

# SB2449



## 102ND GENERAL ASSEMBLY

State of Illinois

2021 and 2022

SB2449

Introduced 2/26/2021, by Sen. Ram Villivalam

### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates an addition modification in an amount equal to certain gains attributable to Opportunity Funds under certain provisions of the Internal Revenue Code. Effective immediately.

LRB102 15187 HLH 20542 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  
15 the sum of the following amounts:

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

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

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

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

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

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22          withdrawn by the taxpayer in the taxable year from a  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

1 Section 20 of the Medical Care Savings Account Act of  
2 2000;

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

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

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

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

1           The taxpayer is required to make the addition  
2           modification under this subparagraph only once with  
3           respect to any one piece of property;

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

1 in gross income under Section 78 of the Internal  
2 Revenue Code) with respect to the stock of the same  
3 person to whom the interest was paid, accrued, or  
4 incurred.

5 This paragraph shall not apply to the following:

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

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

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

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

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

8 (iv) an item of interest paid, accrued, or  
9 incurred, directly or indirectly, to a person if  
10 the taxpayer establishes by clear and convincing  
11 evidence that the adjustments are unreasonable; or  
12 if the taxpayer and the Director agree in writing  
13 to the application or use of an alternative method  
14 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  
18 for any tax year beginning after the effective  
19 date of this amendment provided such adjustment is  
20 made pursuant to regulation adopted by the  
21 Department and such regulations provide methods  
22 and standards by which the Department will utilize  
23 its authority under Section 404 of this Act;

24 (D-18) An amount equal to the amount of intangible  
25 expenses and costs otherwise allowed as a deduction in  
26 computing base income, and that were paid, accrued, or

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



1 dividends caused a reduction to the addition  
2 modification required under Section 203(a)(2)(D-17) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes (1) expenses,  
5 losses, and costs for, or related to, the direct or  
6 indirect acquisition, use, maintenance or management,  
7 ownership, sale, exchange, or any other disposition of  
8 intangible property; (2) losses incurred, directly or  
9 indirectly, from factoring transactions or discounting  
10 transactions; (3) royalty, patent, technical, and  
11 copyright fees; (4) licensing fees; and (5) other  
12 similar expenses and costs. For purposes of this  
13 subparagraph, "intangible property" includes patents,  
14 patent applications, trade names, trademarks, service  
15 marks, copyrights, mask works, trade secrets, and  
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

24 Nothing in this subsection shall preclude the  
25 Director from making any other adjustment  
26 otherwise allowed under Section 404 of this Act

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

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

1 stock of the same person to whom the premiums and costs  
2 were directly or indirectly paid, incurred, or  
3 accrued. The preceding sentence does not apply to the  
4 extent that the same dividends caused a reduction to  
5 the addition modification required under Section  
6 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
7 Act;i-

8 (D-20) For taxable years beginning on or after  
9 January 1, 2002 and ending on or before December 31,  
10 2006, in the case of a distribution from a qualified  
11 tuition program under Section 529 of the Internal  
12 Revenue Code, other than (i) a distribution from a  
13 College Savings Pool created under Section 16.5 of the  
14 State Treasurer Act or (ii) a distribution from the  
15 Illinois Prepaid Tuition Trust Fund, an amount equal  
16 to the amount excluded from gross income under Section  
17 529(c)(3)(B). For taxable years beginning on or after  
18 January 1, 2007, in the case of a distribution from a  
19 qualified tuition program under Section 529 of the  
20 Internal Revenue Code, other than (i) a distribution  
21 from a College Savings Pool created under Section 16.5  
22 of the State Treasurer Act, (ii) a distribution from  
23 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
24 distribution from a qualified tuition program under  
25 Section 529 of the Internal Revenue Code that (I)  
26 adopts and determines that its offering materials

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

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

23           (D-20.5) For taxable years beginning on or after  
24          January 1, 2018, in the case of a distribution from a  
25          qualified ABLE program under Section 529A of the  
26          Internal Revenue Code, other than a distribution from

1 a qualified ABLE program created under Section 16.6 of  
2 the State Treasurer Act, an amount equal to the amount  
3 excluded from gross income under Section 529A(c) (1) (B)  
4 of the Internal Revenue Code;

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

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

23 (D-22) For taxable years beginning on or after  
24 January 1, 2009, and prior to January 1, 2018, in the  
25 case of a nonqualified withdrawal or refund of moneys  
26 from a qualified tuition program under Section 529 of

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

26 (D-23) An amount equal to the credit allowable to

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

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

8 (D-25) For taxable years beginning on or after  
9 January 1, 2021, the amount of gain that would be  
10 included for federal income tax purposes without  
11 regard to section 1400Z-2(b) of the Internal Revenue  
12 Code; the adjustment made in this subparagraph does  
13 not result in a difference in basis of the affected  
14 assets for State and federal income tax purposes; the  
15 purpose of this subparagraph is to decouple from the  
16 deferral of gains reinvested into an Opportunity Fund  
17 available under federal law; this subparagraph is  
18 exempt from the provisions of Section 250;

19 (D-26) For taxable years beginning on or after  
20 January 1, 2021, the amount of gain that would be  
21 included in the taxpayer's federal taxable income but  
22 for the step-up in basis under section 1400Z-2(c) of  
23 the Internal Revenue Code; the purpose of this  
24 subparagraph is to decouple from the exclusion of  
25 gains from the sale or exchange of an investment in an  
26 Opportunity Fund available under federal law; this



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

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

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

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

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

22 (G) The valuation limitation amount;

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

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

1           such total pursuant to the provisions of Section 111  
2           of the Internal Revenue Code as a recovery of items  
3           previously deducted from adjusted gross income in the  
4           computation of taxable income;

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

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

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

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

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

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

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

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

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

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

1 as provided in that Act;

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

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

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

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

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

22 (X) For taxable year 1999 and thereafter, an  
23 amount equal to the amount of any (i) distributions,  
24 to the extent includible in gross income for federal  
25 income tax purposes, made to the taxpayer because of  
26 his or her status as a victim of persecution for racial

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



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

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

24 (Z) For taxable years 2001 and thereafter, for the  
25 taxable year in which the bonus depreciation deduction  
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal  
2 Revenue Code and for each applicable taxable year  
3 thereafter, an amount equal to "x", where:

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

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

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

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

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

26 The aggregate amount deducted under this

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

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

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

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

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

25          (BB) Any amount included in adjusted gross income,  
26          other than salary, received by a driver in a

1 ridesharing arrangement using a motor vehicle;

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

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

1 taxable years ending on or after December 31, 2008, to  
2 a person who would be a member of the same unitary  
3 business group but for the fact that the person is  
4 prohibited under Section 1501(a)(27) from being  
5 included in the unitary business group because he or  
6 she is ordinarily required to apportion business  
7 income under different subsections of Section 304, but  
8 not to exceed the addition modification required to be  
9 made for the same taxable year under Section  
10 203(a)(2)(D-17) for interest paid, accrued, or  
11 incurred, directly or indirectly, to the same person.  
12 This subparagraph (DD) is exempt from the provisions  
13 of Section 250;

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

1 she is ordinarily required to apportion business  
2 income under different subsections of Section 304, but  
3 not to exceed the addition modification required to be  
4 made for the same taxable year under Section  
5 203(a)(2)(D-18) for intangible expenses and costs  
6 paid, accrued, or incurred, directly or indirectly, to  
7 the same foreign person. This subparagraph (EE) is  
8 exempt from the provisions of Section 250;

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

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

1 add back to income the amount subtracted by the  
2 taxpayer pursuant to this subparagraph (GG). This  
3 subparagraph (GG) is exempt from the provisions of  
4 Section 250; and

5 (HH) For taxable years beginning on or after  
6 January 1, 2018 and prior to January 1, 2023, a maximum  
7 of \$10,000 contributed in the taxable year to a  
8 qualified ABLE account under Section 16.6 of the State  
9 Treasurer Act, except that amounts excluded from gross  
10 income under Section 529(c)(3)(C)(i) or Section  
11 529A(c)(1)(C) of the Internal Revenue Code shall not  
12 be considered moneys contributed under this  
13 subparagraph (HH). For purposes of this subparagraph  
14 (HH), contributions made by an employer on behalf of  
15 an employee, or matching contributions made by an  
16 employee, shall be treated as made by the employee.

17 (b) Corporations.

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

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

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

1 received from regulated investment companies during  
2 the taxable year to the extent excluded from gross  
3 income in the computation of taxable income;

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

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

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

22 (E) For taxable years in which a net operating  
23 loss carryback or carryforward from a taxable year  
24 ending prior to December 31, 1986 is an element of  
25 taxable income under paragraph (1) of subsection (e)  
26 or subparagraph (E) of paragraph (2) of subsection



1 (e), the amount by which addition modifications other  
2 than those provided by this subparagraph (E) exceeded  
3 subtraction modifications in such earlier taxable  
4 year, with the following limitations applied in the  
5 order that they are listed:

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

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

19 For taxable years in which there is a net  
20 operating loss carryback or carryforward from more  
21 than one other taxable year ending prior to December  
22 31, 1986, the addition modification provided in this  
23 subparagraph (E) shall be the sum of the amounts  
24 computed independently under the preceding provisions  
25 of this subparagraph (E) for each such taxable year;

26 (E-5) For taxable years ending after December 31,

1 1997, an amount equal to any eligible remediation  
2 costs that the corporation deducted in computing  
3 adjusted gross income and for which the corporation  
4 claims a credit under subsection (l) of Section 201;

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

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

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

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

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

1 accrued, or incurred.

2 This paragraph shall not apply to the following:

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

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

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

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

24 (iii) the taxpayer can establish, based on  
25 clear and convincing evidence, that the interest  
26 paid, accrued, or incurred relates to a contract

1 or agreement entered into at arm's-length rates  
2 and terms and the principal purpose for the  
3 payment is not federal or Illinois tax avoidance;  
4 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  
15 for any tax year beginning after the effective  
16 date of this amendment provided such adjustment is  
17 made pursuant to regulation adopted by the  
18 Department and such regulations provide methods  
19 and standards by which the Department will utilize  
20 its authority under Section 404 of this Act;

21 (E-13) 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 pursuant to Sections 951 through 964 of the  
18 Internal Revenue Code and amounts included in gross  
19 income under Section 78 of the Internal Revenue Code)  
20 with respect to the stock of the same person to whom  
21 the intangible expenses and costs were directly or  
22 indirectly paid, incurred, or accrued. The preceding  
23 sentence shall not apply to the extent that the same  
24 dividends caused a reduction to the addition  
25 modification required under Section 203(b)(2)(E-12) of  
26 this Act. As used in this subparagraph, the term

1 "intangible expenses and costs" includes (1) expenses,  
2 losses, and costs for, or related to, the direct or  
3 indirect acquisition, use, maintenance or management,  
4 ownership, sale, exchange, or any other disposition of  
5 intangible property; (2) losses incurred, directly or  
6 indirectly, from factoring transactions or discounting  
7 transactions; (3) royalty, patent, technical, and  
8 copyright fees; (4) licensing fees; and (5) other  
9 similar expenses and costs. For purposes of this  
10 subparagraph, "intangible property" includes patents,  
11 patent applications, trade names, trademarks, service  
12 marks, copyrights, mask works, trade secrets, and  
13 similar types of intangible 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  
18 is subject in a foreign country or state, other  
19 than a state which requires mandatory unitary  
20 reporting, to a tax on or measured by net income  
21 with respect to such 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  
15 the 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  
19 alternative method of apportionment under Section  
20 304(f);

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



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

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

1 extent that the same dividends caused a reduction to  
2 the addition modification required under Section  
3 203(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
4 Act;

5 (E-15) For taxable years beginning after December  
6 31, 2008, any deduction for dividends paid by a  
7 captive real estate investment trust that is allowed  
8 to a real estate investment trust under Section  
9 857(b)(2)(B) of the Internal Revenue Code for  
10 dividends paid;

11 (E-16) An amount equal to the credit allowable to  
12 the taxpayer under Section 218(a) of this Act,  
13 determined without regard to Section 218(c) of this  
14 Act;

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

19 (E-18) for taxable years beginning after December  
20 31, 2018, an amount equal to the deduction allowed  
21 under Section 250(a)(1)(A) of the Internal Revenue  
22 Code for the taxable year.

23 (E-19) For taxable years beginning on or after  
24 January 1, 2021, the amount of gain that would be  
25 included for federal income tax purposes without  
26 regard to section 1400Z-2(b) of the Internal Revenue

1 Code; the adjustment made in this subparagraph does  
2 not result in a difference in basis of the affected  
3 assets for State and federal income tax purposes; the  
4 purpose of this subparagraph is to decouple from the  
5 deferral of gains reinvested into an Opportunity Fund  
6 available under federal law; this subparagraph is  
7 exempt from the provisions of Section 250;

8 (E-10) For taxable years beginning on or after  
9 January 1, 2021, the amount of gain that would be  
10 included in the taxpayer's federal taxable income but  
11 for the step-up in basis under section 1400Z-2(c) of  
12 the Internal Revenue Code; the purpose of this  
13 subparagraph is to decouple from the exclusion of  
14 gains from the sale or exchange of an investment in an  
15 Opportunity Fund available under federal law; this  
16 subparagraph is exempt from the provisions of Section  
17 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



1 related to such dividends, and including, for taxable  
2 years ending on or after December 31, 2008, dividends  
3 received from a captive real estate investment trust;  
4 plus (ii) 100% of the amount by which dividends,  
5 included in taxable income and received, including,  
6 for taxable years ending on or after December 31,  
7 1988, dividends received or deemed received or paid or  
8 deemed paid under Sections 951 through 964 of the  
9 Internal Revenue Code and including, for taxable years  
10 ending on or after December 31, 2008, dividends  
11 received from a captive real estate investment trust,  
12 from any such corporation specified in clause (i) that  
13 would but for the provisions of Section 1504(b)(3) of  
14 the Internal Revenue Code be treated as a member of the  
15 affiliated group which includes the dividend  
16 recipient, exceed the amount of the modification  
17 provided under subparagraph (G) of paragraph (2) of  
18 this subsection (b) which is related to such  
19 dividends. This subparagraph (O) is exempt from the  
20 provisions of Section 250 of this Act;

21 (P) An amount equal to any contribution made to a  
22 job training project established pursuant to the Tax  
23 Increment Allocation Redevelopment Act;

24 (Q) An amount equal to the amount of the deduction  
25 used to compute the federal income tax credit for  
26 restoration of substantial amounts held under claim of

1 right for the taxable year pursuant to Section 1341 of  
2 the Internal Revenue Code;

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

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

26 (T) For taxable years 2001 and thereafter, for the

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

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

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

17 (3) for taxable years ending after December  
18 31, 2005:

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

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

1                   1.0.

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

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

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

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

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

1 (V) The amount of: (i) any interest income (net of  
2 the deductions allocable thereto) taken into account  
3 for the taxable year with respect to a transaction  
4 with a taxpayer that is required to make an addition  
5 modification with respect to such transaction under  
6 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
7 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
8 the amount of such addition modification, (ii) any  
9 income from intangible property (net of the deductions  
10 allocable thereto) taken into account for the taxable  
11 year with respect to a transaction with a taxpayer  
12 that is required to make an addition modification with  
13 respect to such transaction under Section  
14 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
15 203(d)(2)(D-8), but not to exceed the amount of such  
16 addition modification, and (iii) any insurance premium  
17 income (net of deductions allocable thereto) taken  
18 into account for the taxable year with respect to a  
19 transaction with a taxpayer that is required to make  
20 an addition modification with respect to such  
21 transaction under Section 203(a)(2)(D-19), Section  
22 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
23 203(d)(2)(D-9), but not to exceed the amount of that  
24 addition modification. This subparagraph (V) is exempt  
25 from the provisions of Section 250;

26 (W) An amount equal to the interest income taken

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

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

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

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

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

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

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

22 (c) Trusts and estates.

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



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

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

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

23           (E) For taxable years in which a net operating  
24 loss carryback or carryforward from a taxable year  
25 ending prior to December 31, 1986 is an element of  
26 taxable income under paragraph (1) of subsection (e)

1 or subparagraph (E) of paragraph (2) of subsection  
2 (e), the amount by which addition modifications other  
3 than those provided by this subparagraph (E) exceeded  
4 subtraction modifications in such taxable year, with  
5 the following limitations applied in the order that  
6 they are listed:

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

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

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

1 (F) For taxable years ending on or after January  
2 1, 1989, an amount equal to the tax deducted pursuant  
3 to Section 164 of the Internal Revenue Code if the  
4 trust or estate is claiming the same tax for purposes  
5 of the Illinois foreign tax credit under Section 601  
6 of this Act;

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

11 (G-5) For taxable years ending after December 31,  
12 1997, an amount equal to any eligible remediation  
13 costs that the trust or estate deducted in computing  
14 adjusted gross income and for which the trust or  
15 estate claims a credit under subsection (l) of Section  
16 201;

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

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

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

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

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

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

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

14 This paragraph shall not apply to the following:

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

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

26 (a) the person, during the same taxable

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

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

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

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

24 Nothing in this subsection shall preclude the  
25 Director from making any other adjustment  
26 otherwise allowed under Section 404 of this Act

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

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

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

26 This paragraph shall not apply to the following:



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

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

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

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

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

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

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

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

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

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

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

25 (G-17) For taxable years beginning on or after  
26 January 1, 2021, the amount of gain that would be

1 included for federal income tax purposes without  
2 regard to section 1400Z-2(b) of the Internal Revenue  
3 Code; the adjustment made in this subparagraph does  
4 not result in a difference in basis of the affected  
5 assets for State and federal income tax purposes; the  
6 purpose of this subparagraph is to decouple from the  
7 deferral of gains reinvested into an Opportunity Fund  
8 available under federal law; this subparagraph is  
9 exempt from the provisions of Section 250;

10 (G-18) For taxable years beginning on or after  
11 January 1, 2021, the amount of gain that would be  
12 included in the taxpayer's federal taxable income but  
13 for the step-up in basis under section 1400Z-2(c) of  
14 the Internal Revenue Code; the purpose of this  
15 subparagraph is to decouple from the exclusion of  
16 gains from the sale or exchange of an investment in an  
17 Opportunity Fund available under federal law; this  
18 subparagraph is exempt from the provisions of Section  
19 250;

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

22 (H) An amount equal to all amounts included in  
23 such total pursuant to the provisions of Sections  
24 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and 408  
25 of the Internal Revenue Code or included in such total  
26 as distributions under the provisions of any

1 retirement or disability plan for employees of any  
2 governmental agency or unit, or retirement payments to  
3 retired partners, which payments are excluded in  
4 computing net earnings from self employment by Section  
5 1402 of the Internal Revenue Code and regulations  
6 adopted pursuant thereto;

7 (I) The valuation limitation amount;

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

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

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

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

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

21 (N) An amount equal to any contribution made to a  
22 job training project established pursuant to the Tax  
23 Increment Allocation Redevelopment Act;

24 (O) An amount equal to those dividends included in  
25 such total that were paid by a corporation that  
26 conducts business operations in a federally designated

1 Foreign Trade Zone or Sub-Zone and that is designated  
2 a High Impact Business located in Illinois; provided  
3 that dividends eligible for the deduction provided in  
4 subparagraph (M) of paragraph (2) of this subsection  
5 shall not be eligible for the deduction provided under  
6 this subparagraph (O);

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

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

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

19                 (R) 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  
5 including 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  
16 by 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 (R) is exempt from the provisions of  
2           Section 250;

3           (S) 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 (G-10), 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 (G-10), then an amount  
14          equal to that addition modification.

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

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

20          (T) 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  
23          with 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  
5 that 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 (T) is exempt  
10 from the provisions of Section 250;

11 (U) 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  
16 for the fact 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(c)(2)(G-12) for  
2 interest paid, accrued, or incurred, directly or  
3 indirectly, to the same person. This subparagraph (U)  
4 is exempt from the provisions of Section 250;

5 (V) 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  
10 for the fact that the foreign person's business  
11 activity outside the United States is 80% or more of  
12 that person's total business activity and (ii) for  
13 taxable years ending on or after December 31, 2008, to  
14 a person who would be a member of the same unitary  
15 business group but for the fact that the person is  
16 prohibited under Section 1501(a)(27) from being  
17 included in the unitary business group because he or  
18 she is ordinarily required to apportion business  
19 income under different subsections of Section 304, but  
20 not to exceed the addition modification required to be  
21 made for the same taxable year under Section  
22 203(c)(2)(G-13) for intangible expenses and costs  
23 paid, accrued, or incurred, directly or indirectly, to  
24 the same foreign person. This subparagraph (V) is  
25 exempt from the provisions of Section 250;

26 (W) in the case of an estate, an amount equal to

1 all amounts included in such total pursuant to the  
2 provisions of Section 111 of the Internal Revenue Code  
3 as a recovery of items previously deducted by the  
4 decedent from adjusted gross income in the computation  
5 of taxable income. This subparagraph (W) is exempt  
6 from Section 250;

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

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

1 Section 250; and

2 (Z) For taxable years beginning after December 31,  
3 2018 and before January 1, 2026, the amount of excess  
4 business loss of the taxpayer disallowed as a  
5 deduction by Section 461(1)(1)(B) of the Internal  
6 Revenue Code.

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

14 (d) Partnerships.

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

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

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

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

1           this Act to the extent deducted from gross income for  
2           the taxable year;

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

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

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

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

23          If the taxpayer continues to own property through  
24          the last day of the last tax year for which the  
25          taxpayer may claim a depreciation deduction for  
26          federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction  
2 modification under subparagraph (O), then an amount  
3 equal to that subtraction modification.

4 The taxpayer is required to make the addition  
5 modification under this subparagraph only once with  
6 respect to any one piece of property;

7 (D-7) An amount equal to the amount otherwise  
8 allowed as a deduction in computing base income for  
9 interest paid, accrued, or incurred, directly or  
10 indirectly, (i) for taxable years ending on or after  
11 December 31, 2004, to a foreign person who would be a  
12 member of the same unitary business group but for the  
13 fact the foreign person's business activity outside  
14 the United States is 80% or more of the foreign  
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. The addition modification  
23 required by this subparagraph shall be reduced to the  
24 extent that dividends were included in base income of  
25 the unitary group for the same taxable year and  
26 received by the taxpayer or by a member of the



1 taxpayer's unitary business group (including amounts  
2 included in gross income pursuant to Sections 951  
3 through 964 of the Internal Revenue Code and amounts  
4 included in gross income under Section 78 of the  
5 Internal Revenue Code) with respect to the stock of  
6 the same person to whom the interest was paid,  
7 accrued, or incurred.

8 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

20 This paragraph shall not apply to the following:

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

1 with respect to such item; or

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

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

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

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

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

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

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

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

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

18 (D-12) For taxable years beginning on or after  
19 January 1, 2021, the amount of gain that would be  
20 included for federal income tax purposes without  
21 regard to section 1400Z-2(b) of the Internal Revenue  
22 Code; the adjustment made in this subparagraph does  
23 not result in a difference in basis of the affected  
24 assets for State and federal income tax purposes; the  
25 purpose of this subparagraph is to decouple from the  
26 deferral of gains reinvested into an Opportunity Fund

1 available under federal law; this subparagraph is  
2 exempt from the provisions of Section 250;

3 (D-13) For taxable years beginning on or after  
4 January 1, 2021, the amount of gain that would be  
5 included in the taxpayer's federal taxable income but  
6 for the step-up in basis under section 1400Z-2(c) of  
7 the Internal Revenue Code; the purpose of this  
8 subparagraph is to decouple from the exclusion of  
9 gains from the sale or exchange of an investment in an  
10 Opportunity Fund available under federal law; this  
11 subparagraph is exempt from the provisions of Section  
12 250;

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

15 (E) The valuation limitation amount;

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

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



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

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

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

19          (J) With the exception of any amounts subtracted  
20          under subparagraph (G), an amount equal to the sum of  
21          all amounts disallowed as deductions by (i) Sections  
22          171(a)(2) ~~7~~ and 265(a)(2) of the Internal Revenue Code,  
23          and all amounts of expenses allocable to interest and  
24          disallowed as deductions by Section 265(a)(1) of the  
25          Internal Revenue Code; and (ii) for taxable years  
26          ending on or after August 13, 1999, Sections

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

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

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

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

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

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

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

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

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

26                 (3) for taxable years ending after December

1           31, 2005:

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

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

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

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

24           If the taxpayer continues to own property through  
25           the last day of the last tax year for which the  
26           taxpayer may claim a depreciation deduction for

1 federal income tax purposes and for which the taxpayer  
2 was required in any taxable year to make an addition  
3 modification under subparagraph (D-5), then an amount  
4 equal to that addition modification.

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

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

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

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

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

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

16 (T) For taxable years ending on or after December  
17 31, 2011, in the case of a taxpayer who was required to  
18 add back any insurance premiums under Section  
19 203(d)(2)(D-9), such taxpayer may elect to subtract  
20 that part of a reimbursement received from the  
21 insurance company equal to the amount of the expense  
22 or loss (including expenses incurred by the insurance  
23 company) that would have been taken into account as a  
24 deduction for federal income tax purposes if the  
25 expense or loss had been uninsured. If a taxpayer  
26 makes the election provided for by this subparagraph

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

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

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



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

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

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

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

1 insurance company taxable income;

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

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

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

23 (F) Cooperatives. In the case of a cooperative  
24 corporation or association, the taxable income of such  
25 organization determined in accordance with the  
26 provisions of Section 1381 through 1388 of the

1 Internal Revenue Code, but without regard to the  
2 prohibition against offsetting losses from patronage  
3 activities against income from nonpatronage  
4 activities; except that a cooperative corporation or  
5 association may make an election to follow its federal  
6 income tax treatment of patronage losses and  
7 nonpatronage losses. In the event such election is  
8 made, such losses shall be computed and carried over  
9 in a manner consistent with subsection (a) of Section  
10 207 of this Act and apportioned by the apportionment  
11 factor reported by the cooperative on its Illinois  
12 income tax return filed for the taxable year in which  
13 the losses are incurred. The election shall be  
14 effective for all taxable years with original returns  
15 due on or after the date of the election. In addition,  
16 the cooperative may file an amended return or returns,  
17 as allowed under this Act, to provide that the  
18 election shall be effective for losses incurred or  
19 carried forward for taxable years occurring prior to  
20 the date of the election. Once made, the election may  
21 only be revoked upon approval of the Director. The  
22 Department shall adopt rules setting forth  
23 requirements for documenting the elections and any  
24 resulting Illinois net loss and the standards to be  
25 used by the Director in evaluating requests to revoke  
26 elections. Public Act 96-932 is declaratory of

1 existing law;

2 (G) Subchapter S corporations. In the case of: (i)  
3 a Subchapter S corporation for which there is in  
4 effect an election for the taxable year under Section  
5 1362 of the Internal Revenue Code, the taxable income  
6 of such corporation determined in accordance with  
7 Section 1363(b) of the Internal Revenue Code, except  
8 that taxable income shall take into account those  
9 items which are required by Section 1363(b)(1) of the  
10 Internal Revenue Code to be separately stated; and  
11 (ii) a Subchapter S corporation for which there is in  
12 effect a federal election to opt out of the provisions  
13 of the Subchapter S Revision Act of 1982 and have  
14 applied instead the prior federal Subchapter S rules  
15 as in effect on July 1, 1982, the taxable income of  
16 such corporation determined in accordance with the  
17 federal Subchapter S rules as in effect on July 1,  
18 1982; and

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

26 (3) Recapture of business expenses on disposition of

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

17          (f) Valuation limitation amount.

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

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

1 plus

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

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

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

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

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

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

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

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

22         (Source: P.A. 100-22, eff. 7-6-17; 100-905, eff. 8-17-18;  
23         101-9, eff. 6-5-19; 101-81, eff. 7-12-19; revised 9-20-19.)

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

1 becoming law.