



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

HB2085

by Rep. Gregory Harris

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203	from Ch. 120, par. 2-203
35 ILCS 5/304	from Ch. 120, par. 3-304
35 ILCS 5/1501	from Ch. 120, par. 15-1501

Amends the Illinois Income Tax Act. Provides for a water's edge apportionment election for certain members of a unitary business group. Provides that, with respect to foreign corporations that make a water's edge election, the deduction for dividends is limited to 75%.

LRB101 08842 HLH 53931 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 203, 304, and 1501 as follows:

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

16 (A) An amount equal to all amounts paid or accrued
17 to the taxpayer as interest or dividends during the
18 taxable year to the extent excluded from gross income
19 in the computation of adjusted gross income, except
20 stock dividends of qualified public utilities
21 described in Section 305(e) of the Internal Revenue
22 Code;

23 (B) An amount equal to the amount of tax imposed by

1 this Act to the extent deducted from gross income in
2 the computation of adjusted gross income for the
3 taxable year;

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

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

20 (D-5) An amount, to the extent not included in
21 adjusted gross income, equal to the amount of money
22 withdrawn by the taxpayer in the taxable year from a
23 medical care savings account and the interest earned on
24 the account in the taxable year of a withdrawal
25 pursuant to subsection (b) of Section 20 of the Medical
26 Care Savings Account Act or subsection (b) of Section

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

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

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

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

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

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with
2 respect to any one piece of property;

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

25 (iii) the taxpayer can establish, based on
26 clear and convincing evidence, that the interest

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

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

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

21 (D-18) An amount equal to the amount of intangible
22 expenses and costs otherwise allowed as a deduction in
23 computing base income, and that were paid, accrued, or
24 incurred, directly or indirectly, (i) for taxable
25 years ending on or after December 31, 2004, to a
26 foreign person who would be a member of the same

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

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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

1 by which the Department will utilize its authority
2 under Section 404 of this Act;

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

1 modification required under Section 203(a)(2)(D-17) or
2 Section 203(a)(2)(D-18) of this Act.

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

1 inform financial intermediaries distributing the
2 program to inform in-state residents of the existence
3 of in-state qualified tuition programs at least
4 annually, an amount equal to the amount excluded from
5 gross income under Section 529(c)(3)(B).

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

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

26 (D-21) For taxable years beginning on or after

1 January 1, 2007, in the case of transfer of moneys from
2 a qualified tuition program under Section 529 of the
3 Internal Revenue Code that is administered by the State
4 to an out-of-state program, an amount equal to the
5 amount of moneys previously deducted from base income
6 under subsection (a) (2) (Y) of this Section;

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

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

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

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

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

1 for the taxable year;

2 and by deducting from the total so obtained the sum of the
3 following amounts:

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

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

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

20 (G) The valuation limitation amount;

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

24 (I) An amount equal to all amounts included in such
25 total pursuant to the provisions of Section 111 of the
26 Internal Revenue Code as a recovery of items previously

1 deducted from adjusted gross income in the computation
2 of taxable income;

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

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

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

25 (M) With the exception of any amounts subtracted
26 under subparagraph (N), an amount equal to the sum of

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

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

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

1 Increment Allocation Redevelopment Act;

2 (P) 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 or of any itemized deduction
7 taken from adjusted gross income in the computation of
8 taxable income for restoration of substantial amounts
9 held under claim of right for the taxable year;

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

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

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

25 (T) An amount, to the extent included in adjusted
26 gross income, equal to the amount of interest earned in

1 the taxable year on a medical care savings account
2 established under the Medical Care Savings Account Act
3 or the Medical Care Savings Account Act of 2000 on
4 behalf of the taxpayer, other than interest added
5 pursuant to item (D-5) of this paragraph (2);

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

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

1 deduction shall be allowed under this item (V) if the
2 taxpayer is eligible to participate in any health
3 insurance or long-term care insurance plan of an
4 employer of the taxpayer or the taxpayer's spouse. The
5 amount of the health insurance and long-term care
6 insurance subtracted under this item (V) shall be
7 determined by multiplying total health insurance and
8 long-term care insurance premiums paid by the taxpayer
9 times a number that represents the fractional
10 percentage of eligible medical expenses under Section
11 213 of the Internal Revenue Code of 1986 not actually
12 deducted on the taxpayer's federal income tax return;

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

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

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

25 (Y) For taxable years beginning on or after January
26 1, 2002 and ending on or before December 31, 2004,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (CC) 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 with

1 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 that addition modification, and (ii) any
6 income from intangible property (net of the deductions
7 allocable thereto) taken into account for the taxable
8 year with respect to a transaction with a taxpayer that
9 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 that
13 addition modification. This subparagraph (CC) is
14 exempt from the provisions of Section 250;

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

1 unitary business group because he or she is ordinarily
2 required to apportion business income under different
3 subsections of Section 304, but not to exceed the
4 addition modification required to be made for the same
5 taxable year under Section 203(a)(2)(D-17) for
6 interest paid, accrued, or incurred, directly or
7 indirectly, to the same person. This subparagraph (DD)
8 is exempt from the provisions of Section 250;

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

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

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

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

25 (HH) For taxable years beginning on or after
26 January 1, 2018 and prior to January 1, 2023, a maximum

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

11 (b) Corporations.

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

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

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

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

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

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

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

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

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

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

19 (E-5) For taxable years ending after December 31,
20 1997, an amount equal to any eligible remediation costs
21 that the corporation deducted in computing adjusted
22 gross income and for which the corporation claims a
23 credit under subsection (1) of Section 201;

24 (E-10) For taxable years 2001 and thereafter, 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 the
2 Internal Revenue Code;

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

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

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

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

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

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

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

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

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

6 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the
24 intangible expense or cost between the
25 taxpayer and the person did not have as a
26 principal purpose the avoidance of Illinois

1 income tax, and is paid pursuant to a contract
2 or agreement that reflects arm's-length terms;
3 or

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

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

21 (E-14) For taxable years ending on or after
22 December 31, 2008, an amount equal to the amount of
23 insurance premium expenses and costs otherwise allowed
24 as a deduction in computing base income, and that were
25 paid, accrued, or incurred, directly or indirectly, to
26 a person who would be a member of the same unitary

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

21 (E-15) For taxable years beginning after December
22 31, 2008, any deduction for dividends paid by a captive
23 real estate investment trust that is allowed to a real
24 estate investment trust under Section 857(b)(2)(B) of
25 the Internal Revenue Code for dividends paid;

26 (E-16) An amount equal to the credit allowable to

1 the taxpayer under Section 218(a) of this Act,
2 determined without regard to Section 218(c) of this
3 Act;

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

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

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

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

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

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

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

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

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

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 in a River Edge Redevelopment
9 Zone or zones. This subparagraph (K) is exempt from the
10 provisions of Section 250;

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

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

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

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

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

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

26 (O) An amount equal to: (i) 85% for taxable years

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

1 Section 1504(b)(3) of the Internal Revenue Code be
2 treated as a member of the affiliated group which
3 includes the dividend recipient, exceed the amount of
4 the modification provided under subparagraph (G) of
5 paragraph (2) of this subsection (b) which is related
6 to such dividends. For tax years beginning on or after
7 January 1, 2019, the deduction for dividends received
8 from a corporation that is not created or organized
9 under the laws of the United States or any state or
10 political subdivision thereof and making a water's
11 edge election under subsection (e-5) of Section 304 is
12 limited to 75% of dividends received. This
13 subparagraph (O) is exempt from the provisions of
14 Section 250 of this Act;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14 (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 computation of taxable income;

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

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

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

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

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with
2 respect to any one piece of property;

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

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

4 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) the taxpayer can establish, based on

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

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

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

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

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

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

15 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

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

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

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

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

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

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

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

25 (I) The valuation limitation amount;

26 (J) An amount equal to the amount of any tax

1 imposed by this Act which was refunded to the taxpayer
2 and included in such total for the taxable year;

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

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

1 included in gross income under Section 87 of the
2 Internal Revenue Code; the provisions of this
3 subparagraph are exempt from the provisions of Section
4 250;

5 (M) 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 (M) is exempt from the
12 provisions of Section 250;

13 (N) An amount equal to any contribution made to a
14 job training project established pursuant to the Tax
15 Increment Allocation Redevelopment Act;

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

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

1 restoration of substantial amounts held under claim of
2 right for the taxable year pursuant to Section 1341 of
3 the Internal Revenue Code;

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

1 only apply to a taxpayer who was the first recipient of
2 such assets after their recovery and who is a victim of
3 persecution for racial or religious reasons by Nazi
4 Germany or any other Axis regime or as an heir of the
5 victim. The amount of and the eligibility for any
6 public assistance, benefit, or similar entitlement is
7 not affected by the inclusion of items (i) and (ii) of
8 this paragraph in gross income for federal income tax
9 purposes. This paragraph is exempt from the provisions
10 of Section 250;

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

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

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

1 0.429); and

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

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

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

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

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

26 If the taxpayer continues to own property through

1 the last day of the last tax year for which the
2 taxpayer may claim a depreciation deduction for
3 federal income tax purposes and for which the taxpayer
4 was required in any taxable year to make an addition
5 modification under subparagraph (G-10), then an amount
6 equal to that addition modification.

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

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

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

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

3 (U) An amount equal to the interest income taken
4 into account for the taxable year (net of the
5 deductions allocable thereto) with respect to
6 transactions with (i) a foreign person who would be a
7 member of the taxpayer's unitary business group but for
8 the fact the foreign person's business activity
9 outside the United States is 80% or more of that
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, but not to exceed the
18 addition modification required to be made for the same
19 taxable year under Section 203(c)(2)(G-12) for
20 interest paid, accrued, or incurred, directly or
21 indirectly, to the same person. This subparagraph (U)
22 is exempt from the provisions of Section 250;

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

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

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

25 (X) an amount equal to the refund included in such
26 total of any tax deducted for federal income tax

1 purposes, to the extent that deduction was added back
2 under subparagraph (F). This subparagraph (X) is
3 exempt from the provisions of Section 250; and

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

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

1 (d) Partnerships.

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

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

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

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

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

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

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

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

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

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

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

19 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 who
22 is subject in a foreign country or state, other
23 than a state which requires mandatory unitary
24 reporting, to a tax on or measured by net income
25 with respect to such interest; or

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

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

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

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

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

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

1 of apportionment under Section 304(f).

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

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

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

1 patent applications, trade names, trademarks, service
2 marks, copyrights, mask works, trade secrets, and
3 similar types of intangible assets;

4 This paragraph shall not apply to the following:

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

12 (ii) any item of intangible expense or cost
13 paid, accrued, or incurred, directly or
14 indirectly, if the taxpayer can establish, based
15 on a preponderance of the evidence, both of the
16 following:

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

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

1 or

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

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

19 (D-9) For taxable years ending on or after December
20 31, 2008, an amount equal to the amount of insurance
21 premium expenses and costs otherwise allowed as a
22 deduction in computing base income, and that were paid,
23 accrued, or incurred, directly or indirectly, to a
24 person who would be a member of the same unitary
25 business group but for the fact that the person is
26 prohibited under Section 1501(a)(27) from being

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

19 (D-10) An amount equal to the credit allowable to
20 the taxpayer under Section 218(a) of this Act,
21 determined without regard to Section 218(c) of this
22 Act;

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

1 and by deducting from the total so obtained the following
2 amounts:

3 (E) The valuation limitation amount;

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

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

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

25 (I) An amount equal to all amounts of income
26 distributable to an entity subject to the Personal

1 Property Tax Replacement Income Tax imposed by
2 subsections (c) and (d) of Section 201 of this Act
3 including amounts distributable to organizations
4 exempt from federal income tax by reason of Section
5 501(a) of the Internal Revenue Code; this subparagraph
6 (I) is exempt from the provisions of Section 250;

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

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

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

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

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

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

23 (O) For taxable years 2001 and thereafter, for the
24 taxable year in which the bonus depreciation deduction
25 is taken on the taxpayer's federal income tax return
26 under subsection (k) of Section 168 of the Internal

1 Revenue Code and for each applicable taxable year
2 thereafter, an amount equal to "x", where:

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

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

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

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

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

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) of Section 168 of the Internal Revenue Code. This
5 subparagraph (O) is exempt from the provisions of
6 Section 250;

7 (P) 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 (D-5), 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 the
14 taxpayer may claim a depreciation deduction for
15 federal income tax purposes and for which the taxpayer
16 was required in any taxable year to make an addition
17 modification under subparagraph (D-5), then an amount
18 equal to that addition modification.

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

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

24 (Q) 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 with

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

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

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

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

1 incurred, directly or indirectly, to the same person.

2 This subparagraph (S) is exempt from Section 250; and

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

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

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

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

26 (2) Special rule. For purposes of paragraph (1) of this

1 subsection, the taxable income properly reportable for
2 federal income tax purposes shall mean:

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

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

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

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

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

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

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

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

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

1 Subchapter S rules as in effect on July 1, 1982; and
2 (H) Partnerships. In the case of a partnership,
3 taxable income determined in accordance with Section
4 703 of the Internal Revenue Code, except that taxable
5 income shall take into account those items which are
6 required by Section 703(a)(1) to be separately stated
7 but which would be taken into account by an individual
8 in calculating his taxable income.

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

1 (f) Valuation limitation amount.

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

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

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

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

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

1 and reportable for federal income tax purposes in
2 respect of the sale, exchange or other disposition of
3 such property.

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

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

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

21 (h) Legislative intention. Except as expressly provided by
22 this Section there shall be no modifications or limitations on
23 the amounts of income, gain, loss or deduction taken into
24 account in determining gross income, adjusted gross income or

1 taxable income for federal income tax purposes for the taxable
2 year, or in the amount of such items entering into the
3 computation of base income and net income under this Act for
4 such taxable year, whether in respect of property values as of
5 August 1, 1969 or otherwise.

6 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;
7 revised 10-29-18.)

8 (35 ILCS 5/304) (from Ch. 120, par. 3-304)

9 Sec. 304. Business income of persons other than residents.

10 (a) In general. The business income of a person other than
11 a resident shall be allocated to this State if such person's
12 business income is derived solely from this State. If a person
13 other than a resident derives business income from this State
14 and one or more other states, then, for tax years ending on or
15 before December 30, 1998, and except as otherwise provided by
16 this Section, such person's business income shall be
17 apportioned to this State by multiplying the income by a
18 fraction, the numerator of which is the sum of the property
19 factor (if any), the payroll factor (if any) and 200% of the
20 sales factor (if any), and the denominator of which is 4
21 reduced by the number of factors other than the sales factor
22 which have a denominator of zero and by an additional 2 if the
23 sales factor has a denominator of zero. For tax years ending on
24 or after December 31, 1998, and except as otherwise provided by
25 this Section, persons other than residents who derive business

1 income from this State and one or more other states shall
2 compute their apportionment factor by weighting their
3 property, payroll, and sales factors as provided in subsection
4 (h) of this Section.

5 (1) Property factor.

6 (A) The property factor is a fraction, the numerator of
7 which is the average value of the person's real and
8 tangible personal property owned or rented and used in the
9 trade or business in this State during the taxable year and
10 the denominator of which is the average value of all the
11 person's real and tangible personal property owned or
12 rented and used in the trade or business during the taxable
13 year.

14 (B) Property owned by the person is valued at its
15 original cost. Property rented by the person is valued at 8
16 times the net annual rental rate. Net annual rental rate is
17 the annual rental rate paid by the person less any annual
18 rental rate received by the person from sub-rentals.

19 (C) The average value of property shall be determined
20 by averaging the values at the beginning and ending of the
21 taxable year but the Director may require the averaging of
22 monthly values during the taxable year if reasonably
23 required to reflect properly the average value of the
24 person's property.

25 (2) Payroll factor.

26 (A) The payroll factor is a fraction, the numerator of

1 which is the total amount paid in this State during the
2 taxable year by the person for compensation, and the
3 denominator of which is the total compensation paid
4 everywhere during the taxable year.

5 (B) Compensation is paid in this State if:

6 (i) The individual's service is performed entirely
7 within this State;

8 (ii) The individual's service is performed both
9 within and without this State, but the service
10 performed without this State is incidental to the
11 individual's service performed within this State; or

12 (iii) Some of the service is performed within this
13 State and either the base of operations, or if there is
14 no base of operations, the place from which the service
15 is directed or controlled is within this State, or the
16 base of operations or the place from which the service
17 is directed or controlled is not in any state in which
18 some part of the service is performed, but the
19 individual's residence is in this State.

20 (iv) Compensation paid to nonresident professional
21 athletes.

22 (a) General. The Illinois source income of a
23 nonresident individual who is a member of a
24 professional athletic team includes the portion of the
25 individual's total compensation for services performed
26 as a member of a professional athletic team during the

1 taxable year which the number of duty days spent within
2 this State performing services for the team in any
3 manner during the taxable year bears to the total
4 number of duty days spent both within and without this
5 State during the taxable year.

6 (b) Travel days. Travel days that do not involve
7 either a game, practice, team meeting, or other similar
8 team event are not considered duty days spent in this
9 State. However, such travel days are considered in the
10 total duty days spent both within and without this
11 State.

12 (c) Definitions. For purposes of this subpart
13 (iv):

14 (1) The term "professional athletic team"
15 includes, but is not limited to, any professional
16 baseball, basketball, football, soccer, or hockey
17 team.

18 (2) The term "member of a professional
19 athletic team" includes those employees who are
20 active players, players on the disabled list, and
21 any other persons required to travel and who travel
22 with and perform services on behalf of a
23 professional athletic team on a regular basis.
24 This includes, but is not limited to, coaches,
25 managers, and trainers.

26 (3) Except as provided in items (C) and (D) of

1 this subpart (3), the term "duty days" means all
2 days during the taxable year from the beginning of
3 the professional athletic team's official
4 pre-season training period through the last game
5 in which the team competes or is scheduled to
6 compete. Duty days shall be counted for the year in
7 which they occur, including where a team's
8 official pre-season training period through the
9 last game in which the team competes or is
10 scheduled to compete, occurs during more than one
11 tax year.

12 (A) Duty days shall also include days on
13 which a member of a professional athletic team
14 performs service for a team on a date that does
15 not fall within the foregoing period (e.g.,
16 participation in instructional leagues, the
17 "All Star Game", or promotional "caravans").
18 Performing a service for a professional
19 athletic team includes conducting training and
20 rehabilitation activities, when such
21 activities are conducted at team facilities.

22 (B) Also included in duty days are game
23 days, practice days, days spent at team
24 meetings, promotional caravans, preseason
25 training camps, and days served with the team
26 through all post-season games in which the team

1 competes or is scheduled to compete.

2 (C) Duty days for any person who joins a
3 team during the period from the beginning of
4 the professional athletic team's official
5 pre-season training period through the last
6 game in which the team competes, or is
7 scheduled to compete, shall begin on the day
8 that person joins the team. Conversely, duty
9 days for any person who leaves a team during
10 this period shall end on the day that person
11 leaves the team. Where a person switches teams
12 during a taxable year, a separate duty-day
13 calculation shall be made for the period the
14 person was with each team.

15 (D) Days for which a member of a
16 professional athletic team is not compensated
17 and is not performing services for the team in
18 any manner, including days when such member of
19 a professional athletic team has been
20 suspended without pay and prohibited from
21 performing any services for the team, shall not
22 be treated as duty days.

23 (E) Days for which a member of a
24 professional athletic team is on the disabled
25 list and does not conduct rehabilitation
26 activities at facilities of the team, and is

1 not otherwise performing services for the team
2 in Illinois, shall not be considered duty days
3 spent in this State. All days on the disabled
4 list, however, are considered to be included in
5 total duty days spent both within and without
6 this State.

7 (4) The term "total compensation for services
8 performed as a member of a professional athletic
9 team" means the total compensation received during
10 the taxable year for services performed:

11 (A) from the beginning of the official
12 pre-season training period through the last
13 game in which the team competes or is scheduled
14 to compete during that taxable year; and

15 (B) during the taxable year on a date which
16 does not fall within the foregoing period
17 (e.g., participation in instructional leagues,
18 the "All Star Game", or promotional caravans).

19 This compensation shall include, but is not
20 limited to, salaries, wages, bonuses as described
21 in this subpart, and any other type of compensation
22 paid during the taxable year to a member of a
23 professional athletic team for services performed
24 in that year. This compensation does not include
25 strike benefits, severance pay, termination pay,
26 contract or option year buy-out payments,

1 expansion or relocation payments, or any other
2 payments not related to services performed for the
3 team.

4 For purposes of this subparagraph, "bonuses"
5 included in "total compensation for services
6 performed as a member of a professional athletic
7 team" subject to the allocation described in
8 Section 302(c)(1) are: bonuses earned as a result
9 of play (i.e., performance bonuses) during the
10 season, including bonuses paid for championship,
11 playoff or "bowl" games played by a team, or for
12 selection to all-star league or other honorary
13 positions; and bonuses paid for signing a
14 contract, unless the payment of the signing bonus
15 is not conditional upon the signee playing any
16 games for the team or performing any subsequent
17 services for the team or even making the team, the
18 signing bonus is payable separately from the
19 salary and any other compensation, and the signing
20 bonus is nonrefundable.

21 (3) Sales factor.

22 (A) The sales factor is a fraction, the numerator of
23 which is the total sales of the person in this State during
24 the taxable year, and the denominator of which is the total
25 sales of the person everywhere during the taxable year.

26 (B) Sales of tangible personal property are in this

1 State if:

2 (i) The property is delivered or shipped to a
3 purchaser, other than the United States government,
4 within this State regardless of the f. o. b. point or
5 other conditions of the sale; or

6 (ii) The property is shipped from an office, store,
7 warehouse, factory or other place of storage in this
8 State and either the purchaser is the United States
9 government or the person is not taxable in the state of
10 the purchaser; provided, however, that premises owned
11 or leased by a person who has independently contracted
12 with the seller for the printing of newspapers,
13 periodicals or books shall not be deemed to be an
14 office, store, warehouse, factory or other place of
15 storage for purposes of this Section. Sales of tangible
16 personal property are not in this State if the seller
17 and purchaser would be members of the same unitary
18 business group but for the fact that either the seller
19 or purchaser is a person with 80% or more of total
20 business activity outside of the United States and the
21 property is purchased for resale.

22 (B-1) Patents, copyrights, trademarks, and similar
23 items of intangible personal property.

24 (i) Gross receipts from the licensing, sale, or
25 other disposition of a patent, copyright, trademark,
26 or similar item of intangible personal property, other

1 than gross receipts governed by paragraph (B-7) of this
2 item (3), are in this State to the extent the item is
3 utilized in this State during the year the gross
4 receipts are included in gross income.

5 (ii) Place of utilization.

6 (I) A patent is utilized in a state to the
7 extent that it is employed in production,
8 fabrication, manufacturing, or other processing in
9 the state or to the extent that a patented product
10 is produced in the state. If a patent is utilized
11 in more than one state, the extent to which it is
12 utilized in any one state shall be a fraction equal
13 to the gross receipts of the licensee or purchaser
14 from sales or leases of items produced,
15 fabricated, manufactured, or processed within that
16 state using the patent and of patented items
17 produced within that state, divided by the total of
18 such gross receipts for all states in which the
19 patent is utilized.

20 (II) A copyright is utilized in a state to the
21 extent that printing or other publication
22 originates in the state. If a copyright is utilized
23 in more than one state, the extent to which it is
24 utilized in any one state shall be a fraction equal
25 to the gross receipts from sales or licenses of
26 materials printed or published in that state

1 divided by the total of such gross receipts for all
2 states in which the copyright is utilized.

3 (III) Trademarks and other items of intangible
4 personal property governed by this paragraph (B-1)
5 are utilized in the state in which the commercial
6 domicile of the licensee or purchaser is located.

7 (iii) If the state of utilization of an item of
8 property governed by this paragraph (B-1) cannot be
9 determined from the taxpayer's books and records or
10 from the books and records of any person related to the
11 taxpayer within the meaning of Section 267(b) of the
12 Internal Revenue Code, 26 U.S.C. 267, the gross
13 receipts attributable to that item shall be excluded
14 from both the numerator and the denominator of the
15 sales factor.

16 (B-2) Gross receipts from the license, sale, or other
17 disposition of patents, copyrights, trademarks, and
18 similar items of intangible personal property, other than
19 gross receipts governed by paragraph (B-7) of this item
20 (3), may be included in the numerator or denominator of the
21 sales factor only if gross receipts from licenses, sales,
22 or other disposition of such items comprise more than 50%
23 of the taxpayer's total gross receipts included in gross
24 income during the tax year and during each of the 2
25 immediately preceding tax years; provided that, when a
26 taxpayer is a member of a unitary business group, such

1 determination shall be made on the basis of the gross
2 receipts of the entire unitary business group.

3 (B-5) For taxable years ending on or after December 31,
4 2008, except as provided in subsections (ii) through (vii),
5 receipts from the sale of telecommunications service or
6 mobile telecommunications service are in this State if the
7 customer's service address is in this State.

8 (i) For purposes of this subparagraph (B-5), the
9 following terms have the following meanings:

10 "Ancillary services" means services that are
11 associated with or incidental to the provision of
12 "telecommunications services", including but not
13 limited to "detailed telecommunications billing",
14 "directory assistance", "vertical service", and "voice
15 mail services".

16 "Air-to-Ground Radiotelephone service" means a
17 radio service, as that term is defined in 47 CFR 22.99,
18 in which common carriers are authorized to offer and
19 provide radio telecommunications service for hire to
20 subscribers in aircraft.

21 "Call-by-call Basis" means any method of charging
22 for telecommunications services where the price is
23 measured by individual calls.

24 "Communications Channel" means a physical or
25 virtual path of communications over which signals are
26 transmitted between or among customer channel

1 termination points.

2 "Conference bridging service" means an "ancillary
3 service" that links two or more participants of an
4 audio or video conference call and may include the
5 provision of a telephone number. "Conference bridging
6 service" does not include the "telecommunications
7 services" used to reach the conference bridge.

8 "Customer Channel Termination Point" means the
9 location where the customer either inputs or receives
10 the communications.

11 "Detailed telecommunications billing service"
12 means an "ancillary service" of separately stating
13 information pertaining to individual calls on a
14 customer's billing statement.

15 "Directory assistance" means an "ancillary
16 service" of providing telephone number information,
17 and/or address information.

18 "Home service provider" means the facilities based
19 carrier or reseller with which the customer contracts
20 for the provision of mobile telecommunications
21 services.

22 "Mobile telecommunications service" means
23 commercial mobile radio service, as defined in Section
24 20.3 of Title 47 of the Code of Federal Regulations as
25 in effect on June 1, 1999.

26 "Place of primary use" means the street address

1 representative of where the customer's use of the
2 telecommunications service primarily occurs, which
3 must be the residential street address or the primary
4 business street address of the customer. In the case of
5 mobile telecommunications services, "place of primary
6 use" must be within the licensed service area of the
7 home service provider.

8 "Post-paid telecommunication service" means the
9 telecommunications service obtained by making a
10 payment on a call-by-call basis either through the use
11 of a credit card or payment mechanism such as a bank
12 card, travel card, credit card, or debit card, or by
13 charge made to a telephone number which is not
14 associated with the origination or termination of the
15 telecommunications service. A post-paid calling
16 service includes telecommunications service, except a
17 prepaid wireless calling service, that would be a
18 prepaid calling service except it is not exclusively a
19 telecommunication service.

20 "Prepaid telecommunication service" means the
21 right to access exclusively telecommunications
22 services, which must be paid for in advance and which
23 enables the origination of calls using an access number
24 or authorization code, whether manually or
25 electronically dialed, and that is sold in
26 predetermined units or dollars of which the number

1 declines with use in a known amount.

2 "Prepaid Mobile telecommunication service" means a
3 telecommunications service that provides the right to
4 utilize mobile wireless service as well as other
5 non-telecommunication services, including but not
6 limited to ancillary services, which must be paid for
7 in advance that is sold in predetermined units or
8 dollars of which the number declines with use in a
9 known amount.

10 "Private communication service" means a
11 telecommunication service that entitles the customer
12 to exclusive or priority use of a communications
13 channel or group of channels between or among
14 termination points, regardless of the manner in which
15 such channel or channels are connected, and includes
16 switching capacity, extension lines, stations, and any
17 other associated services that are provided in
18 connection with the use of such channel or channels.

19 "Service address" means:

20 (a) The location of the telecommunications
21 equipment to which a customer's call is charged and
22 from which the call originates or terminates,
23 regardless of where the call is billed or paid;

24 (b) If the location in line (a) is not known,
25 service address means the origination point of the
26 signal of the telecommunications services first

1 identified by either the seller's
2 telecommunications system or in information
3 received by the seller from its service provider
4 where the system used to transport such signals is
5 not that of the seller; and

6 (c) If the locations in line (a) and line (b)
7 are not known, the service address means the
8 location of the customer's place of primary use.

9 "Telecommunications service" means the electronic
10 transmission, conveyance, or routing of voice, data,
11 audio, video, or any other information or signals to a
12 point, or between or among points. The term
13 "telecommunications service" includes such
14 transmission, conveyance, or routing in which computer
15 processing applications are used to act on the form,
16 code or protocol of the content for purposes of
17 transmission, conveyance or routing without regard to
18 whether such service is referred to as voice over
19 Internet protocol services or is classified by the
20 Federal Communications Commission as enhanced or value
21 added. "Telecommunications service" does not include:

22 (a) Data processing and information services
23 that allow data to be generated, acquired, stored,
24 processed, or retrieved and delivered by an
25 electronic transmission to a purchaser when such
26 purchaser's primary purpose for the underlying

1 transaction is the processed data or information;

2 (b) Installation or maintenance of wiring or
3 equipment on a customer's premises;

4 (c) Tangible personal property;

5 (d) Advertising, including but not limited to
6 directory advertising;

7 (e) Billing and collection services provided
8 to third parties;

9 (f) Internet access service;

10 (g) Radio and television audio and video
11 programming services, regardless of the medium,
12 including the furnishing of transmission,
13 conveyance and routing of such services by the
14 programming service provider. Radio and television
15 audio and video programming services shall include
16 but not be limited to cable service as defined in
17 47 USC 522(6) and audio and video programming
18 services delivered by commercial mobile radio
19 service providers, as defined in 47 CFR 20.3;

20 (h) "Ancillary services"; or

21 (i) Digital products "delivered
22 electronically", including but not limited to
23 software, music, video, reading materials or ring
24 tones.

25 "Vertical service" means an "ancillary service"
26 that is offered in connection with one or more

1 "telecommunications services", which offers advanced
2 calling features that allow customers to identify
3 callers and to manage multiple calls and call
4 connections, including "conference bridging services".

5 "Voice mail service" means an "ancillary service"
6 that enables the customer to store, send or receive
7 recorded messages. "Voice mail service" does not
8 include any "vertical services" that the customer may
9 be required to have in order to utilize the "voice mail
10 service".

11 (ii) Receipts from the sale of telecommunications
12 service sold on an individual call-by-call basis are in
13 this State if either of the following applies:

14 (a) The call both originates and terminates in
15 this State.

16 (b) The call either originates or terminates
17 in this State and the service address is located in
18 this State.

19 (iii) Receipts from the sale of postpaid
20 telecommunications service at retail are in this State
21 if the origination point of the telecommunication
22 signal, as first identified by the service provider's
23 telecommunication system or as identified by
24 information received by the seller from its service
25 provider if the system used to transport
26 telecommunication signals is not the seller's, is

1 located in this State.

2 (iv) Receipts from the sale of prepaid
3 telecommunications service or prepaid mobile
4 telecommunications service at retail are in this State
5 if the purchaser obtains the prepaid card or similar
6 means of conveyance at a location in this State.
7 Receipts from recharging a prepaid telecommunications
8 service or mobile telecommunications service is in
9 this State if the purchaser's billing information
10 indicates a location in this State.

11 (v) Receipts from the sale of private
12 communication services are in this State as follows:

13 (a) 100% of receipts from charges imposed at
14 each channel termination point in this State.

15 (b) 100% of receipts from charges for the total
16 channel mileage between each channel termination
17 point in this State.

18 (c) 50% of the total receipts from charges for
19 service segments when those segments are between 2
20 customer channel termination points, 1 of which is
21 located in this State and the other is located
22 outside of this State, which segments are
23 separately charged.

24 (d) The receipts from charges for service
25 segments with a channel termination point located
26 in this State and in two or more other states, and

1 which segments are not separately billed, are in
2 this State based on a percentage determined by
3 dividing the number of customer channel
4 termination points in this State by the total
5 number of customer channel termination points.

6 (vi) Receipts from charges for ancillary services
7 for telecommunications service sold to customers at
8 retail are in this State if the customer's primary
9 place of use of telecommunications services associated
10 with those ancillary services is in this State. If the
11 seller of those ancillary services cannot determine
12 where the associated telecommunications are located,
13 then the ancillary services shall be based on the
14 location of the purchaser.

15 (vii) Receipts to access a carrier's network or
16 from the sale of telecommunication services or
17 ancillary services for resale are in this State as
18 follows:

19 (a) 100% of the receipts from access fees
20 attributable to intrastate telecommunications
21 service that both originates and terminates in
22 this State.

23 (b) 50% of the receipts from access fees
24 attributable to interstate telecommunications
25 service if the interstate call either originates
26 or terminates in this State.

1 (c) 100% of the receipts from interstate end
2 user access line charges, if the customer's
3 service address is in this State. As used in this
4 subdivision, "interstate end user access line
5 charges" includes, but is not limited to, the
6 surcharge approved by the federal communications
7 commission and levied pursuant to 47 CFR 69.

8 (d) Gross receipts from sales of
9 telecommunication services or from ancillary
10 services for telecommunications services sold to
11 other telecommunication service providers for
12 resale shall be sourced to this State using the
13 apportionment concepts used for non-resale
14 receipts of telecommunications services if the
15 information is readily available to make that
16 determination. If the information is not readily
17 available, then the taxpayer may use any other
18 reasonable and consistent method.

19 (B-7) For taxable years ending on or after December 31,
20 2008, receipts from the sale of broadcasting services are
21 in this State if the broadcasting services are received in
22 this State. For purposes of this paragraph (B-7), the
23 following terms have the following meanings:

24 "Advertising revenue" means consideration received
25 by the taxpayer in exchange for broadcasting services
26 or allowing the broadcasting of commercials or

1 announcements in connection with the broadcasting of
2 film or radio programming, from sponsorships of the
3 programming, or from product placements in the
4 programming.

5 "Audience factor" means the ratio that the
6 audience or subscribers located in this State of a
7 station, a network, or a cable system bears to the
8 total audience or total subscribers for that station,
9 network, or cable system. The audience factor for film
10 or radio programming shall be determined by reference
11 to the books and records of the taxpayer or by
12 reference to published rating statistics provided the
13 method used by the taxpayer is consistently used from
14 year to year for this purpose and fairly represents the
15 taxpayer's activity in this State.

16 "Broadcast" or "broadcasting" or "broadcasting
17 services" means the transmission or provision of film
18 or radio programming, whether through the public
19 airwaves, by cable, by direct or indirect satellite
20 transmission, or by any other means of communication,
21 either through a station, a network, or a cable system.

22 "Film" or "film programming" means the broadcast
23 on television of any and all performances, events, or
24 productions, including but not limited to news,
25 sporting events, plays, stories, or other literary,
26 commercial, educational, or artistic works, either

1 live or through the use of video tape, disc, or any
2 other type of format or medium. Each episode of a
3 series of films produced for television shall
4 constitute separate "film" notwithstanding that the
5 series relates to the same principal subject and is
6 produced during one or more tax periods.

7 "Radio" or "radio programming" means the broadcast
8 on radio of any and all performances, events, or
9 productions, including but not limited to news,
10 sporting events, plays, stories, or other literary,
11 commercial, educational, or artistic works, either
12 live or through the use of an audio tape, disc, or any
13 other format or medium. Each episode in a series of
14 radio programming produced for radio broadcast shall
15 constitute a separate "radio programming"
16 notwithstanding that the series relates to the same
17 principal subject and is produced during one or more
18 tax periods.

19 (i) In the case of advertising revenue from
20 broadcasting, the customer is the advertiser and
21 the service is received in this State if the
22 commercial domicile of the advertiser is in this
23 State.

24 (ii) In the case where film or radio
25 programming is broadcast by a station, a network,
26 or a cable system for a fee or other remuneration

1 received from the recipient of the broadcast, the
2 portion of the service that is received in this
3 State is measured by the portion of the recipients
4 of the broadcast located in this State.
5 Accordingly, the fee or other remuneration for
6 such service that is included in the Illinois
7 numerator of the sales factor is the total of those
8 fees or other remuneration received from
9 recipients in Illinois. For purposes of this
10 paragraph, a taxpayer may determine the location
11 of the recipients of its broadcast using the
12 address of the recipient shown in its contracts
13 with the recipient or using the billing address of
14 the recipient in the taxpayer's records.

15 (iii) In the case where film or radio
16 programming is broadcast by a station, a network,
17 or a cable system for a fee or other remuneration
18 from the person providing the programming, the
19 portion of the broadcast service that is received
20 by such station, network, or cable system in this
21 State is measured by the portion of recipients of
22 the broadcast located in this State. Accordingly,
23 the amount of revenue related to such an
24 arrangement that is included in the Illinois
25 numerator of the sales factor is the total fee or
26 other total remuneration from the person providing

1 the programming related to that broadcast
2 multiplied by the Illinois audience factor for
3 that broadcast.

4 (iv) In the case where film or radio
5 programming is provided by a taxpayer that is a
6 network or station to a customer for broadcast in
7 exchange for a fee or other remuneration from that
8 customer the broadcasting service is received at
9 the location of the office of the customer from
10 which the services were ordered in the regular
11 course of the customer's trade or business.
12 Accordingly, in such a case the revenue derived by
13 the taxpayer that is included in the taxpayer's
14 Illinois numerator of the sales factor is the
15 revenue from such customers who receive the
16 broadcasting service in Illinois.

17 (v) In the case where film or radio programming
18 is provided by a taxpayer that is not a network or
19 station to another person for broadcasting in
20 exchange for a fee or other remuneration from that
21 person, the broadcasting service is received at
22 the location of the office of the customer from
23 which the services were ordered in the regular
24 course of the customer's trade or business.
25 Accordingly, in such a case the revenue derived by
26 the taxpayer that is included in the taxpayer's

1 Illinois numerator of the sales factor is the
2 revenue from such customers who receive the
3 broadcasting service in Illinois.

4 (B-8) Gross receipts from winnings under the Illinois
5 Lottery Law from the assignment of a prize under Section
6 13.1 of the Illinois Lottery Law are received in this
7 State. This paragraph (B-8) applies only to taxable years
8 ending on or after December 31, 2013.

9 (C) For taxable years ending before December 31, 2008,
10 sales, other than sales governed by paragraphs (B), (B-1),
11 (B-2), and (B-8) are in this State if:

12 (i) The income-producing activity is performed in
13 this State; or

14 (ii) The income-producing activity is performed
15 both within and without this State and a greater
16 proportion of the income-producing activity is
17 performed within this State than without this State,
18 based on performance costs.

19 (C-5) For taxable years ending on or after December 31,
20 2008, sales, other than sales governed by paragraphs (B),
21 (B-1), (B-2), (B-5), and (B-7), are in this State if any of
22 the following criteria are met:

23 (i) Sales from the sale or lease of real property
24 are in this State if the property is located in this
25 State.

26 (ii) Sales from the lease or rental of tangible

1 personal property are in this State if the property is
2 located in this State during the rental period. Sales
3 from the lease or rental of tangible personal property
4 that is characteristically moving property, including,
5 but not limited to, motor vehicles, rolling stock,
6 aircraft, vessels, or mobile equipment are in this
7 State to the extent that the property is used in this
8 State.

9 (iii) In the case of interest, net gains (but not
10 less than zero) and other items of income from
11 intangible personal property, the sale is in this State
12 if:

13 (a) in the case of a taxpayer who is a dealer
14 in the item of intangible personal property within
15 the meaning of Section 475 of the Internal Revenue
16 Code, the income or gain is received from a
17 customer in this State. For purposes of this
18 subparagraph, a customer is in this State if the
19 customer is an individual, trust or estate who is a
20 resident of this State and, for all other
21 customers, if the customer's commercial domicile
22 is in this State. Unless the dealer has actual
23 knowledge of the residence or commercial domicile
24 of a customer during a taxable year, the customer
25 shall be deemed to be a customer in this State if
26 the billing address of the customer, as shown in

1 the records of the dealer, is in this State; or

2 (b) in all other cases, if the
3 income-producing activity of the taxpayer is
4 performed in this State or, if the
5 income-producing activity of the taxpayer is
6 performed both within and without this State, if a
7 greater proportion of the income-producing
8 activity of the taxpayer is performed within this
9 State than in any other state, based on performance
10 costs.

11 (iv) Sales of services are in this State if the
12 services are received in this State. For the purposes
13 of this section, gross receipts from the performance of
14 services provided to a corporation, partnership, or
15 trust may only be attributed to a state where that
16 corporation, partnership, or trust has a fixed place of
17 business. If the state where the services are received
18 is not readily determinable or is a state where the
19 corporation, partnership, or trust receiving the
20 service does not have a fixed place of business, the
21 services shall be deemed to be received at the location
22 of the office of the customer from which the services
23 were ordered in the regular course of the customer's
24 trade or business. If the ordering office cannot be
25 determined, the services shall be deemed to be received
26 at the office of the customer to which the services are

1 billed. If the taxpayer is not taxable in the state in
2 which the services are received, the sale must be
3 excluded from both the numerator and the denominator of
4 the sales factor. The Department shall adopt rules
5 prescribing where specific types of service are
6 received, including, but not limited to, publishing,
7 and utility service.

8 (D) For taxable years ending on or after December 31,
9 1995, the following items of income shall not be included
10 in the numerator or denominator of the sales factor:
11 dividends; amounts included under Section 78 of the
12 Internal Revenue Code; and Subpart F income as defined in
13 Section 952 of the Internal Revenue Code. No inference
14 shall be drawn from the enactment of this paragraph (D) in
15 construing this Section for taxable years ending before
16 December 31, 1995.

17 (E) Paragraphs (B-1) and (B-2) shall apply to tax years
18 ending on or after December 31, 1999, provided that a
19 taxpayer may elect to apply the provisions of these
20 paragraphs to prior tax years. Such election shall be made
21 in the form and manner prescribed by the Department, shall
22 be irrevocable, and shall apply to all tax years; provided
23 that, if a taxpayer's Illinois income tax liability for any
24 tax year, as assessed under Section 903 prior to January 1,
25 1999, was computed in a manner contrary to the provisions
26 of paragraphs (B-1) or (B-2), no refund shall be payable to

1 the taxpayer for that tax year to the extent such refund is
2 the result of applying the provisions of paragraph (B-1) or
3 (B-2) retroactively. In the case of a unitary business
4 group, such election shall apply to all members of such
5 group for every tax year such group is in existence, but
6 shall not apply to any taxpayer for any period during which
7 that taxpayer is not a member of such group.

8 (b) Insurance companies.

9 (1) In general. Except as otherwise provided by
10 paragraph (2), business income of an insurance company for
11 a taxable year shall be apportioned to this State by
12 multiplying such income by a fraction, the numerator of
13 which is the direct premiums written for insurance upon
14 property or risk in this State, and the denominator of
15 which is the direct premiums written for insurance upon
16 property or risk everywhere. For purposes of this
17 subsection, the term "direct premiums written" means the
18 total amount of direct premiums written, assessments and
19 annuity considerations as reported for the taxable year on
20 the annual statement filed by the company with the Illinois
21 Director of Insurance in the form approved by the National
22 Convention of Insurance Commissioners or such other form as
23 may be prescribed in lieu thereof.

24 (2) Reinsurance. If the principal source of premiums
25 written by an insurance company consists of premiums for
26 reinsurance accepted by it, the business income of such

1 company shall be apportioned to this State by multiplying
2 such income by a fraction, the numerator of which is the
3 sum of (i) direct premiums written for insurance upon
4 property or risk in this State, plus (ii) premiums written
5 for reinsurance accepted in respect of property or risk in
6 this State, and the denominator of which is the sum of
7 (iii) direct premiums written for insurance upon property
8 or risk everywhere, plus (iv) premiums written for
9 reinsurance accepted in respect of property or risk
10 everywhere. For purposes of this paragraph, premiums
11 written for reinsurance accepted in respect of property or
12 risk in this State, whether or not otherwise determinable,
13 may, at the election of the company, be determined on the
14 basis of the proportion which premiums written for
15 reinsurance accepted from companies commercially domiciled
16 in Illinois bears to premiums written for reinsurance
17 accepted from all sources, or, alternatively, in the
18 proportion which the sum of the direct premiums written for
19 insurance upon property or risk in this State by each
20 ceding company from which reinsurance is accepted bears to
21 the sum of the total direct premiums written by each such
22 ceding company for the taxable year. The election made by a
23 company under this paragraph for its first taxable year
24 ending on or after December 31, 2011, shall be binding for
25 that company for that taxable year and for all subsequent
26 taxable years, and may be altered only with the written

1 permission of the Department, which shall not be
2 unreasonably withheld.

3 (c) Financial organizations.

4 (1) In general. For taxable years ending before
5 December 31, 2008, business income of a financial
6 organization shall be apportioned to this State by
7 multiplying such income by a fraction, the numerator of
8 which is its business income from sources within this
9 State, and the denominator of which is its business income
10 from all sources. For the purposes of this subsection, the
11 business income of a financial organization from sources
12 within this State is the sum of the amounts referred to in
13 subparagraphs (A) through (E) following, but excluding the
14 adjusted income of an international banking facility as
15 determined in paragraph (2):

16 (A) Fees, commissions or other compensation for
17 financial services rendered within this State;

18 (B) Gross profits from trading in stocks, bonds or
19 other securities managed within this State;

20 (C) Dividends, and interest from Illinois
21 customers, which are received within this State;

22 (D) Interest charged to customers at places of
23 business maintained within this State for carrying
24 debit balances of margin accounts, without deduction
25 of any costs incurred in carrying such accounts; and

26 (E) Any other gross income resulting from the

1 operation as a financial organization within this
2 State. In computing the amounts referred to in
3 paragraphs (A) through (E) of this subsection, any
4 amount received by a member of an affiliated group
5 (determined under Section 1504(a) of the Internal
6 Revenue Code but without reference to whether any such
7 corporation is an "includible corporation" under
8 Section 1504(b) of the Internal Revenue Code) from
9 another member of such group shall be included only to
10 the extent such amount exceeds expenses of the
11 recipient directly related thereto.

12 (2) International Banking Facility. For taxable years
13 ending before December 31, 2008:

14 (A) Adjusted Income. The adjusted income of an
15 international banking facility is its income reduced
16 by the amount of the floor amount.

17 (B) Floor Amount. The floor amount shall be the
18 amount, if any, determined by multiplying the income of
19 the international banking facility by a fraction, not
20 greater than one, which is determined as follows:

21 (i) The numerator shall be:

22 The average aggregate, determined on a
23 quarterly basis, of the financial organization's
24 loans to banks in foreign countries, to foreign
25 domiciled borrowers (except where secured
26 primarily by real estate) and to foreign

1 governments and other foreign official
2 institutions, as reported for its branches,
3 agencies and offices within the state on its
4 "Consolidated Report of Condition", Schedule A,
5 Lines 2.c., 5.b., and 7.a., which was filed with
6 the Federal Deposit Insurance Corporation and
7 other regulatory authorities, for the year 1980,
8 minus

9 The average aggregate, determined on a
10 quarterly basis, of such loans (other than loans of
11 an international banking facility), as reported by
12 the financial institution for its branches,
13 agencies and offices within the state, on the
14 corresponding Schedule and lines of the
15 Consolidated Report of Condition for the current
16 taxable year, provided, however, that in no case
17 shall the amount determined in this clause (the
18 subtrahend) exceed the amount determined in the
19 preceding clause (the minuend); and

20 (ii) the denominator shall be the average
21 aggregate, determined on a quarterly basis, of the
22 international banking facility's loans to banks in
23 foreign countries, to foreign domiciled borrowers
24 (except where secured primarily by real estate)
25 and to foreign governments and other foreign
26 official institutions, which were recorded in its

1 financial accounts for the current taxable year.

2 (C) Change to Consolidated Report of Condition and
3 in Qualification. In the event the Consolidated Report
4 of Condition which is filed with the Federal Deposit
5 Insurance Corporation and other regulatory authorities
6 is altered so that the information required for
7 determining the floor amount is not found on Schedule
8 A, lines 2.c., 5.b. and 7.a., the financial institution
9 shall notify the Department and the Department may, by
10 regulations or otherwise, prescribe or authorize the
11 use of an alternative source for such information. The
12 financial institution shall also notify the Department
13 should its international banking facility fail to
14 qualify as such, in whole or in part, or should there
15 be any amendment or change to the Consolidated Report
16 of Condition, as originally filed, to the extent such
17 amendment or change alters the information used in
18 determining the floor amount.

19 (3) For taxable years ending on or after December 31,
20 2008, the business income of a financial organization shall
21 be apportioned to this State by multiplying such income by
22 a fraction, the numerator of which is its gross receipts
23 from sources in this State or otherwise attributable to
24 this State's marketplace and the denominator of which is
25 its gross receipts everywhere during the taxable year.
26 "Gross receipts" for purposes of this subparagraph (3)

1 means gross income, including net taxable gain on
2 disposition of assets, including securities and money
3 market instruments, when derived from transactions and
4 activities in the regular course of the financial
5 organization's trade or business. The following examples
6 are illustrative:

7 (i) Receipts from the lease or rental of real or
8 tangible personal property are in this State if the
9 property is located in this State during the rental
10 period. Receipts from the lease or rental of tangible
11 personal property that is characteristically moving
12 property, including, but not limited to, motor
13 vehicles, rolling stock, aircraft, vessels, or mobile
14 equipment are from sources in this State to the extent
15 that the property is used in this State.

16 (ii) Interest income, commissions, fees, gains on
17 disposition, and other receipts from assets in the
18 nature of loans that are secured primarily by real
19 estate or tangible personal property are from sources
20 in this State if the security is located in this State.

21 (iii) Interest income, commissions, fees, gains on
22 disposition, and other receipts from consumer loans
23 that are not secured by real or tangible personal
24 property are from sources in this State if the debtor
25 is a resident of this State.

26 (iv) Interest income, commissions, fees, gains on

1 disposition, and other receipts from commercial loans
2 and installment obligations that are not secured by
3 real or tangible personal property are from sources in
4 this State if the proceeds of the loan are to be
5 applied in this State. If it cannot be determined where
6 the funds are to be applied, the income and receipts
7 are from sources in this State if the office of the
8 borrower from which the loan was negotiated in the
9 regular course of business is located in this State. If
10 the location of this office cannot be determined, the
11 income and receipts shall be excluded from the
12 numerator and denominator of the sales factor.

13 (v) Interest income, fees, gains on disposition,
14 service charges, merchant discount income, and other
15 receipts from credit card receivables are from sources
16 in this State if the card charges are regularly billed
17 to a customer in this State.

18 (vi) Receipts from the performance of services,
19 including, but not limited to, fiduciary, advisory,
20 and brokerage services, are in this State if the
21 services are received in this State within the meaning
22 of subparagraph (a) (3) (C-5) (iv) of this Section.

23 (vii) Receipts from the issuance of travelers
24 checks and money orders are from sources in this State
25 if the checks and money orders are issued from a
26 location within this State.

1 (viii) Receipts from investment assets and
2 activities and trading assets and activities are
3 included in the receipts factor as follows:

4 (1) Interest, dividends, net gains (but not
5 less than zero) and other income from investment
6 assets and activities from trading assets and
7 activities shall be included in the receipts
8 factor. Investment assets and activities and
9 trading assets and activities include but are not
10 limited to: investment securities; trading account
11 assets; federal funds; securities purchased and
12 sold under agreements to resell or repurchase;
13 options; futures contracts; forward contracts;
14 notional principal contracts such as swaps;
15 equities; and foreign currency transactions. With
16 respect to the investment and trading assets and
17 activities described in subparagraphs (A) and (B)
18 of this paragraph, the receipts factor shall
19 include the amounts described in such
20 subparagraphs.

21 (A) The receipts factor shall include the
22 amount by which interest from federal funds
23 sold and securities purchased under resale
24 agreements exceeds interest expense on federal
25 funds purchased and securities sold under
26 repurchase agreements.

1 (B) The receipts factor shall include the
2 amount by which interest, dividends, gains and
3 other income from trading assets and
4 activities, including but not limited to
5 assets and activities in the matched book, in
6 the arbitrage book, and foreign currency
7 transactions, exceed amounts paid in lieu of
8 interest, amounts paid in lieu of dividends,
9 and losses from such assets and activities.

10 (2) The numerator of the receipts factor
11 includes interest, dividends, net gains (but not
12 less than zero), and other income from investment
13 assets and activities and from trading assets and
14 activities described in paragraph (1) of this
15 subsection that are attributable to this State.

16 (A) The amount of interest, dividends, net
17 gains (but not less than zero), and other
18 income from investment assets and activities
19 in the investment account to be attributed to
20 this State and included in the numerator is
21 determined by multiplying all such income from
22 such assets and activities by a fraction, the
23 numerator of which is the gross income from
24 such assets and activities which are properly
25 assigned to a fixed place of business of the
26 taxpayer within this State and the denominator

1 of which is the gross income from all such
2 assets and activities.

3 (B) The amount of interest from federal
4 funds sold and purchased and from securities
5 purchased under resale agreements and
6 securities sold under repurchase agreements
7 attributable to this State and included in the
8 numerator is determined by multiplying the
9 amount described in subparagraph (A) of
10 paragraph (1) of this subsection from such
11 funds and such securities by a fraction, the
12 numerator of which is the gross income from
13 such funds and such securities which are
14 properly assigned to a fixed place of business
15 of the taxpayer within this State and the
16 denominator of which is the gross income from
17 all such funds and such securities.

18 (C) The amount of interest, dividends,
19 gains, and other income from trading assets and
20 activities, including but not limited to
21 assets and activities in the matched book, in
22 the arbitrage book and foreign currency
23 transactions (but excluding amounts described
24 in subparagraphs (A) or (B) of this paragraph),
25 attributable to this State and included in the
26 numerator is determined by multiplying the

1 amount described in subparagraph (B) of
2 paragraph (1) of this subsection by a fraction,
3 the numerator of which is the gross income from
4 such trading assets and activities which are
5 properly assigned to a fixed place of business
6 of the taxpayer within this State and the
7 denominator of which is the gross income from
8 all such assets and activities.

9 (D) Properly assigned, for purposes of
10 this paragraph (2) of this subsection, means
11 the investment or trading asset or activity is
12 assigned to the fixed place of business with
13 which it has a preponderance of substantive
14 contacts. An investment or trading asset or
15 activity assigned by the taxpayer to a fixed
16 place of business without the State shall be
17 presumed to have been properly assigned if:

18 (i) the taxpayer has assigned, in the
19 regular course of its business, such asset
20 or activity on its records to a fixed place
21 of business consistent with federal or
22 state regulatory requirements;

23 (ii) such assignment on its records is
24 based upon substantive contacts of the
25 asset or activity to such fixed place of
26 business; and

1 (iii) the taxpayer uses such records
2 reflecting assignment of such assets or
3 activities for the filing of all state and
4 local tax returns for which an assignment
5 of such assets or activities to a fixed
6 place of business is required.

7 (E) The presumption of proper assignment
8 of an investment or trading asset or activity
9 provided in subparagraph (D) of paragraph (2)
10 of this subsection may be rebutted upon a
11 showing by the Department, supported by a
12 preponderance of the evidence, that the
13 preponderance of substantive contacts
14 regarding such asset or activity did not occur
15 at the fixed place of business to which it was
16 assigned on the taxpayer's records. If the
17 fixed place of business that has a
18 preponderance of substantive contacts cannot
19 be determined for an investment or trading
20 asset or activity to which the presumption in
21 subparagraph (D) of paragraph (2) of this
22 subsection does not apply or with respect to
23 which that presumption has been rebutted, that
24 asset or activity is properly assigned to the
25 state in which the taxpayer's commercial
26 domicile is located. For purposes of this

1 subparagraph (E), it shall be presumed,
2 subject to rebuttal, that taxpayer's
3 commercial domicile is in the state of the
4 United States or the District of Columbia to
5 which the greatest number of employees are
6 regularly connected with the management of the
7 investment or trading income or out of which
8 they are working, irrespective of where the
9 services of such employees are performed, as of
10 the last day of the taxable year.

11 (4) (Blank).

12 (5) (Blank).

13 (c-1) Federally regulated exchanges. For taxable years
14 ending on or after December 31, 2012, business income of a
15 federally regulated exchange shall, at the option of the
16 federally regulated exchange, be apportioned to this State by
17 multiplying such income by a fraction, the numerator of which
18 is its business income from sources within this State, and the
19 denominator of which is its business income from all sources.
20 For purposes of this subsection, the business income within
21 this State of a federally regulated exchange is the sum of the
22 following:

23 (1) Receipts attributable to transactions executed on
24 a physical trading floor if that physical trading floor is
25 located in this State.

26 (2) Receipts attributable to all other matching,

1 execution, or clearing transactions, including without
2 limitation receipts from the provision of matching,
3 execution, or clearing services to another entity,
4 multiplied by (i) for taxable years ending on or after
5 December 31, 2012 but before December 31, 2013, 63.77%; and
6 (ii) for taxable years ending on or after December 31,
7 2013, 27.54%.

8 (3) All other receipts not governed by subparagraphs
9 (1) or (2) of this subsection (c-1), to the extent the
10 receipts would be characterized as "sales in this State"
11 under item (3) of subsection (a) of this Section.

12 "Federally regulated exchange" means (i) a "registered
13 entity" within the meaning of 7 U.S.C. Section 1a(40) (A), (B),
14 or (C), (ii) an "exchange" or "clearing agency" within the
15 meaning of 15 U.S.C. Section 78c (a) (1) or (23), (iii) any such
16 entities regulated under any successor regulatory structure to
17 the foregoing, and (iv) all taxpayers who are members of the
18 same unitary business group as a federally regulated exchange,
19 determined without regard to the prohibition in Section
20 1501(a) (27) of this Act against including in a unitary business
21 group taxpayers who are ordinarily required to apportion
22 business income under different subsections of this Section;
23 provided that this subparagraph (iv) shall apply only if 50% or
24 more of the business receipts of the unitary business group
25 determined by application of this subparagraph (iv) for the
26 taxable year are attributable to the matching, execution, or

1 clearing of transactions conducted by an entity described in
2 subparagraph (i), (ii), or (iii) of this paragraph.

3 In no event shall the Illinois apportionment percentage
4 computed in accordance with this subsection (c-1) for any
5 taxpayer for any tax year be less than the Illinois
6 apportionment percentage computed under this subsection (c-1)
7 for that taxpayer for the first full tax year ending on or
8 after December 31, 2013 for which this subsection (c-1) applied
9 to the taxpayer.

10 (d) Transportation services. For taxable years ending
11 before December 31, 2008, business income derived from
12 furnishing transportation services shall be apportioned to
13 this State in accordance with paragraphs (1) and (2):

14 (1) Such business income (other than that derived from
15 transportation by pipeline) shall be apportioned to this
16 State by multiplying such income by a fraction, the
17 numerator of which is the revenue miles of the person in
18 this State, and the denominator of which is the revenue
19 miles of the person everywhere. For purposes of this
20 paragraph, a revenue mile is the transportation of 1
21 passenger or 1 net ton of freight the distance of 1 mile
22 for a consideration. Where a person is engaged in the
23 transportation of both passengers and freight, the
24 fraction above referred to shall be determined by means of
25 an average of the passenger revenue mile fraction and the
26 freight revenue mile fraction, weighted to reflect the

1 person's

2 (A) relative railway operating income from total
3 passenger and total freight service, as reported to the
4 Interstate Commerce Commission, in the case of
5 transportation by railroad, and

6 (B) relative gross receipts from passenger and
7 freight transportation, in case of transportation
8 other than by railroad.

9 (2) Such business income derived from transportation
10 by pipeline shall be apportioned to this State by
11 multiplying such income by a fraction, the numerator of
12 which is the revenue miles of the person in this State, and
13 the denominator of which is the revenue miles of the person
14 everywhere. For the purposes of this paragraph, a revenue
15 mile is the transportation by pipeline of 1 barrel of oil,
16 1,000 cubic feet of gas, or of any specified quantity of
17 any other substance, the distance of 1 mile for a
18 consideration.

19 (3) For taxable years ending on or after December 31,
20 2008, business income derived from providing
21 transportation services other than airline services shall
22 be apportioned to this State by using a fraction, (a) the
23 numerator of which shall be (i) all receipts from any
24 movement or shipment of people, goods, mail, oil, gas, or
25 any other substance (other than by airline) that both
26 originates and terminates in this State, plus (ii) that

1 portion of the person's gross receipts from movements or
2 shipments of people, goods, mail, oil, gas, or any other
3 substance (other than by airline) that originates in one
4 state or jurisdiction and terminates in another state or
5 jurisdiction, that is determined by the ratio that the
6 miles traveled in this State bears to total miles
7 everywhere and (b) the denominator of which shall be all
8 revenue derived from the movement or shipment of people,
9 goods, mail, oil, gas, or any other substance (other than
10 by airline). Where a taxpayer is engaged in the
11 transportation of both passengers and freight, the
12 fraction above referred to shall first be determined
13 separately for passenger miles and freight miles. Then an
14 average of the passenger miles fraction and the freight
15 miles fraction shall be weighted to reflect the taxpayer's:

16 (A) relative railway operating income from total
17 passenger and total freight service, as reported to the
18 Surface Transportation Board, in the case of
19 transportation by railroad; and

20 (B) relative gross receipts from passenger and
21 freight transportation, in case of transportation
22 other than by railroad.

23 (4) For taxable years ending on or after December 31,
24 2008, business income derived from furnishing airline
25 transportation services shall be apportioned to this State
26 by multiplying such income by a fraction, the numerator of

1 which is the revenue miles of the person in this State, and
2 the denominator of which is the revenue miles of the person
3 everywhere. For purposes of this paragraph, a revenue mile
4 is the transportation of one passenger or one net ton of
5 freight the distance of one mile for a consideration. If a
6 person is engaged in the transportation of both passengers
7 and freight, the fraction above referred to shall be
8 determined by means of an average of the passenger revenue
9 mile fraction and the freight revenue mile fraction,
10 weighted to reflect the person's relative gross receipts
11 from passenger and freight airline transportation.

12 (e) Combined apportionment. Except as provided in
13 subsection (e-5), where ~~where~~ 2 or more persons are engaged in
14 a unitary business as described in subsection (a)(27) of
15 Section 1501, a part of which is conducted in this State by one
16 or more members of the group, the business income attributable
17 to this State by any such member or members shall be
18 apportioned by means of the combined apportionment method.

19 (e-5) Water's-edge election.

20 (1) Taxpayer members of a unitary business group that
21 meet the requirements paragraph (2) of this subsection
22 (e-5) may elect to determine each of their apportioned
23 shares of the net business income or loss of the unitary
24 business group pursuant to a water's-edge election. Under a
25 water's-edge election, taxpayer members shall take into
26 account all or a portion of the income and apportionment

1 factors of only the following members otherwise included in
2 the unitary business group, as described below:

3 (A) the entire income and apportionment factors of
4 any member incorporated in the United States or formed
5 under the laws of any state, the District of Columbia,
6 or any territory or possession of the United States;

7 (B) the entire income and apportionment factors of
8 any member, regardless of the place incorporated or
9 formed, if the average of its property, payroll, and
10 sales factors within the United States is 20% or more;

11 (C) the entire income and apportionment factors of
12 any member that is: (i) a domestic international sales
13 corporation, as described in Sections 991 to 994 of the
14 Internal Revenue Code; (ii) a foreign sales
15 corporation, as described in Sections 921 to 927 of the
16 Internal Revenue Code; or (iii) an export trade
17 corporation, as described in Sections 970 to 971 of the
18 Internal Revenue Code;

19 (D) the portion of the income of any member not
20 described in subparagraph (A), (B), or (C) that is
21 derived from or attributable to sources within the
22 United States, as determined under the Internal
23 Revenue Code without regard to federal treaties, and
24 the member's apportionment factors related thereto;

25 (E) any member that is a controlled foreign
26 corporation, as defined in Internal Revenue Code

1 Section 957, to the extent of the income of that member
2 that is defined in Section 952 of Subpart F of the
3 Internal Revenue Code ("Subpart F income"), not
4 excluding lower-tier subsidiaries' distributions of
5 such income which were previously taxed, determined
6 without regard to federal treaties, and the
7 apportionment factors related to that income; any item
8 of income received by a controlled foreign corporation
9 shall be excluded if that income was subject to an
10 effective rate of income tax imposed by a foreign
11 country greater than 90% of the maximum rate of tax
12 specified in Internal Revenue Code Section 11;

13 (F) any member that earns more than 20% of its
14 income, directly or indirectly, from intangible
15 property or service related activities that are
16 deductible against the business income of other
17 members of the unitary business group, to the extent of
18 that income and the apportionment factors related
19 thereto; and

20 (G) the entire income and apportionment factors of
21 any member that is doing business in a tax haven; as
22 used in this subparagraph (G), "doing business in a tax
23 haven" means that the member is engaged in activity
24 sufficient for that tax haven jurisdiction to impose a
25 tax under United States constitutional standards; as
26 used in this subparagraph (G), tax havens include

1 Andorra, Anguilla, Antigua and Barbuda, Aruba, the
2 Bahamas, Bahrain, Barbados, Belize, Bermuda, Bonaire,
3 British Virgin Islands, Cayman Islands, Cook Islands,
4 Curaçao, Cyprus, Dominica, Gibraltar, Grenada,
5 Guernsey-Sark-Alderney, Ireland, Isle of Man, Jersey,
6 Liberia, Liechtenstein, Luxembourg, Malta, Marshall
7 Islands, Mauritius, Monaco, Montserrat, Nauru,
8 Netherlands, Niue, Panama, Saba, Samoa, San Marino,
9 Seychelles, Singapore, Sint Eustatius, Sint Maarten,
10 St. Kitts and Nevis, St. Lucia, St. Vincent and the
11 Grenadines, Switzerland, Turks and Caicos Islands,
12 U.S. Virgin Islands, and Vanuatu; the Department shall
13 report biennially to the General Assembly with an
14 update of countries that it considers a tax haven.

15 (2) Initiation and withdrawal of election.

16 (A) A water's-edge election is effective only if
17 made on a timely-filed, original return for a tax year
18 by every member of the unitary business group subject
19 to tax under this Act. The Department shall develop
20 rules and regulations governing the impact, if any, on
21 the scope or application of a water's-edge election,
22 including termination or deemed election, resulting
23 from a change in the composition of the unitary
24 business group, the taxpayer members, or any other
25 similar change.

26 (B) An election under this subsection (e-5) shall

1 constitute consent to the reasonable production of
2 documents and taking of depositions in accordance with
3 Code of Civil Procedure.

4 (C) In the discretion of the Department, a
5 water's-edge election may be disregarded in part or in
6 whole, and the income and apportionment factors of any
7 member of the taxpayer's unitary business group may be
8 included in the combined report without regard to the
9 provisions of this subsection, if any member of the
10 unitary business group fails to comply with any
11 provision of this Act or if a person was otherwise not
12 included in the water's-edge unitary business group
13 with the substantial objective of avoiding State
14 income tax.

15 (D) A water's-edge election is binding for and
16 applicable to the tax year in which it is made and all
17 tax years thereafter for a period of 10 years. It may
18 be withdrawn or reinstated after withdrawal prior to
19 the expiration of the 10-year period only upon written
20 request for reasonable cause based on extraordinary
21 hardship due to unforeseen changes in State tax
22 statutes, law, or policy, and only with the written
23 permission of the Department. If the Department grants
24 a withdrawal of an election, it shall impose reasonable
25 conditions as necessary to prevent the evasion of tax
26 or to clearly reflect income for the election period

1 prior to or after the withdrawal. Upon the expiration
2 of the 10-year period, a taxpayer may withdraw from the
3 water's edge election. Such withdrawal must be made in
4 writing within one year of the expiration of the
5 election and is binding for a period of 10 years,
6 subject to the same conditions as applied to the
7 original election. If no withdrawal is properly made,
8 the water's edge election shall be in place for an
9 additional 10-year period, subject to the same
10 conditions as applied to the original election.

11 (f) Alternative allocation. If the allocation and
12 apportionment provisions of subsections (a) through (e) and of
13 subsection (h) do not, for taxable years ending before December
14 31, 2008, fairly represent the extent of a person's business
15 activity in this State, or, for taxable years ending on or
16 after December 31, 2008, fairly represent the market for the
17 person's goods, services, or other sources of business income,
18 the person may petition for, or the Director may, without a
19 petition, permit or require, in respect of all or any part of
20 the person's business activity, if reasonable:

21 (1) Separate accounting;

22 (2) The exclusion of any one or more factors;

23 (3) The inclusion of one or more additional factors
24 which will fairly represent the person's business
25 activities or market in this State; or

26 (4) The employment of any other method to effectuate an

1 equitable allocation and apportionment of the person's
2 business income.

3 (g) Cross reference. For allocation of business income by
4 residents, see Section 301(a).

5 (h) For tax years ending on or after December 31, 1998, the
6 apportionment factor of persons who apportion their business
7 income to this State under subsection (a) shall be equal to:

8 (1) for tax years ending on or after December 31, 1998
9 and before December 31, 1999, 16 2/3% of the property
10 factor plus 16 2/3% of the payroll factor plus 66 2/3% of
11 the sales factor;

12 (2) for tax years ending on or after December 31, 1999
13 and before December 31, 2000, 8 1/3% of the property factor
14 plus 8 1/3% of the payroll factor plus 83 1/3% of the sales
15 factor;

16 (3) for tax years ending on or after December 31, 2000,
17 the sales factor.

18 If, in any tax year ending on or after December 31, 1998 and
19 before December 31, 2000, the denominator of the payroll,
20 property, or sales factor is zero, the apportionment factor
21 computed in paragraph (1) or (2) of this subsection for that
22 year shall be divided by an amount equal to 100% minus the
23 percentage weight given to each factor whose denominator is
24 equal to zero.

25 (Source: P.A. 99-642, eff. 7-28-16; 100-201, eff. 8-18-17.)

1 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

2 Sec. 1501. Definitions.

3 (a) In general. When used in this Act, where not otherwise
4 distinctly expressed or manifestly incompatible with the
5 intent thereof:

6 (1) Business income. The term "business income" means
7 all income that may be treated as apportionable business
8 income under the Constitution of the United States.
9 Business income is net of the deductions allocable thereto.
10 Such term does not include compensation or the deductions
11 allocable thereto. For each taxable year beginning on or
12 after January 1, 2003, a taxpayer may elect to treat all
13 income other than compensation as business income. This
14 election shall be made in accordance with rules adopted by
15 the Department and, once made, shall be irrevocable.

16 (1.5) Captive real estate investment trust:

17 (A) The term "captive real estate investment
18 trust" means a corporation, trust, or association:

19 (i) that is considered a real estate
20 investment trust for the taxable year under
21 Section 856 of the Internal Revenue Code;

22 (ii) the certificates of beneficial interest
23 or shares of which are not regularly traded on an
24 established securities market; and

25 (iii) of which more than 50% of the voting
26 power or value of the beneficial interest or

1 shares, at any time during the last half of the
2 taxable year, is owned or controlled, directly,
3 indirectly, or constructively, by a single
4 corporation.

5 (B) The term "captive real estate investment
6 trust" does not include:

7 (i) a real estate investment trust of which
8 more than 50% of the voting power or value of the
9 beneficial interest or shares is owned or
10 controlled, directly, indirectly, or
11 constructively, by:

12 (a) a real estate investment trust, other
13 than a captive real estate investment trust;

14 (b) a person who is exempt from taxation
15 under Section 501 of the Internal Revenue Code,
16 and who is not required to treat income
17 received from the real estate investment trust
18 as unrelated business taxable income under
19 Section 512 of the Internal Revenue Code;

20 (c) a listed Australian property trust, if
21 no more than 50% of the voting power or value
22 of the beneficial interest or shares of that
23 trust, at any time during the last half of the
24 taxable year, is owned or controlled, directly
25 or indirectly, by a single person;

26 (d) an entity organized as a trust,

1 provided a listed Australian property trust
2 described in subparagraph (c) owns or
3 controls, directly or indirectly, or
4 constructively, 75% or more of the voting power
5 or value of the beneficial interests or shares
6 of such entity; or

7 (e) an entity that is organized outside of
8 the laws of the United States and that
9 satisfies all of the following criteria:

10 (1) at least 75% of the entity's total
11 asset value at the close of its taxable
12 year is represented by real estate assets
13 (as defined in Section 856(c)(5)(B) of the
14 Internal Revenue Code, thereby including
15 shares or certificates of beneficial
16 interest in any real estate investment
17 trust), cash and cash equivalents, and
18 U.S. Government securities;

19 (2) the entity is not subject to tax on
20 amounts that are distributed to its
21 beneficial owners or is exempt from
22 entity-level taxation;

23 (3) the entity distributes at least
24 85% of its taxable income (as computed in
25 the jurisdiction in which it is organized)
26 to the holders of its shares or

1 certificates of beneficial interest on an
2 annual basis;

3 (4) either (i) the shares or
4 beneficial interests of the entity are
5 regularly traded on an established
6 securities market or (ii) not more than 10%
7 of the voting power or value in the entity
8 is held, directly, indirectly, or
9 constructively, by a single entity or
10 individual; and

11 (5) the entity is organized in a
12 country that has entered into a tax treaty
13 with the United States; or

14 (ii) during its first taxable year for which it
15 elects to be treated as a real estate investment
16 trust under Section 856(c)(1) of the Internal
17 Revenue Code, a real estate investment trust the
18 certificates of beneficial interest or shares of
19 which are not regularly traded on an established
20 securities market, but only if the certificates of
21 beneficial interest or shares of the real estate
22 investment trust are regularly traded on an
23 established securities market prior to the earlier
24 of the due date (including extensions) for filing
25 its return under this Act for that first taxable
26 year or the date it actually files that return.

1 (C) For the purposes of this subsection (1.5), the
2 constructive ownership rules prescribed under Section
3 318(a) of the Internal Revenue Code, as modified by
4 Section 856(d)(5) of the Internal Revenue Code, apply
5 in determining the ownership of stock, assets, or net
6 profits of any person.

7 (D) For the purposes of this item (1.5), for
8 taxable years ending on or after August 16, 2007, the
9 voting power or value of the beneficial interest or
10 shares of a real estate investment trust does not
11 include any voting power or value of beneficial
12 interest or shares in a real estate investment trust
13 held directly or indirectly in a segregated asset
14 account by a life insurance company (as described in
15 Section 817 of the Internal Revenue Code) to the extent
16 such voting power or value is for the benefit of
17 entities or persons who are either immune from taxation
18 or exempt from taxation under subtitle A of the
19 Internal Revenue Code.

20 (2) Commercial domicile. The term "commercial
21 domicile" means the principal place from which the trade or
22 business of the taxpayer is directed or managed.

23 (3) Compensation. The term "compensation" means wages,
24 salaries, commissions and any other form of remuneration
25 paid to employees for personal services.

26 (4) Corporation. The term "corporation" includes

1 associations, joint-stock companies, insurance companies
2 and cooperatives. Any entity, including a limited
3 liability company formed under the Illinois Limited
4 Liability Company Act, shall be treated as a corporation if
5 it is so classified for federal income tax purposes.

6 (5) Department. The term "Department" means the
7 Department of Revenue of this State.

8 (6) Director. The term "Director" means the Director of
9 Revenue of this State.

10 (7) Fiduciary. The term "fiduciary" means a guardian,
11 trustee, executor, administrator, receiver, or any person
12 acting in any fiduciary capacity for any person.

13 (8) Financial organization.

14 (A) The term "financial organization" means any
15 bank, bank holding company, trust company, savings
16 bank, industrial bank, land bank, safe deposit
17 company, private banker, savings and loan association,
18 building and loan association, credit union, currency
19 exchange, cooperative bank, small loan company, sales
20 finance company, investment company, or any person
21 which is owned by a bank or bank holding company. For
22 the purpose of this Section a "person" will include
23 only those persons which a bank holding company may
24 acquire and hold an interest in, directly or
25 indirectly, under the provisions of the Bank Holding
26 Company Act of 1956 (12 U.S.C. 1841, et seq.), except

1 where interests in any person must be disposed of
2 within certain required time limits under the Bank
3 Holding Company Act of 1956.

4 (B) For purposes of subparagraph (A) of this
5 paragraph, the term "bank" includes (i) any entity that
6 is regulated by the Comptroller of the Currency under
7 the National Bank Act, or by the Federal Reserve Board,
8 or by the Federal Deposit Insurance Corporation and
9 (ii) any federally or State chartered bank operating as
10 a credit card bank.

11 (C) For purposes of subparagraph (A) of this
12 paragraph, the term "sales finance company" has the
13 meaning provided in the following item (i) or (ii):

14 (i) A person primarily engaged in one or more
15 of the following businesses: the business of
16 purchasing customer receivables, the business of
17 making loans upon the security of customer
18 receivables, the business of making loans for the
19 express purpose of funding purchases of tangible
20 personal property or services by the borrower, or
21 the business of finance leasing. For purposes of
22 this item (i), "customer receivable" means:

23 (a) a retail installment contract or
24 retail charge agreement within the meaning of
25 the Sales Finance Agency Act, the Retail
26 Installment Sales Act, or the Motor Vehicle

1 Retail Installment Sales Act;

2 (b) an installment, charge, credit, or
3 similar contract or agreement arising from the
4 sale of tangible personal property or services
5 in a transaction involving a deferred payment
6 price payable in one or more installments
7 subsequent to the sale; or

8 (c) the outstanding balance of a contract
9 or agreement described in provisions (a) or (b)
10 of this item (i).

11 A customer receivable need not provide for
12 payment of interest on deferred payments. A sales
13 finance company may purchase a customer receivable
14 from, or make a loan secured by a customer
15 receivable to, the seller in the original
16 transaction or to a person who purchased the
17 customer receivable directly or indirectly from
18 that seller.

19 (ii) A corporation meeting each of the
20 following criteria:

21 (a) the corporation must be a member of an
22 "affiliated group" within the meaning of
23 Section 1504(a) of the Internal Revenue Code,
24 determined without regard to Section 1504(b)
25 of the Internal Revenue Code;

26 (b) more than 50% of the gross income of

1 the corporation for the taxable year must be
2 interest income derived from qualifying loans.
3 A "qualifying loan" is a loan made to a member
4 of the corporation's affiliated group that
5 originates customer receivables (within the
6 meaning of item (i)) or to whom customer
7 receivables originated by a member of the
8 affiliated group have been transferred, to the
9 extent the average outstanding balance of
10 loans from that corporation to members of its
11 affiliated group during the taxable year do not
12 exceed the limitation amount for that
13 corporation. The "limitation amount" for a
14 corporation is the average outstanding
15 balances during the taxable year of customer
16 receivables (within the meaning of item (i))
17 originated by all members of the affiliated
18 group. If the average outstanding balances of
19 the loans made by a corporation to members of
20 its affiliated group exceed the limitation
21 amount, the interest income of that
22 corporation from qualifying loans shall be
23 equal to its interest income from loans to
24 members of its affiliated groups times a
25 fraction equal to the limitation amount
26 divided by the average outstanding balances of

1 the loans made by that corporation to members
2 of its affiliated group;

3 (c) the total of all shareholder's equity
4 (including, without limitation, paid-in
5 capital on common and preferred stock and
6 retained earnings) of the corporation plus the
7 total of all of its loans, advances, and other
8 obligations payable or owed to members of its
9 affiliated group may not exceed 20% of the
10 total assets of the corporation at any time
11 during the tax year; and

12 (d) more than 50% of all interest-bearing
13 obligations of the affiliated group payable to
14 persons outside the group determined in
15 accordance with generally accepted accounting
16 principles must be obligations of the
17 corporation.

18 This amendatory Act of the 91st General Assembly is
19 declaratory of existing law.

20 (D) Subparagraphs (B) and (C) of this paragraph are
21 declaratory of existing law and apply retroactively,
22 for all tax years beginning on or before December 31,
23 1996, to all original returns, to all amended returns
24 filed no later than 30 days after the effective date of
25 this amendatory Act of 1996, and to all notices issued
26 on or before the effective date of this amendatory Act

1 of 1996 under subsection (a) of Section 903, subsection
2 (a) of Section 904, subsection (e) of Section 909, or
3 Section 912. A taxpayer that is a "financial
4 organization" that engages in any transaction with an
5 affiliate shall be a "financial organization" for all
6 purposes of this Act.

7 (E) For all tax years beginning on or before
8 December 31, 1996, a taxpayer that falls within the
9 definition of a "financial organization" under
10 subparagraphs (B) or (C) of this paragraph, but who
11 does not fall within the definition of a "financial
12 organization" under the Proposed Regulations issued by
13 the Department of Revenue on July 19, 1996, may
14 irrevocably elect to apply the Proposed Regulations
15 for all of those years as though the Proposed
16 Regulations had been lawfully promulgated, adopted,
17 and in effect for all of those years. For purposes of
18 applying subparagraphs (B) or (C) of this paragraph to
19 all of those years, the election allowed by this
20 subparagraph applies only to the taxpayer making the
21 election and to those members of the taxpayer's unitary
22 business group who are ordinarily required to
23 apportion business income under the same subsection of
24 Section 304 of this Act as the taxpayer making the
25 election. No election allowed by this subparagraph
26 shall be made under a claim filed under subsection (d)

1 of Section 909 more than 30 days after the effective
2 date of this amendatory Act of 1996.

3 (F) Finance Leases. For purposes of this
4 subsection, a finance lease shall be treated as a loan
5 or other extension of credit, rather than as a lease,
6 regardless of how the transaction is characterized for
7 any other purpose, including the purposes of any
8 regulatory agency to which the lessor is subject. A
9 finance lease is any transaction in the form of a lease
10 in which the lessee is treated as the owner of the
11 leased asset entitled to any deduction for
12 depreciation allowed under Section 167 of the Internal
13 Revenue Code.

14 (9) Fiscal year. The term "fiscal year" means an
15 accounting period of 12 months ending on the last day of
16 any month other than December.

17 (9.5) Fixed place of business. The term "fixed place of
18 business" has the same meaning as that term is given in
19 Section 864 of the Internal Revenue Code and the related
20 Treasury regulations.

21 (10) Includes and including. The terms "includes" and
22 "including" when used in a definition contained in this Act
23 shall not be deemed to exclude other things otherwise
24 within the meaning of the term defined.

25 (11) Internal Revenue Code. The term "Internal Revenue
26 Code" means the United States Internal Revenue Code of 1954

1 or any successor law or laws relating to federal income
2 taxes in effect for the taxable year.

3 (11.5) Investment partnership.

4 (A) The term "investment partnership" means any
5 entity that is treated as a partnership for federal
6 income tax purposes that meets the following
7 requirements:

8 (i) no less than 90% of the partnership's cost
9 of its total assets consists of qualifying
10 investment securities, deposits at banks or other
11 financial institutions, and office space and
12 equipment reasonably necessary to carry on its
13 activities as an investment partnership;

14 (ii) no less than 90% of its gross income
15 consists of interest, dividends, and gains from
16 the sale or exchange of qualifying investment
17 securities; and

18 (iii) the partnership is not a dealer in
19 qualifying investment securities.

20 (B) For purposes of this paragraph (11.5), the term
21 "qualifying investment securities" includes all of the
22 following:

23 (i) common stock, including preferred or debt
24 securities convertible into common stock, and
25 preferred stock;

26 (ii) bonds, debentures, and other debt

1 securities;

2 (iii) foreign and domestic currency deposits
3 secured by federal, state, or local governmental
4 agencies;

5 (iv) mortgage or asset-backed securities
6 secured by federal, state, or local governmental
7 agencies;

8 (v) repurchase agreements and loan
9 participations;

10 (vi) foreign currency exchange contracts and
11 forward and futures contracts on foreign
12 currencies;

13 (vii) stock and bond index securities and
14 futures contracts and other similar financial
15 securities and futures contracts on those
16 securities;

17 (viii) options for the purchase or sale of any
18 of the securities, currencies, contracts, or
19 financial instruments described in items (i) to
20 (vii), inclusive;

21 (ix) regulated futures contracts;

22 (x) commodities (not described in Section
23 1221(a)(1) of the Internal Revenue Code) or
24 futures, forwards, and options with respect to
25 such commodities, provided, however, that any item
26 of a physical commodity to which title is actually

1 acquired in the partnership's capacity as a dealer
2 in such commodity shall not be a qualifying
3 investment security;

4 (xi) derivatives; and

5 (xii) a partnership interest in another
6 partnership that is an investment partnership.

7 (12) Mathematical error. The term "mathematical error"
8 includes the following types of errors, omissions, or
9 defects in a return filed by a taxpayer which prevents
10 acceptance of the return as filed for processing:

11 (A) arithmetic errors or incorrect computations on
12 the return or supporting schedules;

13 (B) entries on the wrong lines;

14 (C) omission of required supporting forms or
15 schedules or the omission of the information in whole
16 or in part called for thereon; and

17 (D) an attempt to claim, exclude, deduct, or
18 improperly report, in a manner directly contrary to the
19 provisions of the Act and regulations thereunder any
20 item of income, exemption, deduction, or credit.

21 (13) Nonbusiness income. The term "nonbusiness income"
22 means all income other than business income or
23 compensation.

24 (14) Nonresident. The term "nonresident" means a
25 person who is not a resident.

26 (15) Paid, incurred and accrued. The terms "paid",

1 "incurred" and "accrued" shall be construed according to
2 the method of accounting upon the basis of which the
3 person's base income is computed under this Act.

4 (16) Partnership and partner. The term "partnership"
5 includes a syndicate, group, pool, joint venture or other
6 unincorporated organization, through or by means of which
7 any business, financial operation, or venture is carried
8 on, and which is not, within the meaning of this Act, a
9 trust or estate or a corporation; and the term "partner"
10 includes a member in such syndicate, group, pool, joint
11 venture or organization.

12 The term "partnership" includes any entity, including
13 a limited liability company formed under the Illinois
14 Limited Liability Company Act, classified as a partnership
15 for federal income tax purposes.

16 The term "partnership" does not include a syndicate,
17 group, pool, joint venture, or other unincorporated
18 organization established for the sole purpose of playing
19 the Illinois State Lottery.

20 (17) Part-year resident. The term "part-year resident"
21 means an individual who became a resident during the
22 taxable year or ceased to be a resident during the taxable
23 year. Under Section 1501(a)(20)(A)(i) residence commences
24 with presence in this State for other than a temporary or
25 transitory purpose and ceases with absence from this State
26 for other than a temporary or transitory purpose. Under

1 Section 1501(a)(20)(A)(ii) residence commences with the
2 establishment of domicile in this State and ceases with the
3 establishment of domicile in another State.

4 (18) Person. The term "person" shall be construed to
5 mean and include an individual, a trust, estate,
6 partnership, association, firm, company, corporation,
7 limited liability company, or fiduciary. For purposes of
8 Section 1301 and 1302 of this Act, a "person" means (i) an
9 individual, (ii) a corporation, (iii) an officer, agent, or
10 employee of a corporation, (iv) a member, agent or employee
11 of a partnership, or (v) a member, manager, employee,
12 officer, director, or agent of a limited liability company
13 who in such capacity commits an offense specified in
14 Section 1301 and 1302.

15 (18A) Records. The term "records" includes all data
16 maintained by the taxpayer, whether on paper, microfilm,
17 microfiche, or any type of machine-sensible data
18 compilation.

19 (19) Regulations. The term "regulations" includes
20 rules promulgated and forms prescribed by the Department.

21 (20) Resident. The term "resident" means:

22 (A) an individual (i) who is in this State for
23 other than a temporary or transitory purpose during the
24 taxable year; or (ii) who is domiciled in this State
25 but is absent from the State for a temporary or
26 transitory purpose during the taxable year;

1 (B) The estate of a decedent who at his or her
2 death was domiciled in this State;

3 (C) A trust created by a will of a decedent who at
4 his death was domiciled in this State; and

5 (D) An irrevocable trust, the grantor of which was
6 domiciled in this State at the time such trust became
7 irrevocable. For purpose of this subparagraph, a trust
8 shall be considered irrevocable to the extent that the
9 grantor is not treated as the owner thereof under
10 Sections 671 through 678 of the Internal Revenue Code.

11 (21) Sales. The term "sales" means all gross receipts
12 of the taxpayer not allocated under Sections 301, 302 and
13 303.

14 (22) State. The term "state" when applied to a
15 jurisdiction other than this State means any state of the
16 United States, the District of Columbia, the Commonwealth
17 of Puerto Rico, any Territory or Possession of the United
18 States, and any foreign country, or any political
19 subdivision of any of the foregoing. For purposes of the
20 foreign tax credit under Section 601, the term "state"
21 means any state of the United States, the District of
22 Columbia, the Commonwealth of Puerto Rico, and any
23 territory or possession of the United States, or any
24 political subdivision of any of the foregoing, effective
25 for tax years ending on or after December 31, 1989.

26 (23) Taxable year. The term "taxable year" means the

1 calendar year, or the fiscal year ending during such
2 calendar year, upon the basis of which the base income is
3 computed under this Act. "Taxable year" means, in the case
4 of a return made for a fractional part of a year under the
5 provisions of this Act, the period for which such return is
6 made.

7 (24) Taxpayer. The term "taxpayer" means any person
8 subject to the tax imposed by this Act.

9 (25) International banking facility. The term
10 international banking facility shall have the same meaning
11 as is set forth in the Illinois Banking Act or as is set
12 forth in the laws of the United States or regulations of
13 the Board of Governors of the Federal Reserve System.

14 (26) Income Tax Return Preparer.

15 (A) The term "income tax return preparer" means any
16 person who prepares for compensation, or who employs
17 one or more persons to prepare for compensation, any
18 return of tax imposed by this Act or any claim for
19 refund of tax imposed by this Act. The preparation of a
20 substantial portion of a return or claim for refund
21 shall be treated as the preparation of that return or
22 claim for refund.

23 (B) A person is not an income tax return preparer
24 if all he or she does is

25 (i) furnish typing, reproducing, or other
26 mechanical assistance;

1 (ii) prepare returns or claims for refunds for
2 the employer by whom he or she is regularly and
3 continuously employed;

4 (iii) prepare as a fiduciary returns or claims
5 for refunds for any person; or

6 (iv) prepare claims for refunds for a taxpayer
7 in response to any notice of deficiency issued to
8 that taxpayer or in response to any waiver of
9 restriction after the commencement of an audit of
10 that taxpayer or of another taxpayer if a
11 determination in the audit of the other taxpayer
12 directly or indirectly affects the tax liability
13 of the taxpayer whose claims he or she is
14 preparing.

15 (27) Unitary business group.

16 (A) The term "unitary business group" means a group
17 of persons related through common ownership whose
18 business activities are integrated with, dependent
19 upon and contribute to each other. ~~The group will not~~
20 ~~include those members whose business activity outside~~
21 ~~the United States is 80% or more of any such member's~~
22 ~~total business activity; for purposes of this~~
23 ~~paragraph and clause (a)(3)(B)(ii) of Section 304,~~
24 ~~business activity within the United States shall be~~
25 ~~measured by means of the factors ordinarily applicable~~
26 ~~under subsections (a), (b), (c), (d), or (h) of Section~~

1 ~~304 except that, in the case of members ordinarily~~
2 ~~required to apportion business income by means of the 3~~
3 ~~factor formula of property, payroll and sales~~
4 ~~specified in subsection (a) of Section 304, including~~
5 ~~the formula as weighted in subsection (h) of Section~~
6 ~~304, such members shall not use the sales factor in the~~
7 ~~computation and the results of the property and payroll~~
8 ~~factor computations of subsection (a) of Section 304~~
9 ~~shall be divided by 2 (by one if either the property or~~
10 ~~payroll factor has a denominator of zero). The~~
11 ~~computation required by the preceding sentence shall,~~
12 ~~in each case, involve the division of the member's~~
13 ~~property, payroll, or revenue miles in the United~~
14 ~~States, insurance premiums on property or risk in the~~
15 ~~United States, or financial organization business~~
16 ~~income from sources within the United States, as the~~
17 ~~case may be, by the respective worldwide figures for~~
18 ~~such items.~~ Common ownership in the case of
19 corporations is the direct or indirect control or
20 ownership of more than 50% of the outstanding voting
21 stock of the persons carrying on unitary business
22 activity. Unitary business activity can ordinarily be
23 illustrated where the activities of the members are:
24 (1) in the same general line (such as manufacturing,
25 wholesaling, retailing of tangible personal property,
26 insurance, transportation or finance); or (2) are

1 steps in a vertically structured enterprise or process
2 (such as the steps involved in the production of
3 natural resources, which might include exploration,
4 mining, refining, and marketing); and, in either
5 instance, the members are functionally integrated
6 through the exercise of strong centralized management
7 (where, for example, authority over such matters as
8 purchasing, financing, tax compliance, product line,
9 personnel, marketing and capital investment is not
10 left to each member).

11 (B) In no event, for taxable years ending prior to
12 December 31, 2017, shall any unitary business group
13 include members which are ordinarily required to
14 apportion business income under different subsections
15 of Section 304 except that for tax years ending on or
16 after December 31, 1987 this prohibition shall not
17 apply to a holding company that would otherwise be a
18 member of a unitary business group with taxpayers that
19 apportion business income under any of subsections
20 (b), (c), (c-1), or (d) of Section 304. If a unitary
21 business group would, but for the preceding sentence,
22 include members that are ordinarily required to
23 apportion business income under different subsections
24 of Section 304, then for each subsection of Section 304
25 for which there are two or more members, there shall be
26 a separate unitary business group composed of such

1 members. For purposes of the preceding two sentences, a
2 member is "ordinarily required to apportion business
3 income" under a particular subsection of Section 304 if
4 it would be required to use the apportionment method
5 prescribed by such subsection except for the fact that
6 it derives business income solely from Illinois. As
7 used in this paragraph, for taxable years ending before
8 December 31, 2017, the phrase "United States" means
9 only the 50 states and the District of Columbia, but
10 does not include any territory or possession of the
11 United States or any area over which the United States
12 has asserted jurisdiction or claimed exclusive rights
13 with respect to the exploration for or exploitation of
14 natural resources. For taxable years ending on or after
15 December 31, 2017, the phrase "United States", as used
16 in this paragraph, means only the 50 states, the
17 District of Columbia, and any area over which the
18 United States has asserted jurisdiction or claimed
19 exclusive rights with respect to the exploration for or
20 exploitation of natural resources, but does not
21 include any territory or possession of the United
22 States.

23 (C) Holding companies.

24 (i) For purposes of this subparagraph, a
25 "holding company" is a corporation (other than a
26 corporation that is a financial organization under

1 paragraph (8) of this subsection (a) of Section
2 1501 because it is a bank holding company under the
3 provisions of the Bank Holding Company Act of 1956
4 (12 U.S.C. 1841, et seq.) or because it is owned by
5 a bank or a bank holding company) that owns a
6 controlling interest in one or more other
7 taxpayers ("controlled taxpayers"); that, during
8 the period that includes the taxable year and the 2
9 immediately preceding taxable years or, if the
10 corporation was formed during the current or
11 immediately preceding taxable year, the taxable
12 years in which the corporation has been in
13 existence, derived substantially all its gross
14 income from dividends, interest, rents, royalties,
15 fees or other charges received from controlled
16 taxpayers for the provision of services, and gains
17 on the sale or other disposition of interests in
18 controlled taxpayers or in property leased or
19 licensed to controlled taxpayers or used by the
20 taxpayer in providing services to controlled
21 taxpayers; and that incurs no substantial expenses
22 other than expenses (including interest and other
23 costs of borrowing) incurred in connection with
24 the acquisition and holding of interests in
25 controlled taxpayers and in the provision of
26 services to controlled taxpayers or in the leasing

1 or licensing of property to controlled taxpayers.

2 (ii) The income of a holding company which is a
3 member of more than one unitary business group
4 shall be included in each unitary business group of
5 which it is a member on a pro rata basis, by
6 including in each unitary business group that
7 portion of the base income of the holding company
8 that bears the same proportion to the total base
9 income of the holding company as the gross receipts
10 of the unitary business group bears to the combined
11 gross receipts of all unitary business groups (in
12 both cases without regard to the holding company)
13 or on any other reasonable basis, consistently
14 applied.

15 (iii) A holding company shall apportion its
16 business income under the subsection of Section
17 304 used by the other members of its unitary
18 business group. The apportionment factors of a
19 holding company which would be a member of more
20 than one unitary business group shall be included
21 with the apportionment factors of each unitary
22 business group of which it is a member on a pro
23 rata basis using the same method used in clause
24 (ii).

25 (iv) The provisions of this subparagraph (C)
26 are intended to clarify existing law.

1 (D) If including the base income and factors of a
2 holding company in more than one unitary business group
3 under subparagraph (C) does not fairly reflect the
4 degree of integration between the holding company and
5 one or more of the unitary business groups, the
6 dependence of the holding company and one or more of
7 the unitary business groups upon each other, or the
8 contributions between the holding company and one or
9 more of the unitary business groups, the holding
10 company may petition the Director, under the
11 procedures provided under Section 304(f), for
12 permission to include all base income and factors of
13 the holding company only with members of a unitary
14 business group apportioning their business income
15 under one subsection of subsections (a), (b), (c), or
16 (d) of Section 304. If the petition is granted, the
17 holding company shall be included in a unitary business
18 group only with persons apportioning their business
19 income under the selected subsection of Section 304
20 until the Director grants a petition of the holding
21 company either to be included in more than one unitary
22 business group under subparagraph (C) or to include its
23 base income and factors only with members of a unitary
24 business group apportioning their business income
25 under a different subsection of Section 304.

26 (E) If the unitary business group members'

1 accounting periods differ, the common parent's
2 accounting period or, if there is no common parent, the
3 accounting period of the member that is expected to
4 have, on a recurring basis, the greatest Illinois
5 income tax liability must be used to determine whether
6 to use the apportionment method provided in subsection
7 (a) or subsection (h) of Section 304. The prohibition
8 against membership in a unitary business group for
9 taxpayers ordinarily required to apportion income
10 under different subsections of Section 304 does not
11 apply to taxpayers required to apportion income under
12 subsection (a) and subsection (h) of Section 304. The
13 provisions of this amendatory Act of 1998 apply to tax
14 years ending on or after December 31, 1998.

15 (28) Subchapter S corporation. The term "Subchapter S
16 corporation" means a corporation for which there is in
17 effect an election under Section 1362 of the Internal
18 Revenue Code, or for which there is a federal election to
19 opt out of the provisions of the Subchapter S Revision Act
20 of 1982 and have applied instead the prior federal
21 Subchapter S rules as in effect on July 1, 1982.

22 (30) Foreign person. The term "foreign person" means
23 any person who is a nonresident alien individual and any
24 nonindividual entity, regardless of where created or
25 organized, whose business activity outside the United
26 States is 80% or more of the entity's total business

1 activity.

2 (b) Other definitions.

3 (1) Words denoting number, gender, and so forth, when
4 used in this Act, where not otherwise distinctly expressed
5 or manifestly incompatible with the intent thereof:

6 (A) Words importing the singular include and apply
7 to several persons, parties or things;

8 (B) Words importing the plural include the
9 singular; and

10 (C) Words importing the masculine gender include
11 the feminine as well.

12 (2) "Company" or "association" as including successors
13 and assigns. The word "company" or "association", when used
14 in reference to a corporation, shall be deemed to embrace
15 the words "successors and assigns of such company or
16 association", and in like manner as if these last-named
17 words, or words of similar import, were expressed.

18 (3) Other terms. Any term used in any Section of this
19 Act with respect to the application of, or in connection
20 with, the provisions of any other Section of this Act shall
21 have the same meaning as in such other Section.

22 (Source: P.A. 99-213, eff. 7-31-15; 100-22, eff. 7-6-17.)