



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

**HB4845**

Introduced 2/18/2020, by Rep. Michael Halpin

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction for the full amount of union dues paid by the taxpayer during the taxable year if the taxpayer was not allowed a federal deduction under the Internal Revenue Code. Provides that, if any amount of union dues representing federal miscellaneous itemized deductions was allowed as a federal deduction, then the amount allowed as an Illinois deduction shall be a percentage of the union dues disallowed under the Internal Revenue Code. Provides that the deduction is exempt from the Act's automatic sunset provision. Effective immediately.

LRB101 19058 HLH 68518 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 Section 203 as follows:

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

24          (T) An amount, to the extent included in adjusted  
25          gross income, equal to the amount of interest earned in  
26          the taxable year on a medical care savings account

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

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

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

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

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

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

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

24 (Y) For taxable years beginning on or after January  
25 1, 2002 and ending on or before December 31, 2004,  
26 moneys contributed in the taxable year to a College

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

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

25 (1) "y" equals the amount of the depreciation  
26 deduction taken for the taxable year on the



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

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

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

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

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

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

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

3           (AA) 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 (D-15), then  
7           an amount equal to that addition modification.

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

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

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

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

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

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

14 (DD) An amount equal to the interest income taken  
15 into account for the taxable year (net of the  
16 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(a)(2)(D-17) for  
5 interest paid, accrued, or incurred, directly or  
6 indirectly, to the same person. This subparagraph (DD)  
7 is exempt from the provisions of Section 250;

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

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

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

9 (GG) For taxable years ending on or after December  
10 31, 2011, in the case of a taxpayer who was required to  
11 add back any insurance premiums under Section  
12 203(a)(2)(D-19), such taxpayer may elect to subtract  
13 that part of a reimbursement received from the  
14 insurance company equal to the amount of the expense 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 (GG),  
20 the insurer to which the premiums were paid must add  
21 back to income the amount subtracted by the taxpayer  
22 pursuant to this subparagraph (GG). This subparagraph  
23 (GG) is exempt from the provisions of Section 250; ~~and~~

24 (HH) For taxable years beginning on or after  
25 January 1, 2018 and prior to January 1, 2023, a maximum  
26 of \$10,000 contributed in the taxable year to a

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

11 (II) For taxable years beginning on or after  
12 January 1, 2021, the full amount of union dues paid by  
13 the taxpayer during the taxable year if the taxpayer  
14 was not allowed a federal deduction by operation of  
15 Section 67 of the Internal Revenue Code; if any amount  
16 of union dues representing federal miscellaneous  
17 itemized deductions was allowed, then the amount  
18 allowed as a deduction under this subparagraph (II)  
19 shall be a percentage of the union dues disallowed by  
20 the operation of Section 67 of the Internal Revenue  
21 Code computed as follows: by multiplying the total  
22 union dues paid by the taxpayer during the taxable year  
23 by a percentage determined by subtracting from one a  
24 fraction where the numerator is the amount of federal  
25 miscellaneous deductions allowed and the denominator  
26 is the aggregate federal miscellaneous itemized

1       deductions before application of the 2% floor under  
2       Section 67 of the Internal Revenue Code. For the  
3       purposes of this subparagraph (II), union dues are  
4       those amounts that are deductible as union dues and  
5       agency shop fees under Section 162 of the Internal  
6       Revenue Code. This subparagraph (II) is exempt from the  
7       provisions of Section 250.

8       (b) Corporations.

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

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

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

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

23           (C) In the case of a regulated investment company,  
24       an amount equal to the excess of (i) the net long-term  
25       capital gain for the taxable year, over (ii) the amount

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

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

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

22 (i) the addition modification relating to the  
23 net operating loss carried back or forward to the  
24 taxable year from any taxable year ending prior to  
25 December 31, 1986 shall be reduced by the amount of  
26 addition modification under this subparagraph (E)



1           which related to that net operating loss and which  
2           was taken into account in calculating the base  
3           income of an earlier taxable year, and

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

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

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

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

26                   (E-11) If the taxpayer sells, transfers, abandons,

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

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

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

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

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

18                 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

1 marks, copyrights, mask works, trade secrets, and  
2 similar types of intangible assets.

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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



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

18 (E-15) For taxable years beginning after December  
19 31, 2008, any deduction for dividends paid by a captive  
20 real estate investment trust that is allowed to a real  
21 estate investment trust under Section 857(b)(2)(B) of  
22 the Internal Revenue Code for dividends paid;

23 (E-16) An amount equal to the credit allowable to  
24 the taxpayer under Section 218(a) of this Act,  
25 determined without regard to Section 218(c) of this  
26 Act;

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

5 (E-18) for taxable years beginning after December  
6 31, 2018, an amount equal to the deduction allowed  
7 under Section 250(a)(1)(A) of the Internal Revenue  
8 Code for the taxable year.

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

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

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

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

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

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

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

1 bonds or other obligations from the tax imposed under  
2 this Act, the amount exempted shall be the interest net  
3 of bond premium amortization;

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

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

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

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

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

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

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

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

1 in clause (i) that would but for the provisions of  
2 Section 1504(b)(3) of the Internal Revenue Code be  
3 treated as a member of the affiliated group which  
4 includes the dividend recipient, exceed the amount of  
5 the modification provided under subparagraph (G) of  
6 paragraph (2) of this subsection (b) which is related  
7 to such dividends. This subparagraph (O) is exempt from  
8 the provisions of Section 250 of this Act;

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

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

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



1 Revenue Code for the taxable year; the provisions of  
2 this subparagraph are exempt from the provisions of  
3 Section 250;

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

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

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

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

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

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

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

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

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

1 modification under subparagraph (E-10), then an amount  
2 equal to that addition modification.

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

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

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

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

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

14           (W) An amount equal to the interest income taken  
15          into account for the taxable year (net of the  
16          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-12) for  
5 interest paid, accrued, or incurred, directly or  
6 indirectly, to the same person. This subparagraph (W)  
7 is exempt from the provisions of Section 250;

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

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

3 (Y) 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(b)(2)(E-14), 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 (Y), 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 (Y). This subparagraph  
17 (Y) is exempt from the provisions of Section 250; and

18 (Z) The difference between the nondeductible  
19 controlled foreign corporation dividends under Section  
20 965(e)(3) of the Internal Revenue Code over the taxable  
21 income of the taxpayer, computed without regard to  
22 Section 965(e)(2)(A) of the Internal Revenue Code, and  
23 without regard to any net operating loss deduction.  
24 This subparagraph (Z) is exempt from the provisions of  
25 Section 250.

26 (3) Special rule. For purposes of paragraph (2)(A),

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

8 (c) Trusts and estates.

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

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

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

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

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

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

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

26               (ii) the addition modification relating to the



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

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

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

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

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

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

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

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

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

23           (G-12) An amount equal to the amount otherwise  
24 allowed as a deduction in computing base income for  
25 interest paid, accrued, or incurred, directly or  
26 indirectly, (i) for taxable years ending on or after

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

24 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

9 This paragraph shall not apply to the following:

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

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

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

26 (b) the transaction giving rise to the

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

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

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

24          (G-14) For taxable years ending on or after  
25          December 31, 2008, an amount equal to the amount of  
26          insurance premium expenses and costs otherwise allowed



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

24 (G-15) An amount equal to the credit allowable to  
25 the taxpayer under Section 218(a) of this Act,  
26 determined without regard to Section 218(c) of this

1 Act;

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

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

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

19 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

1           this paragraph in gross income for federal income tax  
2           purposes. This paragraph is exempt from the provisions  
3           of Section 250;

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

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

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

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

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

1                   0.429); and  
2                   (ii) for property on which a bonus  
3                   depreciation deduction of 50% of the adjusted  
4                   basis was taken, "x" equals "y" multiplied by  
5                   1.0.

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

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

19                  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 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                  The taxpayer is allowed to take the deduction under

1           this subparagraph only once with respect to any one  
2           piece of property.

3           This subparagraph (S) is exempt from the  
4           provisions of Section 250;

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

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



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

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

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

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

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

23 (Y) For taxable years ending on or after December  
24 31, 2011, in the case of a taxpayer who was required to  
25 add back any insurance premiums under Section  
26 203(c)(2)(G-14), such taxpayer may elect to subtract

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

12 (Z) For taxable years beginning after December 31,  
13 2018 and before January 1, 2026, the amount of excess  
14 business loss of the taxpayer disallowed as a deduction  
15 by Section 461(1)(1)(B) of the Internal Revenue Code.

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

23 (d) Partnerships.

24 (1) In general. In the case of a partnership, base  
25 income means an amount equal to the taxpayer's taxable

1 income for the taxable year as modified by paragraph (2).

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

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

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

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

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

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

24 (D-6) If the taxpayer sells, transfers, abandons,  
25 or otherwise disposes of property for which the  
26 taxpayer was required in any taxable year to make an

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

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

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

15 (D-7) An amount equal to the amount otherwise  
16 allowed as a deduction in computing base income for  
17 interest paid, accrued, or incurred, directly or  
18 indirectly, (i) for taxable years ending on or after  
19 December 31, 2004, to a foreign person who would be a  
20 member of the same unitary business group but for the  
21 fact the foreign person's business activity outside  
22 the United States is 80% or more of the foreign  
23 person's total business activity and (ii) for taxable  
24 years ending on or after December 31, 2008, to a person  
25 who would be a member of the same unitary business  
26 group but for the fact that the person is prohibited

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

16 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

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

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

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



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

1 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

24 and by deducting from the total so obtained the following  
25 amounts:

26 (E) The valuation limitation amount;

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

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

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

22           (I) An amount equal to all amounts of income  
23 distributable to an entity subject to the Personal  
24 Property Tax Replacement Income Tax imposed by  
25 subsections (c) and (d) of Section 201 of this Act  
26 including amounts distributable to organizations

1 exempt from federal income tax by reason of Section  
2 501(a) of the Internal Revenue Code; this subparagraph  
3 (I) is exempt from the provisions of Section 250;

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

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

1 provisions of Section 250;

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

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

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

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

25 (1) "y" equals the amount of the depreciation  
26 deduction taken for the taxable year on the

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

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

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

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

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

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



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

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

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 required in any taxable year to make an addition  
13          modification under subparagraph (D-5), then an amount  
14          equal to that addition modification.

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

18          This subparagraph (P) is exempt from the  
19          provisions of Section 250;

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

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

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

1 taxable year under Section 203(d)(2)(D-7) for interest  
2 paid, accrued, or incurred, directly or indirectly, to  
3 the same person. This subparagraph (R) is exempt from  
4 Section 250;

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

25 (T) For taxable years ending on or after December  
26 31, 2011, in the case of a taxpayer who was required to

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

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

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

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

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

25 (A) Certain life insurance companies. In the case  
26 of a life insurance company subject to the tax imposed

1 by Section 801 of the Internal Revenue Code, life  
2 insurance company taxable income, plus the amount of  
3 distribution from pre-1984 policyholder surplus  
4 accounts as calculated under Section 815a of the  
5 Internal Revenue Code;

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

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

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

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

1 taxable income shall be determined as if the election  
2 provided by Section 243(b)(2) of the Internal Revenue  
3 Code had been in effect for all such years;

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

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

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

24 (H) Partnerships. In the case of a partnership,  
25 taxable income determined in accordance with Section  
26 703 of the Internal Revenue Code, except that taxable



1 income shall take into account those items which are  
2 required by Section 703(a)(1) to be separately stated  
3 but which would be taken into account by an individual  
4 in calculating his taxable income.

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

22 (f) Valuation limitation amount.

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

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

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

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

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

26 (B) If the fair market value of property referred

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

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

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

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

1 August 1, 1969 or otherwise.

2 (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;

3 101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

4 Section 99. Effective date. This Act takes effect upon

5 becoming law.