Section on such gains and the tax imposed
19 on such gains by such other prior states or jurisdictions in
20 which the taxpayer was a resident prior to becoming a resident
21 individual of Illinois.

22 Section 15. Tax imposed for taxable years ending on or
23 after December 31, 2027.

24 (a) For taxable years ending on or after December 31,
25 2027, a resident taxpayer with net assets worth \$1,000,000,000

1 or more on December 31 of the taxable year shall recognize
2 gains or losses as if each asset owned by that taxpayer on
3 December 31 of the taxable year had been sold for its fair
4 market value on December 31 of the taxable year but with
5 adjustment made for taxes paid on gains in previous years. An
6 amount equal to the lesser of (i) any resulting net gains from
7 these deemed sales or (ii) the phase-in cap amount shall be
8 included in the taxpayer's net income for that taxable year
9 for the purpose of calculating the tax due under the Illinois
10 Income Tax Act. Proper adjustment shall be made in the amount
11 of any gain or loss subsequently realized for gain or loss
12 taken into account under the preceding sentence. To the extent
13 that the losses of a taxpayer exceed the taxpayer's gains,
14 such net losses shall not be recognized in such taxable year
15 and shall instead carry forward indefinitely.

16 (b) For resident taxpayers who would recognize net gains
17 as a result of this Section except for the operation of this
18 sentence, if the taxpayer can show that any portion of those
19 gains was accumulated prior to the taxpayer becoming a
20 resident taxpayer of Illinois, and if the taxpayer can also
21 show that a portion of those gains was previously taxed by any
22 state or jurisdiction in which the taxpayer was a resident
23 prior to becoming a resident of Illinois, then credit shall be
24 provided in the amount of the tax on those gains that was paid
25 to any such prior state or jurisdiction. Any credits so
26 provided by this subsection, however, shall not exceed the

1 lesser of the total tax owed under this Section on such gains
2 and the tax imposed on such gains by such other prior states or
3 jurisdictions in which the taxpayer was a resident prior to
4 becoming a resident individual of Illinois.

5 Section 25. Fair market value.

6 (a) The fair market value of each asset owned by the
7 taxpayer shall be the price at which the asset would change
8 hands between a willing buyer and a willing seller, neither
9 being under any compulsion to buy or to sell and both having
10 reasonable knowledge of relevant facts. The value of a
11 particular asset shall not be the price that a forced sale of
12 the property would produce. Further, the fair market value of
13 an asset shall not be its sale price in a market other than a
14 market in which the item is most commonly sold to the public,
15 taking into account the location of the item wherever
16 appropriate. In the case of an asset that is generally
17 obtained by the public in the retail market, the fair market
18 value of such an asset shall be the price at which the item or
19 a comparable item would be sold at retail.

20 (b) For purposes of this Section, any feature of an asset,
21 such as a poison pill, that was added with the intent and has
22 the effect of reducing the value of the asset shall be
23 disregarded, and no valuation or other discount shall be taken
24 into account if it would have the effect of reducing the value
25 of a pro rata economic interest in an asset below the pro rata

1 portion of the value of the entire asset.

2 Section 30. Administration.

3 (a) The Department shall amend or create tax forms as
4 necessary for the reporting of gains under this Act. Assets
5 shall be listed with (i) a description of the asset, (ii) the
6 asset category, (iii) the year in which the asset was
7 acquired, (iv) the adjusted Illinois basis of the asset as of
8 December 31 of the tax year, (v) the fair market value of the
9 asset as of December 31 of the tax year, and (vi) the amount of
10 gain that would be taxable under this Act, unless the
11 Department determines that one or more categories is not
12 appropriate for a particular type of asset.

13 (b) Asset categories separately listed shall include, but
14 shall not be limited to, the following:

- 15 (1) stock held in any publicly traded corporation;
16 (2) stock held in any private C corporation;
17 (3) stock held in any S corporation;
18 (4) interests in any private equity or hedge fund
19 organized as a partnership;
20 (5) interests in any other partnerships;
21 (6) interests in any other noncorporate businesses;
22 (7) bonds and interest-bearing savings accounts, cash
23 and deposits;
24 (8) interests in mutual funds or index funds;
25 (9) put and call options;

- 1 (10) futures contracts;
- 2 (11) financial assets held offshore and reported on
- 3 IRS tax form 8938;
- 4 (12) real property;
- 5 (13) art and collectibles;
- 6 (14) pension funds;
- 7 (15) other assets;
- 8 (16) debts and liabilities; and
- 9 (17) assets not owned by the taxpayer but which count
- 10 toward the \$1,000,000,000 threshold under Section 15.

11 (c) The Department shall specifically request the filing

12 of the forms under this Section by any resident individual

13 expected to have net assets in excess of \$1,000,000,000. Those

14 taxpayers shall include, but not be limited to, taxpayers with

15 an adjusted gross income over the previous 10 years in excess

16 of \$600,000,000.

17 Section 35. Mark-to-market in other states. If a resident

18 taxpayer becomes an Illinois resident after having paid tax to

19 another state as a result of recognizing gain or loss pursuant

20 to any mark-to-market or deemed-realization regime of that

21 other state, proper adjustment shall be made in the amount of

22 any gain or loss subsequently realized for gain or loss taken

23 into account under such mark-to-market or deemed-realization

24 regime of that other state for purposes of computing gain or

25 loss under Sections 10 or 15 of this Act.

1 Section 40. Collection. The Department shall collect the
2 mark-to-market taxes imposed by this Act. Money collected,
3 after deducting amounts necessary for administration and
4 enforcement by the Department, shall be paid into the General
5 Revenue Fund in the State treasury.

6 Section 45. Rules. The Department shall adopt rules
7 necessary or appropriate to carry out the purposes of this
8 Act, including rules to prevent the use of year-end transfers,
9 related parties, or other arrangements to avoid its
10 provisions.

11 Section 900. The Department of Commerce and Economic
12 Opportunity Law of the Civil Administrative Code of Illinois
13 is amended by adding Section 605-1119 as follows:

14 (20 ILCS 605/605-1119 new)

15 Sec. 605-1119. Help Parents Find and Afford Child Care
16 Program. The Department shall develop a child care assistance
17 program that includes child care subsidies and has benchmarks
18 for limiting co-payments, by the year 2030, to no more than 7%
19 of a family's income. The program shall include, but not be
20 limited to, the following:

21 (1) a phased approach with benchmarks, that gradually
22 increases eligibility based on income until 2030 and

1 considers eligibility opportunities for families earning
2 up to 250% of the median family income in the State;

3 (2) a graduated system of co-payments to eliminate the
4 benefit cliff effect for families and to limit the amount
5 a family pays for child care;

6 (3) expanded access to a child care subsidy by
7 developing a model to enable the Department to provide
8 contracted slots to programs that service a family using
9 the child care subsidy; and

10 (4) a plan, a budget, revenue recommendations, and a
11 timeline to achieve the goals of this Section.

12 Any family that qualifies for public assistance through
13 Medicaid or the Special Supplemental Nutrition Program for
14 Women, Infants and Children shall be deemed to categorically
15 satisfy the income eligibility requirements to receive
16 assistance through the Program.

17 Section 905. The Illinois Income Tax Act is amended by
18 changing Sections 201 and 203 as follows:

19 (35 ILCS 5/201)

20 Sec. 201. Tax imposed.

21 (a) In general. A tax measured by net income is hereby
22 imposed on every individual, corporation, trust and estate for
23 each taxable year ending after July 31, 1969 on the privilege
24 of earning or receiving income in or as a resident of this

1 State. Such tax shall be in addition to all other occupation or
2 privilege taxes imposed by this State or by any municipal
3 corporation or political subdivision thereof.

4 (b) Rates. The tax imposed by subsection (a) of this
5 Section shall be determined as follows, except as adjusted by
6 subsection (d-1):

7 (1) In the case of an individual, trust or estate, for
8 taxable years ending prior to July 1, 1989, an amount
9 equal to 2 1/2% of the taxpayer's net income for the
10 taxable year.

11 (2) In the case of an individual, trust or estate, for
12 taxable years beginning prior to July 1, 1989 and ending
13 after June 30, 1989, an amount equal to the sum of (i) 2
14 1/2% of the taxpayer's net income for the period prior to
15 July 1, 1989, as calculated under Section 202.3, and (ii)
16 3% of the taxpayer's net income for the period after June
17 30, 1989, as calculated under Section 202.3.

18 (3) In the case of an individual, trust or estate, for
19 taxable years beginning after June 30, 1989, and ending
20 prior to January 1, 2011, an amount equal to 3% of the
21 taxpayer's net income for the taxable year.

22 (4) In the case of an individual, trust, or estate,
23 for taxable years beginning prior to January 1, 2011, and
24 ending after December 31, 2010, an amount equal to the sum
25 of (i) 3% of the taxpayer's net income for the period prior
26 to January 1, 2011, as calculated under Section 202.5, and

1 (ii) 5% of the taxpayer's net income for the period after
2 December 31, 2010, as calculated under Section 202.5.

3 (5) In the case of an individual, trust, or estate,
4 for taxable years beginning on or after January 1, 2011,
5 and ending prior to January 1, 2015, an amount equal to 5%
6 of the taxpayer's net income for the taxable year.

7 (5.1) In the case of an individual, trust, or estate,
8 for taxable years beginning prior to January 1, 2015, and
9 ending after December 31, 2014, an amount equal to the sum
10 of (i) 5% of the taxpayer's net income for the period prior
11 to January 1, 2015, as calculated under Section 202.5, and
12 (ii) 3.75% of the taxpayer's net income for the period
13 after December 31, 2014, as calculated under Section
14 202.5.

15 (5.2) In the case of an individual, trust, or estate,
16 for taxable years beginning on or after January 1, 2015,
17 and ending prior to July 1, 2017, an amount equal to 3.75%
18 of the taxpayer's net income for the taxable year.

19 (5.3) In the case of an individual, trust, or estate,
20 for taxable years beginning prior to July 1, 2017, and
21 ending after June 30, 2017, an amount equal to the sum of
22 (i) 3.75% of the taxpayer's net income for the period
23 prior to July 1, 2017, as calculated under Section 202.5,
24 and (ii) 4.95% of the taxpayer's net income for the period
25 after June 30, 2017, as calculated under Section 202.5.

26 (5.4) In the case of an individual, trust, or estate,

1 for taxable years beginning on or after July 1, 2017, an
2 amount equal to 4.95% of the taxpayer's net income for the
3 taxable year.

4 (6) In the case of a corporation, for taxable years
5 ending prior to July 1, 1989, an amount equal to 4% of the
6 taxpayer's net income for the taxable year.

7 (7) In the case of a corporation, for taxable years
8 beginning prior to July 1, 1989 and ending after June 30,
9 1989, an amount equal to the sum of (i) 4% of the
10 taxpayer's net income for the period prior to July 1,
11 1989, as calculated under Section 202.3, and (ii) 4.8% of
12 the taxpayer's net income for the period after June 30,
13 1989, as calculated under Section 202.3.

14 (8) In the case of a corporation, for taxable years
15 beginning after June 30, 1989, and ending prior to January
16 1, 2011, an amount equal to 4.8% of the taxpayer's net
17 income for the taxable year.

18 (9) In the case of a corporation, for taxable years
19 beginning prior to January 1, 2011, and ending after
20 December 31, 2010, an amount equal to the sum of (i) 4.8%
21 of the taxpayer's net income for the period prior to
22 January 1, 2011, as calculated under Section 202.5, and
23 (ii) 7% of the taxpayer's net income for the period after
24 December 31, 2010, as calculated under Section 202.5.

25 (10) In the case of a corporation, for taxable years
26 beginning on or after January 1, 2011, and ending prior to

1 January 1, 2015, an amount equal to 7% of the taxpayer's
2 net income for the taxable year.

3 (11) In the case of a corporation, for taxable years
4 beginning prior to January 1, 2015, and ending after
5 December 31, 2014, an amount equal to the sum of (i) 7% of
6 the taxpayer's net income for the period prior to January
7 1, 2015, as calculated under Section 202.5, and (ii) 5.25%
8 of the taxpayer's net income for the period after December
9 31, 2014, as calculated under Section 202.5.

10 (12) In the case of a corporation, for taxable years
11 beginning on or after January 1, 2015, and ending prior to
12 July 1, 2017, an amount equal to 5.25% of the taxpayer's
13 net income for the taxable year.

14 (13) In the case of a corporation, for taxable years
15 beginning prior to July 1, 2017, and ending after June 30,
16 2017, an amount equal to the sum of (i) 5.25% of the
17 taxpayer's net income for the period prior to July 1,
18 2017, as calculated under Section 202.5, and (ii) 7% of
19 the taxpayer's net income for the period after June 30,
20 2017, as calculated under Section 202.5.

21 (14) In the case of a corporation, for taxable years
22 beginning on or after July 1, 2017 and ending prior to
23 January 1, 2027, an amount equal to 7% of the taxpayer's
24 net income for the taxable year.

25 (15) In the case of a corporation, for taxable years
26 beginning prior to January 1, 2027, and ending after

1 December 31, 2026, an amount equal to the sum of (i) 7% of
2 the taxpayer's net income for the period prior to January
3 1, 2027, as calculated under Section 202.5, and (ii) 9% of
4 the taxpayer's net income for the period after January 1,
5 2027, as calculated under Section 202.5.

6 (16) In the case of a corporation, for taxable years
7 beginning on or after January 1, 2027, an amount equal to
8 9% of the taxpayer's net income for the taxable year.

9 The rates under this subsection (b) are subject to the
10 provisions of Section 201.5.

11 (b-5) Surcharge; sale or exchange of assets, properties,
12 and intangibles of organization gaming licensees. For each of
13 taxable years 2019 through 2027, a surcharge is imposed on all
14 taxpayers on income arising from the sale or exchange of
15 capital assets, depreciable business property, real property
16 used in the trade or business, and Section 197 intangibles (i)
17 of an organization licensee under the Illinois Horse Racing
18 Act of 1975 and (ii) of an organization gaming licensee under
19 the Illinois Gambling Act. The amount of the surcharge is
20 equal to the amount of federal income tax liability for the
21 taxable year attributable to those sales and exchanges. The
22 surcharge imposed shall not apply if:

23 (1) the organization gaming license, organization
24 license, or racetrack property is transferred as a result
25 of any of the following:

26 (A) bankruptcy, a receivership, or a debt

1 adjustment initiated by or against the initial
2 licensee or the substantial owners of the initial
3 licensee;

4 (B) cancellation, revocation, or termination of
5 any such license by the Illinois Gaming Board or the
6 Illinois Racing Board;

7 (C) a determination by the Illinois Gaming Board
8 that transfer of the license is in the best interests
9 of Illinois gaming;

10 (D) the death of an owner of the equity interest in
11 a licensee;

12 (E) the acquisition of a controlling interest in
13 the stock or substantially all of the assets of a
14 publicly traded company;

15 (F) a transfer by a parent company to a wholly
16 owned subsidiary; or

17 (G) the transfer or sale to or by one person to
18 another person where both persons were initial owners
19 of the license when the license was issued; or

20 (2) the controlling interest in the organization
21 gaming license, organization license, or racetrack
22 property is transferred in a transaction to lineal
23 descendants in which no gain or loss is recognized or as a
24 result of a transaction in accordance with Section 351 of
25 the Internal Revenue Code in which no gain or loss is
26 recognized; or

1 (3) live horse racing was not conducted in 2010 at a
2 racetrack located within 3 miles of the Mississippi River
3 under a license issued pursuant to the Illinois Horse
4 Racing Act of 1975.

5 The transfer of an organization gaming license,
6 organization license, or racetrack property by a person other
7 than the initial licensee to receive the organization gaming
8 license is not subject to a surcharge. The Department shall
9 adopt rules necessary to implement and administer this
10 subsection.

11 (c) Personal Property Tax Replacement Income Tax.
12 Beginning on July 1, 1979 and thereafter, in addition to such
13 income tax, there is also hereby imposed the Personal Property
14 Tax Replacement Income Tax measured by net income on every
15 corporation (including Subchapter S corporations), partnership
16 and trust, for each taxable year ending after June 30, 1979.
17 Such taxes are imposed on the privilege of earning or
18 receiving income in or as a resident of this State. The
19 Personal Property Tax Replacement Income Tax shall be in
20 addition to the income tax imposed by subsections (a) and (b)
21 of this Section and in addition to all other occupation or
22 privilege taxes imposed by this State or by any municipal
23 corporation or political subdivision thereof.

24 (d) Additional Personal Property Tax Replacement Income
25 Tax Rates. The personal property tax replacement income tax
26 imposed by this subsection and subsection (c) of this Section

1 in the case of a corporation, other than a Subchapter S
2 corporation and except as adjusted by subsection (d-1), shall
3 be an additional amount equal to 2.85% of such taxpayer's net
4 income for the taxable year, except that beginning on January
5 1, 1981, and thereafter, the rate of 2.85% specified in this
6 subsection shall be reduced to 2.5%, and in the case of a
7 partnership, trust or a Subchapter S corporation shall be an
8 additional amount equal to 1.5% of such taxpayer's net income
9 for the taxable year.

10 (d-1) Rate reduction for certain foreign insurers. In the
11 case of a foreign insurer, as defined by Section 35A-5 of the
12 Illinois Insurance Code, whose state or country of domicile
13 imposes on insurers domiciled in Illinois a retaliatory tax
14 (excluding any insurer whose premiums from reinsurance assumed
15 are 50% or more of its total insurance premiums as determined
16 under paragraph (2) of subsection (b) of Section 304, except
17 that for purposes of this determination premiums from
18 reinsurance do not include premiums from inter-affiliate
19 reinsurance arrangements), beginning with taxable years ending
20 on or after December 31, 1999, the sum of the rates of tax
21 imposed by subsections (b) and (d) shall be reduced (but not
22 increased) to the rate at which the total amount of tax imposed
23 under this Act, net of all credits allowed under this Act,
24 shall equal (i) the total amount of tax that would be imposed
25 on the foreign insurer's net income allocable to Illinois for
26 the taxable year by such foreign insurer's state or country of

1 domicile if that net income were subject to all income taxes
2 and taxes measured by net income imposed by such foreign
3 insurer's state or country of domicile, net of all credits
4 allowed or (ii) a rate of zero if no such tax is imposed on
5 such income by the foreign insurer's state of domicile. For
6 the purposes of this subsection (d-1), an inter-affiliate
7 includes a mutual insurer under common management.

8 (1) For the purposes of subsection (d-1), in no event
9 shall the sum of the rates of tax imposed by subsections
10 (b) and (d) be reduced below the rate at which the sum of:

11 (A) the total amount of tax imposed on such
12 foreign insurer under this Act for a taxable year, net
13 of all credits allowed under this Act, plus

14 (B) the privilege tax imposed by Section 409 of
15 the Illinois Insurance Code, the fire insurance
16 company tax imposed by Section 12 of the Fire
17 Investigation Act, and the fire department taxes
18 imposed under Section 11-10-1 of the Illinois
19 Municipal Code,

20 equals 1.25% for taxable years ending prior to December
21 31, 2003, or 1.75% for taxable years ending on or after
22 December 31, 2003, of the net taxable premiums written for
23 the taxable year, as described by subsection (1) of
24 Section 409 of the Illinois Insurance Code. This paragraph
25 will in no event increase the rates imposed under
26 subsections (b) and (d).

1 (2) Any reduction in the rates of tax imposed by this
2 subsection shall be applied first against the rates
3 imposed by subsection (b) and only after the tax imposed
4 by subsection (a) net of all credits allowed under this
5 Section other than the credit allowed under subsection (i)
6 has been reduced to zero, against the rates imposed by
7 subsection (d).

8 This subsection (d-1) is exempt from the provisions of
9 Section 250.

10 (e) Investment credit. A taxpayer shall be allowed a
11 credit against the Personal Property Tax Replacement Income
12 Tax for investment in qualified property.

13 (1) A taxpayer shall be allowed a credit equal to .5%
14 of the basis of qualified property placed in service
15 during the taxable year, provided such property is placed
16 in service on or after July 1, 1984. There shall be allowed
17 an additional credit equal to .5% of the basis of
18 qualified property placed in service during the taxable
19 year, provided such property is placed in service on or
20 after July 1, 1986, and the taxpayer's base employment
21 within Illinois has increased by 1% or more over the
22 preceding year as determined by the taxpayer's employment
23 records filed with the Illinois Department of Employment
24 Security. Taxpayers who are new to Illinois shall be
25 deemed to have met the 1% growth in base employment for the
26 first year in which they file employment records with the

1 Illinois Department of Employment Security. The provisions
2 added to this Section by Public Act 85-1200 (and restored
3 by Public Act 87-895) shall be construed as declaratory of
4 existing law and not as a new enactment. If, in any year,
5 the increase in base employment within Illinois over the
6 preceding year is less than 1%, the additional credit
7 shall be limited to that percentage times a fraction, the
8 numerator of which is .5% and the denominator of which is
9 1%, but shall not exceed .5%. The investment credit shall
10 not be allowed to the extent that it would reduce a
11 taxpayer's liability in any tax year below zero, nor may
12 any credit for qualified property be allowed for any year
13 other than the year in which the property was placed in
14 service in Illinois. For tax years ending on or after
15 December 31, 1987, and on or before December 31, 1988, the
16 credit shall be allowed for the tax year in which the
17 property is placed in service, or, if the amount of the
18 credit exceeds the tax liability for that year, whether it
19 exceeds the original liability or the liability as later
20 amended, such excess may be carried forward and applied to
21 the tax liability of the 5 taxable years following the
22 excess credit years if the taxpayer (i) makes investments
23 which cause the creation of a minimum of 2,000 full-time
24 equivalent jobs in Illinois, (ii) is located in an
25 enterprise zone established pursuant to the Illinois
26 Enterprise Zone Act and (iii) is certified by the

1 Department of Commerce and Community Affairs (now
2 Department of Commerce and Economic Opportunity) as
3 complying with the requirements specified in clause (i)
4 and (ii) by July 1, 1986. The Department of Commerce and
5 Community Affairs (now Department of Commerce and Economic
6 Opportunity) shall notify the Department of Revenue of all
7 such certifications immediately. For tax years ending
8 after December 31, 1988, the credit shall be allowed for
9 the tax year in which the property is placed in service,
10 or, if the amount of the credit exceeds the tax liability
11 for that year, whether it exceeds the original liability
12 or the liability as later amended, such excess may be
13 carried forward and applied to the tax liability of the 5
14 taxable years following the excess credit years. The
15 credit shall be applied to the earliest year for which
16 there is a liability. If there is credit from more than one
17 tax year that is available to offset a liability, earlier
18 credit shall be applied first.

19 (2) The term "qualified property" means property
20 which:

21 (A) is tangible, whether new or used, including
22 buildings and structural components of buildings and
23 signs that are real property, but not including land
24 or improvements to real property that are not a
25 structural component of a building such as
26 landscaping, sewer lines, local access roads, fencing,

1 parking lots, and other appurtenances;

2 (B) is depreciable pursuant to Section 167 of the
3 Internal Revenue Code, except that "3-year property"
4 as defined in Section 168(c)(2)(A) of that Code is not
5 eligible for the credit provided by this subsection
6 (e);

7 (C) is acquired by purchase as defined in Section
8 179(d) of the Internal Revenue Code;

9 (D) is used in Illinois by a taxpayer who is
10 primarily engaged in manufacturing, or in mining coal
11 or fluorite, or in retailing, or was placed in service
12 on or after July 1, 2006 in a River Edge Redevelopment
13 Zone established pursuant to the River Edge
14 Redevelopment Zone Act; and

15 (E) has not previously been used in Illinois in
16 such a manner and by such a person as would qualify for
17 the credit provided by this subsection (e) or
18 subsection (f).

19 (3) For purposes of this subsection (e),
20 "manufacturing" means the material staging and production
21 of tangible personal property by procedures commonly
22 regarded as manufacturing, processing, fabrication, or
23 assembling which changes some existing material into new
24 shapes, new qualities, or new combinations. For purposes
25 of this subsection (e) the term "mining" shall have the
26 same meaning as the term "mining" in Section 613(c) of the

1 Internal Revenue Code. For purposes of this subsection
2 (e), the term "retailing" means the sale of tangible
3 personal property for use or consumption and not for
4 resale, or services rendered in conjunction with the sale
5 of tangible personal property for use or consumption and
6 not for resale. For purposes of this subsection (e),
7 "tangible personal property" has the same meaning as when
8 that term is used in the Retailers' Occupation Tax Act,
9 and, for taxable years ending after December 31, 2008,
10 does not include the generation, transmission, or
11 distribution of electricity.

12 (4) The basis of qualified property shall be the basis
13 used to compute the depreciation deduction for federal
14 income tax purposes.

15 (5) If the basis of the property for federal income
16 tax depreciation purposes is increased after it has been
17 placed in service in Illinois by the taxpayer, the amount
18 of such increase shall be deemed property placed in
19 service on the date of such increase in basis.

20 (6) The term "placed in service" shall have the same
21 meaning as under Section 46 of the Internal Revenue Code.

22 (7) If during any taxable year, any property ceases to
23 be qualified property in the hands of the taxpayer within
24 48 months after being placed in service, or the situs of
25 any qualified property is moved outside Illinois within 48
26 months after being placed in service, the Personal

1 Property Tax Replacement Income Tax for such taxable year
2 shall be increased. Such increase shall be determined by
3 (i) recomputing the investment credit which would have
4 been allowed for the year in which credit for such
5 property was originally allowed by eliminating such
6 property from such computation and, (ii) subtracting such
7 recomputed credit from the amount of credit previously
8 allowed. For the purposes of this paragraph (7), a
9 reduction of the basis of qualified property resulting
10 from a redetermination of the purchase price shall be
11 deemed a disposition of qualified property to the extent
12 of such reduction.

13 (8) Unless the investment credit is extended by law,
14 the basis of qualified property shall not include costs
15 incurred after December 31, 2018, except for costs
16 incurred pursuant to a binding contract entered into on or
17 before December 31, 2018.

18 (9) Each taxable year ending before December 31, 2000,
19 a partnership may elect to pass through to its partners
20 the credits to which the partnership is entitled under
21 this subsection (e) for the taxable year. A partner may
22 use the credit allocated to him or her under this
23 paragraph only against the tax imposed in subsections (c)
24 and (d) of this Section. If the partnership makes that
25 election, those credits shall be allocated among the
26 partners in the partnership in accordance with the rules

1 set forth in Section 704(b) of the Internal Revenue Code,
2 and the rules promulgated under that Section, and the
3 allocated amount of the credits shall be allowed to the
4 partners for that taxable year. The partnership shall make
5 this election on its Personal Property Tax Replacement
6 Income Tax return for that taxable year. The election to
7 pass through the credits shall be irrevocable.

8 For taxable years ending on or after December 31,
9 2000, a partner that qualifies its partnership for a
10 subtraction under subparagraph (I) of paragraph (2) of
11 subsection (d) of Section 203 or a shareholder that
12 qualifies a Subchapter S corporation for a subtraction
13 under subparagraph (S) of paragraph (2) of subsection (b)
14 of Section 203 shall be allowed a credit under this
15 subsection (e) equal to its share of the credit earned
16 under this subsection (e) during the taxable year by the
17 partnership or Subchapter S corporation, determined in
18 accordance with the determination of income and
19 distributive share of income under Sections 702 and 704
20 and Subchapter S of the Internal Revenue Code. This
21 paragraph is exempt from the provisions of Section 250.

22 (f) Investment credit; Enterprise Zone; River Edge
23 Redevelopment Zone.

24 (1) A taxpayer shall be allowed a credit against the
25 tax imposed by subsections (a) and (b) of this Section for
26 investment in qualified property which is placed in

1 service in an Enterprise Zone created pursuant to the
2 Illinois Enterprise Zone Act or, for property placed in
3 service on or after July 1, 2006, a River Edge
4 Redevelopment Zone established pursuant to the River Edge
5 Redevelopment Zone Act. For partners, shareholders of
6 Subchapter S corporations, and owners of limited liability
7 companies, if the liability company is treated as a
8 partnership for purposes of federal and State income
9 taxation, for taxable years ending before December 31,
10 2023, there shall be allowed a credit under this
11 subsection (f) to be determined in accordance with the
12 determination of income and distributive share of income
13 under Sections 702 and 704 and Subchapter S of the
14 Internal Revenue Code. For taxable years ending on or
15 after December 31, 2023, for partners and shareholders of
16 Subchapter S corporations, the provisions of Section 251
17 shall apply with respect to the credit under this
18 subsection. The credit shall be .5% of the basis for such
19 property. The credit shall be available only in the
20 taxable year in which the property is placed in service in
21 the Enterprise Zone or River Edge Redevelopment Zone and
22 shall not be allowed to the extent that it would reduce a
23 taxpayer's liability for the tax imposed by subsections
24 (a) and (b) of this Section to below zero. For tax years
25 ending on or after December 31, 1985, the credit shall be
26 allowed for the tax year in which the property is placed in

1 service, or, if the amount of the credit exceeds the tax
2 liability for that year, whether it exceeds the original
3 liability or the liability as later amended, such excess
4 may be carried forward and applied to the tax liability of
5 the 5 taxable years following the excess credit year. The
6 credit shall be applied to the earliest year for which
7 there is a liability. If there is credit from more than one
8 tax year that is available to offset a liability, the
9 credit accruing first in time shall be applied first.

10 (2) The term qualified property means property which:

11 (A) is tangible, whether new or used, including
12 buildings and structural components of buildings;

13 (B) is depreciable pursuant to Section 167 of the
14 Internal Revenue Code, except that "3-year property"
15 as defined in Section 168(c)(2)(A) of that Code is not
16 eligible for the credit provided by this subsection
17 (f);

18 (C) is acquired by purchase as defined in Section
19 179(d) of the Internal Revenue Code;

20 (D) is used in the Enterprise Zone or River Edge
21 Redevelopment Zone by the taxpayer; and

22 (E) has not been previously used in Illinois in
23 such a manner and by such a person as would qualify for
24 the credit provided by this subsection (f) or
25 subsection (e).

26 (3) The basis of qualified property shall be the basis

1 used to compute the depreciation deduction for federal
2 income tax purposes.

3 (4) If the basis of the property for federal income
4 tax depreciation purposes is increased after it has been
5 placed in service in the Enterprise Zone or River Edge
6 Redevelopment Zone by the taxpayer, the amount of such
7 increase shall be deemed property placed in service on the
8 date of such increase in basis.

9 (5) The term "placed in service" shall have the same
10 meaning as under Section 46 of the Internal Revenue Code.

11 (6) If during any taxable year, any property ceases to
12 be qualified property in the hands of the taxpayer within
13 48 months after being placed in service, or the situs of
14 any qualified property is moved outside the Enterprise
15 Zone or River Edge Redevelopment Zone within 48 months
16 after being placed in service, the tax imposed under
17 subsections (a) and (b) of this Section for such taxable
18 year shall be increased. Such increase shall be determined
19 by (i) recomputing the investment credit which would have
20 been allowed for the year in which credit for such
21 property was originally allowed by eliminating such
22 property from such computation, and (ii) subtracting such
23 recomputed credit from the amount of credit previously
24 allowed. For the purposes of this paragraph (6), a
25 reduction of the basis of qualified property resulting
26 from a redetermination of the purchase price shall be

1 deemed a disposition of qualified property to the extent
2 of such reduction.

3 (7) There shall be allowed an additional credit equal
4 to 0.5% of the basis of qualified property placed in
5 service during the taxable year in a River Edge
6 Redevelopment Zone, provided such property is placed in
7 service on or after July 1, 2006, and the taxpayer's base
8 employment within Illinois has increased by 1% or more
9 over the preceding year as determined by the taxpayer's
10 employment records filed with the Illinois Department of
11 Employment Security. Taxpayers who are new to Illinois
12 shall be deemed to have met the 1% growth in base
13 employment for the first year in which they file
14 employment records with the Illinois Department of
15 Employment Security. If, in any year, the increase in base
16 employment within Illinois over the preceding year is less
17 than 1%, the additional credit shall be limited to that
18 percentage times a fraction, the numerator of which is
19 0.5% and the denominator of which is 1%, but shall not
20 exceed 0.5%.

21 (8) For taxable years beginning on or after January 1,
22 2021, there shall be allowed an Enterprise Zone
23 construction jobs credit against the taxes imposed under
24 subsections (a) and (b) of this Section as provided in
25 Section 13 of the Illinois Enterprise Zone Act.

26 The credit or credits may not reduce the taxpayer's

1 liability to less than zero. If the amount of the credit or
2 credits exceeds the taxpayer's liability, the excess may
3 be carried forward and applied against the taxpayer's
4 liability in succeeding calendar years in the same manner
5 provided under paragraph (4) of Section 211 of this Act.
6 The credit or credits shall be applied to the earliest
7 year for which there is a tax liability. If there are
8 credits from more than one taxable year that are available
9 to offset a liability, the earlier credit shall be applied
10 first.

11 For partners, shareholders of Subchapter S
12 corporations, and owners of limited liability companies,
13 if the liability company is treated as a partnership for
14 the purposes of federal and State income taxation, for
15 taxable years ending before December 31, 2023, there shall
16 be allowed a credit under this Section to be determined in
17 accordance with the determination of income and
18 distributive share of income under Sections 702 and 704
19 and Subchapter S of the Internal Revenue Code. For taxable
20 years ending on or after December 31, 2023, for partners
21 and shareholders of Subchapter S corporations, the
22 provisions of Section 251 shall apply with respect to the
23 credit under this subsection.

24 The total aggregate amount of credits awarded under
25 the Blue Collar Jobs Act (Article 20 of Public Act 101-9)
26 shall not exceed \$20,000,000 in any State fiscal year.

1 This paragraph (8) is exempt from the provisions of
2 Section 250.

3 (g) (Blank).

4 (h) Investment credit; High Impact Business.

5 (1) Subject to subsections (b) and (b-5) of Section
6 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
7 be allowed a credit against the tax imposed by subsections
8 (a) and (b) of this Section for investment in qualified
9 property which is placed in service by a Department of
10 Commerce and Economic Opportunity designated High Impact
11 Business. The credit shall be .5% of the basis for such
12 property. The credit shall not be available (i) until the
13 minimum investments in qualified property set forth in
14 subdivision (a)(3)(A) of Section 5.5 of the Illinois
15 Enterprise Zone Act have been satisfied or (ii) until the
16 time authorized in subsection (b-5) of the Illinois
17 Enterprise Zone Act for entities designated as High Impact
18 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and
19 (a)(3)(D) of Section 5.5 of the Illinois Enterprise Zone
20 Act, and shall not be allowed to the extent that it would
21 reduce a taxpayer's liability for the tax imposed by
22 subsections (a) and (b) of this Section to below zero. The
23 credit applicable to such investments shall be taken in
24 the taxable year in which such investments have been
25 completed. The credit for additional investments beyond
26 the minimum investment by a designated high impact

1 business authorized under subdivision (a) (3) (A) of Section
2 5.5 of the Illinois Enterprise Zone Act shall be available
3 only in the taxable year in which the property is placed in
4 service and shall not be allowed to the extent that it
5 would reduce a taxpayer's liability for the tax imposed by
6 subsections (a) and (b) of this Section to below zero. For
7 tax years ending on or after December 31, 1987, the credit
8 shall be allowed for the tax year in which the property is
9 placed in service, or, if the amount of the credit exceeds
10 the tax liability for that year, whether it exceeds the
11 original liability or the liability as later amended, such
12 excess may be carried forward and applied to the tax
13 liability of the 5 taxable years following the excess
14 credit year. The credit shall be applied to the earliest
15 year for which there is a liability. If there is credit
16 from more than one tax year that is available to offset a
17 liability, the credit accruing first in time shall be
18 applied first.

19 Changes made in this subdivision (h) (1) by Public Act
20 88-670 restore changes made by Public Act 85-1182 and
21 reflect existing law.

22 (2) The term qualified property means property which:

23 (A) is tangible, whether new or used, including
24 buildings and structural components of buildings;

25 (B) is depreciable pursuant to Section 167 of the
26 Internal Revenue Code, except that "3-year property"

1 as defined in Section 168(c)(2)(A) of that Code is not
2 eligible for the credit provided by this subsection
3 (h);

4 (C) is acquired by purchase as defined in Section
5 179(d) of the Internal Revenue Code; and

6 (D) is not eligible for the Enterprise Zone
7 Investment Credit provided by subsection (f) of this
8 Section.

9 (3) The basis of qualified property shall be the basis
10 used to compute the depreciation deduction for federal
11 income tax purposes.

12 (4) If the basis of the property for federal income
13 tax depreciation purposes is increased after it has been
14 placed in service in a federally designated Foreign Trade
15 Zone or Sub-Zone located in Illinois by the taxpayer, the
16 amount of such increase shall be deemed property placed in
17 service on the date of such increase in basis.

18 (5) The term "placed in service" shall have the same
19 meaning as under Section 46 of the Internal Revenue Code.

20 (6) If during any taxable year ending on or before
21 December 31, 1996, any property ceases to be qualified
22 property in the hands of the taxpayer within 48 months
23 after being placed in service, or the situs of any
24 qualified property is moved outside Illinois within 48
25 months after being placed in service, the tax imposed
26 under subsections (a) and (b) of this Section for such

1 taxable year shall be increased. Such increase shall be
2 determined by (i) recomputing the investment credit which
3 would have been allowed for the year in which credit for
4 such property was originally allowed by eliminating such
5 property from such computation, and (ii) subtracting such
6 recomputed credit from the amount of credit previously
7 allowed. For the purposes of this paragraph (6), a
8 reduction of the basis of qualified property resulting
9 from a redetermination of the purchase price shall be
10 deemed a disposition of qualified property to the extent
11 of such reduction.

12 (7) Beginning with tax years ending after December 31,
13 1996, if a taxpayer qualifies for the credit under this
14 subsection (h) and thereby is granted a tax abatement and
15 the taxpayer relocates its entire facility in violation of
16 the explicit terms and length of the contract under
17 Section 18-183 of the Property Tax Code, the tax imposed
18 under subsections (a) and (b) of this Section shall be
19 increased for the taxable year in which the taxpayer
20 relocated its facility by an amount equal to the amount of
21 credit received by the taxpayer under this subsection (h).

22 (h-5) High Impact Business construction jobs credit. For
23 taxable years beginning on or after January 1, 2021, there
24 shall also be allowed a High Impact Business construction jobs
25 credit against the tax imposed under subsections (a) and (b)
26 of this Section as provided in subsections (i) and (j) of

1 Section 5.5 of the Illinois Enterprise Zone Act.

2 The credit or credits may not reduce the taxpayer's
3 liability to less than zero. If the amount of the credit or
4 credits exceeds the taxpayer's liability, the excess may be
5 carried forward and applied against the taxpayer's liability
6 in succeeding calendar years in the manner provided under
7 paragraph (4) of Section 211 of this Act. The credit or credits
8 shall be applied to the earliest year for which there is a tax
9 liability. If there are credits from more than one taxable
10 year that are available to offset a liability, the earlier
11 credit shall be applied first.

12 For partners, shareholders of Subchapter S corporations,
13 and owners of limited liability companies, for taxable years
14 ending before December 31, 2023, if the liability company is
15 treated as a partnership for the purposes of federal and State
16 income taxation, there shall be allowed a credit under this
17 Section to be determined in accordance with the determination
18 of income and distributive share of income under Sections 702
19 and 704 and Subchapter S of the Internal Revenue Code. For
20 taxable years ending on or after December 31, 2023, for
21 partners and shareholders of Subchapter S corporations, the
22 provisions of Section 251 shall apply with respect to the
23 credit under this subsection.

24 The total aggregate amount of credits awarded under the
25 Blue Collar Jobs Act (Article 20 of Public Act 101-9) shall not
26 exceed \$20,000,000 in any State fiscal year.

1 This subsection (h-5) is exempt from the provisions of
2 Section 250.

3 (i) Credit for Personal Property Tax Replacement Income
4 Tax. For tax years ending prior to December 31, 2003, a credit
5 shall be allowed against the tax imposed by subsections (a)
6 and (b) of this Section for the tax imposed by subsections (c)
7 and (d) of this Section. This credit shall be computed by
8 multiplying the tax imposed by subsections (c) and (d) of this
9 Section by a fraction, the numerator of which is base income
10 allocable to Illinois and the denominator of which is Illinois
11 base income, and further multiplying the product by the tax
12 rate imposed by subsections (a) and (b) of this Section.

13 Any credit earned on or after December 31, 1986 under this
14 subsection which is unused in the year the credit is computed
15 because it exceeds the tax liability imposed by subsections
16 (a) and (b) for that year (whether it exceeds the original
17 liability or the liability as later amended) may be carried
18 forward and applied to the tax liability imposed by
19 subsections (a) and (b) of the 5 taxable years following the
20 excess credit year, provided that no credit may be carried
21 forward to any year ending on or after December 31, 2003. This
22 credit shall be applied first to the earliest year for which
23 there is a liability. If there is a credit under this
24 subsection from more than one tax year that is available to
25 offset a liability the earliest credit arising under this
26 subsection shall be applied first.

1 If, during any taxable year ending on or after December
2 31, 1986, the tax imposed by subsections (c) and (d) of this
3 Section for which a taxpayer has claimed a credit under this
4 subsection (i) is reduced, the amount of credit for such tax
5 shall also be reduced. Such reduction shall be determined by
6 recomputing the credit to take into account the reduced tax
7 imposed by subsections (c) and (d). If any portion of the
8 reduced amount of credit has been carried to a different
9 taxable year, an amended return shall be filed for such
10 taxable year to reduce the amount of credit claimed.

11 (j) Training expense credit. Beginning with tax years
12 ending on or after December 31, 1986 and prior to December 31,
13 2003, a taxpayer shall be allowed a credit against the tax
14 imposed by subsections (a) and (b) under this Section for all
15 amounts paid or accrued, on behalf of all persons employed by
16 the taxpayer in Illinois or Illinois residents employed
17 outside of Illinois by a taxpayer, for educational or
18 vocational training in semi-technical or technical fields or
19 semi-skilled or skilled fields, which were deducted from gross
20 income in the computation of taxable income. The credit
21 against the tax imposed by subsections (a) and (b) shall be
22 1.6% of such training expenses. For partners, shareholders of
23 subchapter S corporations, and owners of limited liability
24 companies, if the liability company is treated as a
25 partnership for purposes of federal and State income taxation,
26 for taxable years ending before December 31, 2023, there shall

1 be allowed a credit under this subsection (j) to be determined
2 in accordance with the determination of income and
3 distributive share of income under Sections 702 and 704 and
4 subchapter S of the Internal Revenue Code. For taxable years
5 ending on or after December 31, 2023, for partners and
6 shareholders of Subchapter S corporations, the provisions of
7 Section 251 shall apply with respect to the credit under this
8 subsection.

9 Any credit allowed under this subsection which is unused
10 in the year the credit is earned may be carried forward to each
11 of the 5 taxable years following the year for which the credit
12 is first computed until it is used. This credit shall be
13 applied first to the earliest year for which there is a
14 liability. If there is a credit under this subsection from
15 more than one tax year that is available to offset a liability,
16 the earliest credit arising under this subsection shall be
17 applied first. No carryforward credit may be claimed in any
18 tax year ending on or after December 31, 2003.

19 (k) Research and development credit. For tax years ending
20 after July 1, 1990 and prior to December 31, 2003, and
21 beginning again for tax years ending on or after December 31,
22 2004, and ending prior to January 1, 2032, a taxpayer shall be
23 allowed a credit against the tax imposed by subsections (a)
24 and (b) of this Section for increasing research activities in
25 this State. The credit allowed against the tax imposed by
26 subsections (a) and (b) shall be equal to 6 1/2% of the

1 qualifying expenditures for increasing research activities in
2 this State. For partners, shareholders of subchapter S
3 corporations, and owners of limited liability companies, if
4 the liability company is treated as a partnership for purposes
5 of federal and State income taxation, for taxable years ending
6 before December 31, 2023, there shall be allowed a credit
7 under this subsection to be determined in accordance with the
8 determination of income and distributive share of income under
9 Sections 702 and 704 and subchapter S of the Internal Revenue
10 Code. For taxable years ending on or after December 31, 2023,
11 for partners and shareholders of Subchapter S corporations,
12 the provisions of Section 251 shall apply with respect to the
13 credit under this subsection.

14 For purposes of this subsection, "qualifying expenditures"
15 means the qualifying expenditures as defined for the federal
16 credit for increasing research activities which would be
17 allowable under Section 41 of the Internal Revenue Code and
18 which are conducted in this State, "qualifying expenditures
19 for increasing research activities in this State" means the
20 excess of qualifying expenditures for the taxable year in
21 which incurred over qualifying expenditures for the base
22 period, "qualifying expenditures for the base period" means
23 the average of the qualifying expenditures for each year in
24 the base period, and "base period" means the 3 taxable years
25 immediately preceding the taxable year for which the
26 determination is being made.

1 Any credit in excess of the tax liability for the taxable
2 year may be carried forward. A taxpayer may elect to have the
3 unused credit shown on its final completed return carried over
4 as a credit against the tax liability for the following 5
5 taxable years or until it has been fully used, whichever
6 occurs first; provided that no credit earned in a tax year
7 ending prior to December 31, 2003 may be carried forward to any
8 year ending on or after December 31, 2003.

9 If an unused credit is carried forward to a given year from
10 2 or more earlier years, that credit arising in the earliest
11 year will be applied first against the tax liability for the
12 given year. If a tax liability for the given year still
13 remains, the credit from the next earliest year will then be
14 applied, and so on, until all credits have been used or no tax
15 liability for the given year remains. Any remaining unused
16 credit or credits then will be carried forward to the next
17 following year in which a tax liability is incurred, except
18 that no credit can be carried forward to a year which is more
19 than 5 years after the year in which the expense for which the
20 credit is given was incurred.

21 No inference shall be drawn from Public Act 91-644 in
22 construing this Section for taxable years beginning before
23 January 1, 1999.

24 It is the intent of the General Assembly that the research
25 and development credit under this subsection (k) shall apply
26 continuously for all tax years ending on or after December 31,

1 2004 and ending prior to January 1, 2032, including, but not
2 limited to, the period beginning on January 1, 2016 and ending
3 on July 6, 2017 (the effective date of Public Act 100-22). All
4 actions taken in reliance on the continuation of the credit
5 under this subsection (k) by any taxpayer are hereby
6 validated.

7 (l) Environmental Remediation Tax Credit.

8 (i) For tax years ending after December 31, 1997 and
9 on or before December 31, 2001, a taxpayer shall be
10 allowed a credit against the tax imposed by subsections
11 (a) and (b) of this Section for certain amounts paid for
12 unreimbursed eligible remediation costs, as specified in
13 this subsection. For purposes of this Section,
14 "unreimbursed eligible remediation costs" means costs
15 approved by the Illinois Environmental Protection Agency
16 ("Agency") under Section 58.14 of the Environmental
17 Protection Act that were paid in performing environmental
18 remediation at a site for which a No Further Remediation
19 Letter was issued by the Agency and recorded under Section
20 58.10 of the Environmental Protection Act. The credit must
21 be claimed for the taxable year in which Agency approval
22 of the eligible remediation costs is granted. The credit
23 is not available to any taxpayer if the taxpayer or any
24 related party caused or contributed to, in any material
25 respect, a release of regulated substances on, in, or
26 under the site that was identified and addressed by the

1 remedial action pursuant to the Site Remediation Program
2 of the Environmental Protection Act. After the Pollution
3 Control Board rules are adopted pursuant to the Illinois
4 Administrative Procedure Act for the administration and
5 enforcement of Section 58.9 of the Environmental
6 Protection Act, determinations as to credit availability
7 for purposes of this Section shall be made consistent with
8 those rules. For purposes of this Section, "taxpayer"
9 includes a person whose tax attributes the taxpayer has
10 succeeded to under Section 381 of the Internal Revenue
11 Code and "related party" includes the persons disallowed a
12 deduction for losses by paragraphs (b), (c), and (f)(1) of
13 Section 267 of the Internal Revenue Code by virtue of
14 being a related taxpayer, as well as any of its partners.
15 The credit allowed against the tax imposed by subsections
16 (a) and (b) shall be equal to 25% of the unreimbursed
17 eligible remediation costs in excess of \$100,000 per site,
18 except that the \$100,000 threshold shall not apply to any
19 site contained in an enterprise zone as determined by the
20 Department of Commerce and Community Affairs (now
21 Department of Commerce and Economic Opportunity). The
22 total credit allowed shall not exceed \$40,000 per year
23 with a maximum total of \$150,000 per site. For partners
24 and shareholders of subchapter S corporations, there shall
25 be allowed a credit under this subsection to be determined
26 in accordance with the determination of income and

1 distributive share of income under Sections 702 and 704
2 and subchapter S of the Internal Revenue Code.

3 (ii) A credit allowed under this subsection that is
4 unused in the year the credit is earned may be carried
5 forward to each of the 5 taxable years following the year
6 for which the credit is first earned until it is used. The
7 term "unused credit" does not include any amounts of
8 unreimbursed eligible remediation costs in excess of the
9 maximum credit per site authorized under paragraph (i).
10 This credit shall be applied first to the earliest year
11 for which there is a liability. If there is a credit under
12 this subsection from more than one tax year that is
13 available to offset a liability, the earliest credit
14 arising under this subsection shall be applied first. A
15 credit allowed under this subsection may be sold to a
16 buyer as part of a sale of all or part of the remediation
17 site for which the credit was granted. The purchaser of a
18 remediation site and the tax credit shall succeed to the
19 unused credit and remaining carry-forward period of the
20 seller. To perfect the transfer, the assignor shall record
21 the transfer in the chain of title for the site and provide
22 written notice to the Director of the Illinois Department
23 of Revenue of the assignor's intent to sell the
24 remediation site and the amount of the tax credit to be
25 transferred as a portion of the sale. In no event may a
26 credit be transferred to any taxpayer if the taxpayer or a

1 related party would not be eligible under the provisions
2 of subsection (i).

3 (iii) For purposes of this Section, the term "site"
4 shall have the same meaning as under Section 58.2 of the
5 Environmental Protection Act.

6 (m) Education expense credit. Beginning with tax years
7 ending after December 31, 1999, a taxpayer who is the
8 custodian of one or more qualifying pupils shall be allowed a
9 credit against the tax imposed by subsections (a) and (b) of
10 this Section for qualified education expenses incurred on
11 behalf of the qualifying pupils. The credit shall be equal to
12 25% of qualified education expenses, but in no event may the
13 total credit under this subsection claimed by a family that is
14 the custodian of qualifying pupils exceed (i) \$500 for tax
15 years ending prior to December 31, 2017, and (ii) \$750 for tax
16 years ending on or after December 31, 2017. In no event shall a
17 credit under this subsection reduce the taxpayer's liability
18 under this Act to less than zero. Notwithstanding any other
19 provision of law, for taxable years beginning on or after
20 January 1, 2017, no taxpayer may claim a credit under this
21 subsection (m) if the taxpayer's adjusted gross income for the
22 taxable year exceeds (i) \$500,000, in the case of spouses
23 filing a joint federal tax return or (ii) \$250,000, in the case
24 of all other taxpayers. This subsection is exempt from the
25 provisions of Section 250 of this Act.

26 For purposes of this subsection:

1 "Qualifying pupils" means individuals who (i) are
2 residents of the State of Illinois, (ii) are under the age of
3 21 at the close of the school year for which a credit is
4 sought, and (iii) during the school year for which a credit is
5 sought were full-time pupils enrolled in a kindergarten
6 through twelfth grade education program at any school, as
7 defined in this subsection.

8 "Qualified education expense" means the amount incurred on
9 behalf of a qualifying pupil in excess of \$250 for tuition,
10 book fees, and lab fees at the school in which the pupil is
11 enrolled during the regular school year.

12 "School" means any public or nonpublic elementary or
13 secondary school in Illinois that is in compliance with Title
14 VI of the Civil Rights Act of 1964 and attendance at which
15 satisfies the requirements of Section 26-1 of the School Code,
16 except that nothing shall be construed to require a child to
17 attend any particular public or nonpublic school to qualify
18 for the credit under this Section.

19 "Custodian" means, with respect to qualifying pupils, an
20 Illinois resident who is a parent, the parents, a legal
21 guardian, or the legal guardians of the qualifying pupils.

22 (n) River Edge Redevelopment Zone site remediation tax
23 credit.

24 (i) For tax years ending on or after December 31,
25 2006, a taxpayer shall be allowed a credit against the tax
26 imposed by subsections (a) and (b) of this Section for

1 certain amounts paid for unreimbursed eligible remediation
2 costs, as specified in this subsection. For purposes of
3 this Section, "unreimbursed eligible remediation costs"
4 means costs approved by the Illinois Environmental
5 Protection Agency ("Agency") under Section 58.14a of the
6 Environmental Protection Act that were paid in performing
7 environmental remediation at a site within a River Edge
8 Redevelopment Zone for which a No Further Remediation
9 Letter was issued by the Agency and recorded under Section
10 58.10 of the Environmental Protection Act. The credit must
11 be claimed for the taxable year in which Agency approval
12 of the eligible remediation costs is granted. The credit
13 is not available to any taxpayer if the taxpayer or any
14 related party caused or contributed to, in any material
15 respect, a release of regulated substances on, in, or
16 under the site that was identified and addressed by the
17 remedial action pursuant to the Site Remediation Program
18 of the Environmental Protection Act. Determinations as to
19 credit availability for purposes of this Section shall be
20 made consistent with rules adopted by the Pollution
21 Control Board pursuant to the Illinois Administrative
22 Procedure Act for the administration and enforcement of
23 Section 58.9 of the Environmental Protection Act. For
24 purposes of this Section, "taxpayer" includes a person
25 whose tax attributes the taxpayer has succeeded to under
26 Section 381 of the Internal Revenue Code and "related

1 party" includes the persons disallowed a deduction for
2 losses by paragraphs (b), (c), and (f)(1) of Section 267
3 of the Internal Revenue Code by virtue of being a related
4 taxpayer, as well as any of its partners. The credit
5 allowed against the tax imposed by subsections (a) and (b)
6 shall be equal to 25% of the unreimbursed eligible
7 remediation costs in excess of \$100,000 per site.

8 (ii) A credit allowed under this subsection that is
9 unused in the year the credit is earned may be carried
10 forward to each of the 5 taxable years following the year
11 for which the credit is first earned until it is used. This
12 credit shall be applied first to the earliest year for
13 which there is a liability. If there is a credit under this
14 subsection from more than one tax year that is available
15 to offset a liability, the earliest credit arising under
16 this subsection shall be applied first. A credit allowed
17 under this subsection may be sold to a buyer as part of a
18 sale of all or part of the remediation site for which the
19 credit was granted. The purchaser of a remediation site
20 and the tax credit shall succeed to the unused credit and
21 remaining carry-forward period of the seller. To perfect
22 the transfer, the assignor shall record the transfer in
23 the chain of title for the site and provide written notice
24 to the Director of the Illinois Department of Revenue of
25 the assignor's intent to sell the remediation site and the
26 amount of the tax credit to be transferred as a portion of

1 the sale. In no event may a credit be transferred to any
2 taxpayer if the taxpayer or a related party would not be
3 eligible under the provisions of subsection (i).

4 (iii) For purposes of this Section, the term "site"
5 shall have the same meaning as under Section 58.2 of the
6 Environmental Protection Act.

7 (o) For each of taxable years during the Compassionate Use
8 of Medical Cannabis Program, a surcharge is imposed on all
9 taxpayers on income arising from the sale or exchange of
10 capital assets, depreciable business property, real property
11 used in the trade or business, and Section 197 intangibles of
12 an organization registrant under the Compassionate Use of
13 Medical Cannabis Program Act. The amount of the surcharge is
14 equal to the amount of federal income tax liability for the
15 taxable year attributable to those sales and exchanges. The
16 surcharge imposed does not apply if:

17 (1) the medical cannabis cultivation center
18 registration, medical cannabis dispensary registration, or
19 the property of a registration is transferred as a result
20 of any of the following:

21 (A) bankruptcy, a receivership, or a debt
22 adjustment initiated by or against the initial
23 registration or the substantial owners of the initial
24 registration;

25 (B) cancellation, revocation, or termination of
26 any registration by the Illinois Department of Public

1 Health;

2 (C) a determination by the Illinois Department of
3 Public Health that transfer of the registration is in
4 the best interests of Illinois qualifying patients as
5 defined by the Compassionate Use of Medical Cannabis
6 Program Act;

7 (D) the death of an owner of the equity interest in
8 a registrant;

9 (E) the acquisition of a controlling interest in
10 the stock or substantially all of the assets of a
11 publicly traded company;

12 (F) a transfer by a parent company to a wholly
13 owned subsidiary; or

14 (G) the transfer or sale to or by one person to
15 another person where both persons were initial owners
16 of the registration when the registration was issued;
17 or

18 (2) the cannabis cultivation center registration,
19 medical cannabis dispensary registration, or the
20 controlling interest in a registrant's property is
21 transferred in a transaction to lineal descendants in
22 which no gain or loss is recognized or as a result of a
23 transaction in accordance with Section 351 of the Internal
24 Revenue Code in which no gain or loss is recognized.

25 (p) Pass-through entity tax.

26 (1) For taxable years ending on or after December 31,

1 2021, a partnership (other than a publicly traded
2 partnership under Section 7704 of the Internal Revenue
3 Code) or Subchapter S corporation may elect to apply the
4 provisions of this subsection. A separate election shall
5 be made for each taxable year. Such election shall be made
6 at such time, and in such form and manner as prescribed by
7 the Department, and, once made, is irrevocable.

8 (2) Entity-level tax. A partnership or Subchapter S
9 corporation electing to apply the provisions of this
10 subsection shall be subject to a tax for the privilege of
11 earning or receiving income in this State in an amount
12 equal to 4.95% of the taxpayer's net income for the
13 taxable year.

14 (3) Net income defined.

15 (A) In general. For purposes of paragraph (2), the
16 term net income has the same meaning as defined in
17 Section 202 of this Act, except that, for tax years
18 ending on or after December 31, 2023, a deduction
19 shall be allowed in computing base income for
20 distributions to a retired partner to the extent that
21 the partner's distributions are exempt from tax under
22 Section 203(a)(2)(F) of this Act. In addition, the
23 following modifications shall not apply:

24 (i) the standard exemption allowed under
25 Section 204;

26 (ii) the deduction for net losses allowed

1 under Section 207;

2 (iii) in the case of an S corporation, the
3 modification under Section 203(b)(2)(S); and

4 (iv) in the case of a partnership, the
5 modifications under Section 203(d)(2)(H) and
6 Section 203(d)(2)(I).

7 (B) Special rule for tiered partnerships. If a
8 taxpayer making the election under paragraph (1) is a
9 partner of another taxpayer making the election under
10 paragraph (1), net income shall be computed as
11 provided in subparagraph (A), except that the taxpayer
12 shall subtract its distributive share of the net
13 income of the electing partnership (including its
14 distributive share of the net income of the electing
15 partnership derived as a distributive share from
16 electing partnerships in which it is a partner).

17 (4) Credit for entity level tax. Each partner or
18 shareholder of a taxpayer making the election under this
19 Section shall be allowed a credit against the tax imposed
20 under subsections (a) and (b) of Section 201 of this Act
21 for the taxable year of the partnership or Subchapter S
22 corporation for which an election is in effect ending
23 within or with the taxable year of the partner or
24 shareholder in an amount equal to 4.95% times the partner
25 or shareholder's distributive share of the net income of
26 the electing partnership or Subchapter S corporation, but

1 not to exceed the partner's or shareholder's share of the
2 tax imposed under paragraph (1) which is actually paid by
3 the partnership or Subchapter S corporation. If the
4 taxpayer is a partnership or Subchapter S corporation that
5 is itself a partner of a partnership making the election
6 under paragraph (1), the credit under this paragraph shall
7 be allowed to the taxpayer's partners or shareholders (or
8 if the partner is a partnership or Subchapter S
9 corporation then its partners or shareholders) in
10 accordance with the determination of income and
11 distributive share of income under Sections 702 and 704
12 and Subchapter S of the Internal Revenue Code. If the
13 amount of the credit allowed under this paragraph exceeds
14 the partner's or shareholder's liability for tax imposed
15 under subsections (a) and (b) of Section 201 of this Act
16 for the taxable year, such excess shall be treated as an
17 overpayment for purposes of Section 909 of this Act.

18 (5) Nonresidents. A nonresident individual who is a
19 partner or shareholder of a partnership or Subchapter S
20 corporation for a taxable year for which an election is in
21 effect under paragraph (1) shall not be required to file
22 an income tax return under this Act for such taxable year
23 if the only source of net income of the individual (or the
24 individual and the individual's spouse in the case of a
25 joint return) is from an entity making the election under
26 paragraph (1) and the credit allowed to the partner or

1 shareholder under paragraph (4) equals or exceeds the
2 individual's liability for the tax imposed under
3 subsections (a) and (b) of Section 201 of this Act for the
4 taxable year.

5 (6) Liability for tax. Except as provided in this
6 paragraph, a partnership or Subchapter S making the
7 election under paragraph (1) is liable for the
8 entity-level tax imposed under paragraph (2). If the
9 electing partnership or corporation fails to pay the full
10 amount of tax deemed assessed under paragraph (2), the
11 partners or shareholders shall be liable to pay the tax
12 assessed (including penalties and interest). Each partner
13 or shareholder shall be liable for the unpaid assessment
14 based on the ratio of the partner's or shareholder's share
15 of the net income of the partnership over the total net
16 income of the partnership. If the partnership or
17 Subchapter S corporation fails to pay the tax assessed
18 (including penalties and interest) and thereafter an
19 amount of such tax is paid by the partners or
20 shareholders, such amount shall not be collected from the
21 partnership or corporation.

22 (7) Foreign tax. For purposes of the credit allowed
23 under Section 601(b)(3) of this Act, tax paid by a
24 partnership or Subchapter S corporation to another state
25 which, as determined by the Department, is substantially
26 similar to the tax imposed under this subsection, shall be

1 considered tax paid by the partner or shareholder to the
2 extent that the partner's or shareholder's share of the
3 income of the partnership or Subchapter S corporation
4 allocated and apportioned to such other state bears to the
5 total income of the partnership or Subchapter S
6 corporation allocated or apportioned to such other state.

7 (8) Suspension of withholding. The provisions of
8 Section 709.5 of this Act shall not apply to a partnership
9 or Subchapter S corporation for the taxable year for which
10 an election under paragraph (1) is in effect.

11 (9) Requirement to pay estimated tax. For each taxable
12 year for which an election under paragraph (1) is in
13 effect, a partnership or Subchapter S corporation is
14 required to pay estimated tax for such taxable year under
15 Sections 803 and 804 of this Act if the amount payable as
16 estimated tax can reasonably be expected to exceed \$500.

17 (10) The provisions of this subsection shall apply
18 only with respect to taxable years for which the
19 limitation on individual deductions applies under Section
20 164(b)(6) of the Internal Revenue Code.

21 (Source: P.A. 103-9, eff. 6-7-23; 103-396, eff. 1-1-24;
22 103-595, eff. 6-26-24; 103-605, eff. 7-1-24; 104-453, eff.
23 12-12-25.)

24 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

25 Sec. 203. Base income defined.

1 (a) Individuals.

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

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

9 (A) An amount equal to all amounts paid or accrued
10 to the taxpayer as interest or dividends during the
11 taxable year to the extent excluded from gross income
12 in the computation of adjusted gross income, except
13 stock dividends of qualified public utilities
14 described in Section 305(e) of the Internal Revenue
15 Code;

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

20 (C) An amount equal to the amount received during
21 the taxable year as a recovery or refund of real
22 property taxes paid with respect to the taxpayer's
23 principal residence under the Revenue Act of 1939 and
24 for which a deduction was previously taken under
25 subparagraph (L) of this paragraph (2) prior to July
26 1, 1991, the retrospective application date of Article

1 4 of Public Act 87-17. In the case of multi-unit or
2 multi-use structures and farm dwellings, the taxes on
3 the taxpayer's principal residence shall be that
4 portion of the total taxes for the entire property
5 which is attributable to such principal residence;

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

10 (D-5) An amount, to the extent not included in
11 adjusted gross income, equal to the amount of money
12 withdrawn by the taxpayer in the taxable year from a
13 medical care savings account and the interest earned
14 on the account in the taxable year of a withdrawal
15 pursuant to subsection (b) of Section 20 of the
16 Medical Care Savings Account Act or subsection (b) of
17 Section 20 of the Medical Care Savings Account Act of
18 2000;

19 (D-10) For taxable years ending after December 31,
20 1997, an amount equal to any eligible remediation
21 costs that the individual deducted in computing
22 adjusted gross income and for which the individual
23 claims a credit under subsection (1) of Section 201;

24 (D-15) For taxable years 2001 through 2025, an
25 amount equal to the bonus depreciation deduction taken
26 on the taxpayer's federal income tax return for the

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

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

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

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

24 (D-17) An amount equal to the amount otherwise
25 allowed as a deduction in computing base income for
26 interest paid, accrued, or incurred, directly or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (D-18) An amount equal to the amount of intangible
26 expenses and costs otherwise allowed as a deduction in

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

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

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

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

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

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

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

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

26 For taxable years ending on or after December 31,

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

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

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

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

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

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

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

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the
4 stock of the same person to whom the premiums and costs
5 were directly or indirectly paid, incurred, or
6 accrued. The preceding sentence does not apply to the
7 extent that the same dividends caused a reduction to
8 the addition modification required under Section
9 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this
10 Act;

11 (D-20) For taxable years beginning on or after
12 January 1, 2002 and ending on or before December 31,
13 2006, in the case of a distribution from a qualified
14 tuition program under Section 529 of the Internal
15 Revenue Code, other than (i) a distribution from a
16 College Savings Pool created under Section 16.5 of the
17 State Treasurer Act or (ii) a distribution from the
18 Illinois Prepaid Tuition Trust Fund, an amount equal
19 to the amount excluded from gross income under Section
20 529(c)(3)(B). For taxable years beginning on or after
21 January 1, 2007, in the case of a distribution from a
22 qualified tuition program under Section 529 of the
23 Internal Revenue Code, other than (i) a distribution
24 from a College Savings Pool created under Section 16.5
25 of the State Treasurer Act, (ii) a distribution from
26 the Illinois Prepaid Tuition Trust Fund, or (iii) a

1 distribution from a qualified tuition program under
2 Section 529 of the Internal Revenue Code that (I)
3 adopts and determines that its offering materials
4 comply with the College Savings Plans Network's
5 disclosure principles and (II) has made reasonable
6 efforts to inform in-state residents of the existence
7 of in-state qualified tuition programs by informing
8 Illinois residents directly and, where applicable, to
9 inform financial intermediaries distributing the
10 program to inform in-state residents of the existence
11 of in-state qualified tuition programs at least
12 annually, an amount equal to the amount excluded from
13 gross income under Section 529(c)(3)(B).

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

26 (D-20.5) For taxable years beginning on or after

1 January 1, 2018, in the case of a distribution from a
2 qualified ABLE program under Section 529A of the
3 Internal Revenue Code, other than a distribution from
4 a qualified ABLE program created under Section 16.6 of
5 the State Treasurer Act, an amount equal to the amount
6 excluded from gross income under Section 529A(c) (1) (B)
7 of the Internal Revenue Code;

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

15 (D-21.5) For taxable years beginning on or after
16 January 1, 2018, in the case of the transfer of moneys
17 from a qualified tuition program under Section 529 or
18 a qualified ABLE program under Section 529A of the
19 Internal Revenue Code that is administered by this
20 State to an ABLE account established under an
21 out-of-state ABLE account program, an amount equal to
22 the contribution component of the transferred amount
23 that was previously deducted from base income under
24 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this
25 Section;

26 (D-22) For taxable years beginning on or after

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

1 deducted from base income under subsection (a) (2) (HH)
2 of this Section;

3 (D-23) An amount equal to the credit allowable to
4 the taxpayer under Section 218(a) of this Act,
5 determined without regard to Section 218(c) of this
6 Act;

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

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

14 (D-26) For taxable years ending on or after
15 December 31, 2026, an amount required to be included
16 under the Extremely High Wealth Mark-to-Market Tax
17 Act.

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

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

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

26 (F) An amount equal to all amounts included in

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

11 (G) The valuation limitation amount;

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

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

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

1 exempt from the provisions of Section 250;

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

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

16 (M) With the exception of any amounts subtracted
17 under subparagraph (N), an amount equal to the sum of
18 all amounts disallowed as deductions by (i) Sections
19 171(a)(2) and 265(a)(2) of the Internal Revenue Code,
20 and all amounts of expenses allocable to interest and
21 disallowed as deductions by Section 265(a)(1) of the
22 Internal Revenue Code; and (ii) for taxable years
23 ending on or after August 13, 1999, Sections
24 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
25 Internal Revenue Code, plus, for taxable years ending
26 on or after December 31, 2011, Section 45G(e)(3) of

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

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

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

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

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

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

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

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

24 (U) For one taxable year beginning on or after
25 January 1, 1994, an amount equal to the total amount of
26 tax imposed and paid under subsections (a) and (b) of

1 Section 201 of this Act on grant amounts received by
2 the taxpayer under the Nursing Home Grant Assistance
3 Act during the taxpayer's taxable years 1992 and 1993;

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

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

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

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

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

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

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

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

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

26 (2) for taxable years ending on or before

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

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

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

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

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

24 (iv) for property on which a bonus
25 depreciation deduction of a percentage other
26 than 30%, 50% or 100% of the adjusted basis

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

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

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

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which a
23 subtraction is allowed with respect to that property
24 under subparagraph (Z) and for which the taxpayer was
25 required in any taxable year to make an addition
26 modification under subparagraph (D-15), then an amount

1 equal to that addition modification.

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

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

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

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

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

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

1 for the fact that the foreign person's business
2 activity outside the United States is 80% or more of
3 that person's total business activity and (ii) for
4 taxable years ending on or after December 31, 2008, 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, but
11 not to exceed the addition modification required to be
12 made for the same taxable year under Section
13 203(a)(2)(D-18) for intangible expenses and costs
14 paid, accrued, or incurred, directly or indirectly, to
15 the same foreign person. This subparagraph (EE) is
16 exempt from the provisions of Section 250;

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

23 (GG) For taxable years ending on or after December
24 31, 2011, in the case of a taxpayer who was required to
25 add back any insurance premiums under Section
26 203(a)(2)(D-19), such taxpayer may elect to subtract

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

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

25 (II) For taxable years that begin on or after
26 January 1, 2021 and begin before January 1, 2026, the

1 amount that is included in the taxpayer's federal
2 adjusted gross income pursuant to Section 61 of the
3 Internal Revenue Code as discharge of indebtedness
4 attributable to student loan forgiveness and that is
5 not excluded from the taxpayer's federal adjusted
6 gross income pursuant to paragraph (5) of subsection
7 (f) of Section 108 of the Internal Revenue Code;

8 (JJ) 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 (JJ) are exempt from the provisions
20 of Section 250;

21 (KK) To the extent includible in gross income for
22 federal income tax purposes, any amount awarded or
23 paid to the taxpayer as a result of a judgment or
24 settlement for fertility fraud as provided in Section
25 15 of the Illinois Fertility Fraud Act, donor
26 fertility fraud as provided in Section 20 of the

1 Illinois Fertility Fraud Act, or similar action in
2 another state;

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

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

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

25 (b) Corporations.

1 (1) In general. In the case of a corporation, 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 and all distributions
9 received from regulated investment companies during
10 the taxable year to the extent excluded from gross
11 income in the computation of taxable income;

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

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

26 (D) The amount of any net operating loss deduction

1 taken in arriving at taxable income, other than a net
2 operating loss carried forward from a taxable year
3 ending prior to December 31, 1986;

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

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

22 (ii) the addition modification relating to the
23 net operating loss carried back or forward to the
24 taxable year from any taxable year ending prior to
25 December 31, 1986 shall not exceed the amount of
26 such carryback or carryforward;

1 For taxable years in which there is a net
2 operating loss carryback or carryforward from more
3 than one other taxable year ending prior to December
4 31, 1986, the addition modification provided in this
5 subparagraph (E) shall be the sum of the amounts
6 computed independently under the preceding provisions
7 of this subparagraph (E) for each such taxable year;

8 (E-5) For taxable years ending after December 31,
9 1997, an amount equal to any eligible remediation
10 costs that the corporation deducted in computing
11 adjusted gross income and for which the corporation
12 claims a credit under subsection (l) of Section 201;

13 (E-10) For taxable years 2001 through 2025, an
14 amount equal to the bonus depreciation deduction taken
15 on the taxpayer's federal income tax return for the
16 taxable year under subsection (k) of Section 168 of
17 the Internal Revenue Code; for taxable years 2026 and
18 thereafter, an amount equal to the bonus depreciation
19 deduction taken on the taxpayer's federal income tax
20 return for the taxable year under subsection (k) or
21 (n) of Section 168 of the Internal Revenue Code;

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

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

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

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

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

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

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

24 (i) an item of interest paid, accrued, or
25 incurred, directly or indirectly, to a person who
26 is subject in a foreign country or state, other

1 than a state which requires mandatory unitary
2 reporting, to a tax on or measured by net income
3 with respect to such interest; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (b) the transaction giving rise to the

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

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

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

25 (E-14) For taxable years ending on or after
26 December 31, 2008, an amount equal to the amount of

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

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

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

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

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

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

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

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

26 (E-21) the amount that is claimed as a federal

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

6 (E-22) For taxable years ending on or after
7 December 31, 2026, an amount required to be included
8 under the Extremely High Wealth Mark-to-Market Tax
9 Act.

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

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

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

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

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

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

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

1 statute of this State that exempts income derived from
2 bonds or other obligations from the tax imposed under
3 this Act, the amount exempted shall be the interest
4 net of bond premium amortization;

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

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

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

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

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

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

19 (N) Two times any contribution made during the
20 taxable year to a designated zone organization to the
21 extent that the contribution (i) qualifies as a
22 charitable contribution under subsection (c) of
23 Section 170 of the Internal Revenue Code and (ii)
24 must, by its terms, be used for a project approved by
25 the Department of Commerce and Economic Opportunity
26 under Section 11 of the Illinois Enterprise Zone Act

1 or under Section 10-10 of the River Edge Redevelopment
2 Zone Act. This subparagraph (N) is exempt from the
3 provisions of Section 250;

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

1 Internal Revenue Code and including, for taxable years
2 ending on or after December 31, 2008, dividends
3 received from a captive real estate investment trust,
4 from any such corporation specified in clause (i) that
5 would but for the provisions of Section 1504(b)(3) of
6 the Internal Revenue Code be treated as a member of the
7 affiliated group which includes the dividend
8 recipient, exceed the amount of the modification
9 provided under subparagraph (G) of paragraph (2) of
10 this subsection (b) which is related to such
11 dividends. For taxable years ending on or after June
12 30, 2021, (i) for purposes of this subparagraph, the
13 term "dividend" does not include any amount treated as
14 a dividend under Section 1248 of the Internal Revenue
15 Code, and (ii) this subparagraph shall not apply to
16 dividends for which a deduction is allowed under
17 Section 245(a) of the Internal Revenue Code. For
18 taxable years ending on or after December 31, 2025,
19 50% of the amount of global intangible low-taxed
20 income or net controlled foreign corporation (CFC)
21 tested income received or deemed received or paid or
22 deemed paid under Sections 951 through 965 of the
23 Internal Revenue Code. This subparagraph (O) is exempt
24 from the provisions of Section 250 of this Act;

25 (P) An amount equal to any contribution made to a
26 job training project established pursuant to the Tax

1 Increment Allocation Redevelopment Act;

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

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

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

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

4 (T) 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 (T) is exempt from the provisions of
6 Section 250;

7 (U) 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 (E-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 (T) and for which the taxpayer was
16 required in any taxable year to make an addition
17 modification under subparagraph (E-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 (U) is exempt from the
23 provisions of Section 250;

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

23 (W) An amount equal to the interest income taken
24 into account for the taxable year (net of the
25 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(b)(2)(E-12) for interest paid, accrued, or
15 incurred, directly or indirectly, to the same person.
16 This subparagraph (W) is exempt from the provisions of
17 Section 250;

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

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

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

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

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

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

24 (3) Special rule. For purposes of paragraph (2)(A),
25 "gross income" in the case of a life insurance company,
26 for tax years ending on and after December 31, 1994, and

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

6 (c) Trusts and estates.

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

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

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

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

24 (C) An amount equal to the amount of tax imposed by
25 this Act to the extent deducted from gross income in

1 the computation of taxable income for the taxable
2 year;

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

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

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

25 (ii) the addition modification relating to the
26 net operating loss carried back or forward to the

1 taxable year from any taxable year ending prior to
2 December 31, 1986 shall not exceed the amount of
3 such carryback or carryforward;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 following:

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

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

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

1 404 of this Act;

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

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

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

- 23 (i) any item of intangible expenses or costs
24 paid, accrued, or incurred, directly or
25 indirectly, from a transaction with a person who
26 is subject in a foreign country or state, other

1 than a state which requires mandatory unitary
2 reporting, to a tax on or measured by net income
3 with respect to such item; or

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

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

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

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

1 alternative method of apportionment under Section
2 304(f);

3 For taxable years ending on or after December 31,
4 2025, this paragraph shall not apply to the following:

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

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

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

20 or

21 (ii) any item of intangible expense or cost
22 paid, accrued, or incurred, directly or
23 indirectly, from a transaction with a person if
24 the taxpayer establishes by clear and convincing
25 evidence, that the adjustments are unreasonable;
26 or if the taxpayer and the Director agree in

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

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

13 (G-14) For taxable years ending on or after
14 December 31, 2008, an amount equal to the amount of
15 insurance premium expenses and costs otherwise allowed
16 as a deduction in computing base income, and that were
17 paid, accrued, or incurred, directly or indirectly, 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. The
24 addition modification required by this subparagraph
25 shall be reduced to the extent that dividends were
26 included in base income of the unitary group for the

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

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

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

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

1 Tax Credit Act;

2 (G-18) For taxable years ending on or after
3 December 31, 2026, an amount required to be included
4 under the Extremely High Wealth Mark-to-Market Tax
5 Act.

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

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

19 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 The aggregate amount deducted under this

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

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

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

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

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

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

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

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

1 under Section 1501(a)(27) from being included in the
2 unitary business group because he or she is ordinarily
3 required to apportion business income under different
4 subsections of Section 304, but not to exceed the
5 addition modification required to be made for the same
6 taxable year under Section 203(c)(2)(G-12) for
7 interest paid, accrued, or incurred, directly or
8 indirectly, to the same person. This subparagraph (U)
9 is exempt from the provisions of Section 250;

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

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

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

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

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

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

7 (Z) For taxable years beginning after December 31,
8 2018, the amount of excess business loss of the
9 taxpayer disallowed as a deduction by Section
10 461(1)(1)(B) of the Internal Revenue Code; and

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

24 (3) Limitation. The amount of any modification
25 otherwise required under this subsection shall, under
26 regulations prescribed by the Department, be adjusted by

1 any amounts included therein which were properly paid,
2 credited, or required to be distributed, or permanently
3 set aside for charitable purposes pursuant to Internal
4 Revenue Code Section 642(c) during the taxable year.

5 (d) Partnerships.

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

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

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

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

19 (C) The amount of deductions allowed to the
20 partnership pursuant to Section 707 (c) of the
21 Internal Revenue Code in calculating its taxable
22 income;

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

1 computation of taxable income;

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

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

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

25 The taxpayer is required to make the addition
26 modification under this subparagraph only once with

1 respect to any one piece of property;

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

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

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

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

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

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

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

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

15 (iv) 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 For taxable years ending on or after December 31,
23 2025, this paragraph shall not apply to the following:

24 (i) an item of interest paid, accrued, or
25 incurred, directly or indirectly, to a person if
26 the taxpayer can establish, based on a

1 preponderance of the evidence, both of the
2 following:

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

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

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

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

1 Department will utilize its authority under Section
2 404 of this Act; and

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

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

22 For taxable years ending on or after December 31,
23 2025, this paragraph shall not apply to the following:

- 24 (i) any item of intangible expenses or costs
25 paid, accrued, or incurred, directly or
26 indirectly, from a transaction with 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 item; or

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

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

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

20 or

21 (iii) any item of intangible expense or cost
22 paid, accrued, or incurred, directly or
23 indirectly, from a transaction with a person if
24 the taxpayer establishes by clear and convincing
25 evidence, that the adjustments are unreasonable;
26 or if the taxpayer and the Director agree in

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

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

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

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

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

22 (ii) any item of intangible expense or cost
23 paid, accrued, or incurred, directly or
24 indirectly, from a transaction with a person if
25 the taxpayer establishes by clear and convincing
26 evidence, that the adjustments are unreasonable;

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

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

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

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

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

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

22 (D-12) the amount that is claimed as a federal
23 deduction when computing the taxpayer's federal
24 taxable income for the taxable year and that is
25 attributable to an endowment gift for which the
26 taxpayer receives a credit under the Illinois Gives

1 Tax Credit Act;

2 (D-13) For taxable years ending on or after
3 December 31, 2026, an amount required to be included
4 under the Extremely High Wealth Mark-to-Market Tax
5 Act.

6 and by deducting from the total so obtained the following
7 amounts:

8 (E) The valuation limitation amount;

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

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

22 (H) Any income of the partnership which
23 constitutes personal service income as defined in
24 Section 1348(b)(1) of the Internal Revenue Code (as in
25 effect December 31, 1981) or a reasonable allowance
26 for compensation paid or accrued for services rendered

1 by partners to the partnership, whichever is greater;
2 this subparagraph (H) is exempt from the provisions of
3 Section 250;

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

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

1 subparagraph are exempt from the provisions of Section
2 250;

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

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

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

23 (N) An amount equal to the amount of the deduction
24 used to compute the federal income tax credit for
25 restoration of substantial amounts held under claim of
26 right for the taxable year pursuant to Section 1341 of

1 the Internal Revenue Code;

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

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

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

19 (3) for taxable years ending after December
20 31, 2005:

21 (i) for property on which a bonus
22 depreciation deduction of 30% of the adjusted
23 basis was taken, "x" equals "y" multiplied by
24 30 and then divided by 70 (or "y" multiplied
25 by 0.429);

26 (ii) for property on which a bonus

1 depreciation deduction of 50% of the adjusted
2 basis was taken, "x" equals "y" multiplied by
3 1.0;

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

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

23 The aggregate amount deducted under this
24 subparagraph in all taxable years for any one piece of
25 property may not exceed the amount of the bonus
26 depreciation deduction taken on that property on the

1 taxpayer's federal income tax return under subsection
2 (k) or (n) of Section 168 of the Internal Revenue Code.
3 This subparagraph (O) is exempt from the provisions of
4 Section 250;

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

10 If the taxpayer continues to own property through
11 the last day of the last tax year for which a
12 subtraction is allowed with respect to that property
13 under subparagraph (O) and for which the taxpayer was
14 required in any taxable year to make an addition
15 modification under subparagraph (D-5), then an amount
16 equal to that addition modification.

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

20 This subparagraph (P) is exempt from the
21 provisions of Section 250;

22 (Q) 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 such 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 such
11 addition modification. This subparagraph (Q) is exempt
12 from Section 250;

13 (R) 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(d)(2)(D-7) for interest paid, accrued, or
5 incurred, directly or indirectly, to the same person.
6 This subparagraph (R) is exempt from Section 250;

7 (S) An amount equal to the income from intangible
8 property taken into account for the taxable year (net
9 of the deductions allocable thereto) with respect to
10 transactions with (i) a foreign person who would be a
11 member of the taxpayer's unitary business group but
12 for the fact that the foreign person's business
13 activity outside the United States is 80% or more of
14 that person's total business activity and (ii) for
15 taxable years ending on or after December 31, 2008, 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, but
22 not to exceed the addition modification required to be
23 made for the same taxable year under Section
24 203(d)(2)(D-8) for intangible expenses and costs paid,
25 accrued, or incurred, directly or indirectly, to the
26 same person. This subparagraph (S) is exempt from

1 Section 250;

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

18 (U) For taxable years beginning on or after
19 January 1, 2023, for any cannabis establishment
20 operating in this State and licensed under the
21 Cannabis Regulation and Tax Act or any cannabis
22 cultivation center or medical cannabis dispensing
23 organization operating in this State and licensed
24 under the Compassionate Use of Medical Cannabis
25 Program Act, an amount equal to the deductions that
26 were disallowed under Section 280E of the Internal

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

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

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

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

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

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

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

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

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

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

22 (F) Cooperatives. In the case of a cooperative
23 corporation or association, the taxable income of such
24 organization determined in accordance with the
25 provisions of Section 1381 through 1388 of the
26 Internal Revenue Code, but without regard to the

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

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

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

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

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

16 (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

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

21 (Source: P.A. 103-8, eff. 6-7-23; 103-478, eff. 1-1-24;
22 103-592, Article 10, Section 10-900, eff. 6-7-24; 103-592,
23 Article 170, Section 170-90, eff. 6-7-24; 103-605, eff.
24 7-1-24; 103-647, eff. 7-1-24; 104-6, eff. 6-16-25; 104-417,

1 eff. 8-15-25; 104-453, eff. 12-12-25.)

2 Section 999. Effective date. This Act takes effect upon
3 becoming law.