



## 102ND GENERAL ASSEMBLY

### State of Illinois

2021 and 2022

SB2531

Introduced 2/26/2021, by Sen. Win Stoller

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/201	
35 ILCS 5/203	from Ch. 120, par. 2-203
35 ILCS 5/601	from Ch. 120, par. 6-601
35 ILCS 5/709.5	
35 ILCS 5/1501	from Ch. 120, par. 15-1501

Amends the Illinois Income Tax Act. Provides that a partnership or Subchapter S corporation may elect to pay a tax computed by multiplying the share of business income apportionable to Illinois and nonbusiness income allocated to Illinois that is distributable to each partner or shareholder and multiplied by the applicable rates of tax for that partner or shareholder. Creates a deduction in an amount equal to those amounts. Effective immediately.

LRB102 15312 HLH 20668 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Sections 201, 203, 601, 709.5, and 1501 as follows:

6 (35 ILCS 5/201)

7 (Text of Section without the changes made by P.A. 101-8,  
8 which did not take effect (see Section 99 of P.A. 101-8))

9 Sec. 201. Tax imposed.

10 (a) In general. A tax measured by net income is hereby  
11 imposed on every individual, corporation, trust and estate for  
12 each taxable year ending after July 31, 1969 on the privilege  
13 of earning or receiving income in or as a resident of this  
14 State. Such tax shall be in addition to all other occupation or  
15 privilege taxes imposed by this State or by any municipal  
16 corporation or political subdivision thereof.

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

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

1           (2) In the case of an individual, trust or estate, for  
2           taxable years beginning prior to July 1, 1989 and ending  
3           after June 30, 1989, an amount equal to the sum of (i) 2  
4           1/2% of the taxpayer's net income for the period prior to  
5           July 1, 1989, as calculated under Section 202.3, and (ii)  
6           3% of the taxpayer's net income for the period after June  
7           30, 1989, as calculated under Section 202.3.

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

12          (4) In the case of an individual, trust, or estate,  
13          for taxable years beginning prior to January 1, 2011, and  
14          ending after December 31, 2010, an amount equal to the sum  
15          of (i) 3% of the taxpayer's net income for the period prior  
16          to January 1, 2011, as calculated under Section 202.5, and  
17          (ii) 5% of the taxpayer's net income for the period after  
18          December 31, 2010, as calculated under Section 202.5.

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

23          (5.1) In the case of an individual, trust, or estate,  
24          for taxable years beginning prior to January 1, 2015, and  
25          ending after December 31, 2014, an amount equal to the sum  
26          of (i) 5% of the taxpayer's net income for the period prior

1 to January 1, 2015, as calculated under Section 202.5, and  
2 (ii) 3.75% of the taxpayer's net income for the period  
3 after December 31, 2014, as calculated under Section  
4 202.5.

5 (5.2) In the case of an individual, trust, or estate,  
6 for taxable years beginning on or after January 1, 2015,  
7 and ending prior to July 1, 2017, an amount equal to 3.75%  
8 of the taxpayer's net income for the taxable year.

9 (5.3) In the case of an individual, trust, or estate,  
10 for taxable years beginning prior to July 1, 2017, and  
11 ending after June 30, 2017, an amount equal to the sum of  
12 (i) 3.75% of the taxpayer's net income for the period  
13 prior to July 1, 2017, as calculated under Section 202.5,  
14 and (ii) 4.95% of the taxpayer's net income for the period  
15 after June 30, 2017, as calculated under Section 202.5.

16 (5.4) In the case of an individual, trust, or estate,  
17 for taxable years beginning on or after July 1, 2017, an  
18 amount equal to 4.95% of the taxpayer's net income for the  
19 taxable year.

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

23 (7) In the case of a corporation, for taxable years  
24 beginning prior to July 1, 1989 and ending after June 30,  
25 1989, an amount equal to the sum of (i) 4% of the  
26 taxpayer's net income for the period prior to July 1,

1 1989, as calculated under Section 202.3, and (ii) 4.8% of  
2 the taxpayer's net income for the period after June 30,  
3 1989, as calculated under Section 202.3.

4 (8) In the case of a corporation, for taxable years  
5 beginning after June 30, 1989, and ending prior to January  
6 1, 2011, an amount equal to 4.8% of the taxpayer's net  
7 income for the taxable year.

8 (9) In the case of a corporation, for taxable years  
9 beginning prior to January 1, 2011, and ending after  
10 December 31, 2010, an amount equal to the sum of (i) 4.8%  
11 of the taxpayer's net income for the period prior to  
12 January 1, 2011, as calculated under Section 202.5, and  
13 (ii) 7% of the taxpayer's net income for the period after  
14 December 31, 2010, as calculated under Section 202.5.

15 (10) In the case of a corporation, for taxable years  
16 beginning on or after January 1, 2011, and ending prior to  
17 January 1, 2015, an amount equal to 7% of the taxpayer's  
18 net income for the taxable year.

19 (11) In the case of a corporation, for taxable years  
20 beginning prior to January 1, 2015, and ending after  
21 December 31, 2014, an amount equal to the sum of (i) 7% of  
22 the taxpayer's net income for the period prior to January  
23 1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
24 of the taxpayer's net income for the period after December  
25 31, 2014, as calculated under Section 202.5.

26 (12) In the case of a corporation, for taxable years

1 beginning on or after January 1, 2015, and ending prior to  
2 July 1, 2017, an amount equal to 5.25% of the taxpayer's  
3 net income for the taxable year.

4 (13) In the case of a corporation, for taxable years  
5 beginning prior to July 1, 2017, and ending after June 30,  
6 2017, an amount equal to the sum of (i) 5.25% of the  
7 taxpayer's net income for the period prior to July 1,  
8 2017, as calculated under Section 202.5, and (ii) 7% of  
9 the taxpayer's net income for the period after June 30,  
10 2017, as calculated under Section 202.5.

11 (14) In the case of a corporation, for taxable years  
12 beginning on or after July 1, 2017, an amount equal to 7%  
13 of the taxpayer's net income for the taxable year.

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

16 (b-5) Surcharge; sale or exchange of assets, properties,  
17 and intangibles of organization gaming licensees. For each of  
18 taxable years 2019 through 2027, a surcharge is imposed on all  
19 taxpayers on income arising from the sale or exchange of  
20 capital assets, depreciable business property, real property  
21 used in the trade or business, and Section 197 intangibles (i)  
22 of an organization licensee under the Illinois Horse Racing  
23 Act of 1975 and (ii) of an organization gaming licensee under  
24 the Illinois Gambling Act. The amount of the surcharge is  
25 equal to the amount of federal income tax liability for the  
26 taxable year attributable to those sales and exchanges. The

1 surcharge imposed shall not apply if:

2 (1) the organization gaming license, organization  
3 license, or racetrack property is transferred as a result  
4 of any of the following:

5 (A) bankruptcy, a receivership, or a debt  
6 adjustment initiated by or against the initial  
7 licensee or the substantial owners of the initial  
8 licensee;

9 (B) cancellation, revocation, or termination of  
10 any such license by the Illinois Gaming Board or the  
11 Illinois Racing Board;

12 (C) a determination by the Illinois Gaming Board  
13 that transfer of the license is in the best interests  
14 of Illinois gaming;

15 (D) the death of an owner of the equity interest in  
16 a licensee;

17 (E) the acquisition of a controlling interest in  
18 the stock or substantially all of the assets of a  
19 publicly traded company;

20 (F) a transfer by a parent company to a wholly  
21 owned subsidiary; or

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

25 (2) the controlling interest in the organization  
26 gaming license, organization license, or racetrack

1 property is transferred in a transaction to lineal  
2 descendants in which no gain or loss is recognized or as a  
3 result of a transaction in accordance with Section 351 of  
4 the Internal Revenue Code in which no gain or loss is  
5 recognized; or

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

10 The transfer of an organization gaming license,  
11 organization license, or racetrack property by a person other  
12 than the initial licensee to receive the organization gaming  
13 license is not subject to a surcharge. The Department shall  
14 adopt rules necessary to implement and administer this  
15 subsection.

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



1 privilege taxes imposed by this State or by any municipal  
2 corporation or political subdivision thereof.

3 (d) Additional Personal Property Tax Replacement Income  
4 Tax Rates. The personal property tax replacement income tax  
5 imposed by this subsection and subsection (c) of this Section  
6 in the case of a corporation, other than a Subchapter S  
7 corporation and except as adjusted by subsection (d-1), shall  
8 be an additional amount equal to 2.85% of such taxpayer's net  
9 income for the taxable year, except that beginning on January  
10 1, 1981, and thereafter, the rate of 2.85% specified in this  
11 subsection shall be reduced to 2.5%, and in the case of a  
12 partnership, trust or a Subchapter S corporation shall be an  
13 additional amount equal to 1.5% of such taxpayer's net income  
14 for the taxable year.

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

1 increased) to the rate at which the total amount of tax imposed  
2 under this Act, net of all credits allowed under this Act,  
3 shall equal (i) the total amount of tax that would be imposed  
4 on the foreign insurer's net income allocable to Illinois for  
5 the taxable year by such foreign insurer's state or country of  
6 domicile if that net income were subject to all income taxes  
7 and taxes measured by net income imposed by such foreign  
8 insurer's state or country of domicile, net of all credits  
9 allowed or (ii) a rate of zero if no such tax is imposed on  
10 such income by the foreign insurer's state of domicile. For  
11 the purposes of this subsection (d-1), an inter-affiliate  
12 includes a mutual insurer under common management.

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

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

19 (B) the privilege tax imposed by Section 409 of  
20 the Illinois Insurance Code, the fire insurance  
21 company tax imposed by Section 12 of the Fire  
22 Investigation Act, and the fire department taxes  
23 imposed under Section 11-10-1 of the Illinois  
24 Municipal Code,

25 equals 1.25% for taxable years ending prior to December  
26 31, 2003, or 1.75% for taxable years ending on or after

1 December 31, 2003, of the net taxable premiums written for  
2 the taxable year, as described by subsection (1) of  
3 Section 409 of the Illinois Insurance Code. This paragraph  
4 will in no event increase the rates imposed under  
5 subsections (b) and (d).

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

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

15 (d-2) A partnership or Subchapter S corporation may elect  
16 to pay a tax that is imposed on the partnership or Subchapter S  
17 corporation. This tax is computed by multiplying the share of  
18 business income apportionable to Illinois and nonbusiness  
19 income allocated to Illinois under Section 303 of this Act, if  
20 this share is not a net loss, that is distributable to each  
21 partner or shareholder as multiplied by the applicable rates  
22 of tax for that partner or shareholder under subsections (a)  
23 through (d) of Section 201 of this Act, and taking the sum of  
24 these amounts. This election shall be made on the  
25 partnership's or Subchapter S corporation's return filed under  
26 Section 502 in such manner as the Department may prescribe.

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

4 (1) A taxpayer shall be allowed a credit equal to .5%  
5 of the basis of qualified property placed in service  
6 during the taxable year, provided such property is placed  
7 in service on or after July 1, 1984. There shall be allowed  
8 an additional credit equal to .5% of the basis of  
9 qualified property placed in service during the taxable  
10 year, provided such property is placed in service on or  
11 after July 1, 1986, and the taxpayer's base employment  
12 within Illinois has increased by 1% or more over the  
13 preceding year as determined by the taxpayer's employment  
14 records filed with the Illinois Department of Employment  
15 Security. Taxpayers who are new to Illinois shall be  
16 deemed to have met the 1% growth in base employment for the  
17 first year in which they file employment records with the  
18 Illinois Department of Employment Security. The provisions  
19 added to this Section by Public Act 85-1200 (and restored  
20 by Public Act 87-895) shall be construed as declaratory of  
21 existing law and not as a new enactment. If, in any year,  
22 the increase in base employment within Illinois over the  
23 preceding year is less than 1%, the additional credit  
24 shall be limited to that percentage times a fraction, the  
25 numerator of which is .5% and the denominator of which is  
26 1%, but shall not exceed .5%. The investment credit shall

1 not be allowed to the extent that it would reduce a  
2 taxpayer's liability in any tax year below zero, nor may  
3 any credit for qualified property be allowed for any year  
4 other than the year in which the property was placed in  
5 service in Illinois. For tax years ending on or after  
6 December 31, 1987, and on or before December 31, 1988, the  
7 credit shall be allowed for the tax year in which the  
8 property is placed in service, or, if the amount of the  
9 credit exceeds the tax liability for that year, whether it  
10 exceeds the original liability or the liability as later  
11 amended, such excess may be carried forward and applied to  
12 the tax liability of the 5 taxable years following the  
13 excess credit years if the taxpayer (i) makes investments  
14 which cause the creation of a minimum of 2,000 full-time  
15 equivalent jobs in Illinois, (ii) is located in an  
16 enterprise zone established pursuant to the Illinois  
17 Enterprise Zone Act and (iii) is certified by the  
18 Department of Commerce and Community Affairs (now  
19 Department of Commerce and Economic Opportunity) as  
20 complying with the requirements specified in clause (i)  
21 and (ii) by July 1, 1986. The Department of Commerce and  
22 Community Affairs (now Department of Commerce and Economic  
23 Opportunity) shall notify the Department of Revenue of all  
24 such certifications immediately. For tax years ending  
25 after December 31, 1988, the credit shall be allowed for  
26 the tax year in which the property is placed in service,

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

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

12 (A) is tangible, whether new or used, including  
13 buildings and structural components of buildings and  
14 signs that are real property, but not including land  
15 or improvements to real property that are not a  
16 structural component of a building such as  
17 landscaping, sewer lines, local access roads, fencing,  
18 parking lots, and other appurtenances;

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

24 (C) is acquired by purchase as defined in Section  
25 179(d) of the Internal Revenue Code;

26 (D) is used in Illinois by a taxpayer who is

1 primarily engaged in manufacturing, or in mining coal  
2 or fluorite, or in retailing, or was placed in service  
3 on or after July 1, 2006 in a River Edge Redevelopment  
4 Zone established pursuant to the River Edge  
5 Redevelopment Zone Act; and

6 (E) has not previously been used in Illinois in  
7 such a manner and by such a person as would qualify for  
8 the credit provided by this subsection (e) or  
9 subsection (f).

10 (3) For purposes of this subsection (e),  
11 "manufacturing" means the material staging and production  
12 of tangible personal property by procedures commonly  
13 regarded as manufacturing, processing, fabrication, or  
14 assembling which changes some existing material into new  
15 shapes, new qualities, or new combinations. For purposes  
16 of this subsection (e) the term "mining" shall have the  
17 same meaning as the term "mining" in Section 613(c) of the  
18 Internal Revenue Code. For purposes of this subsection  
19 (e), the term "retailing" means the sale of tangible  
20 personal property for use or consumption and not for  
21 resale, or services rendered in conjunction with the sale  
22 of tangible personal property for use or consumption and  
23 not for resale. For purposes of this subsection (e),  
24 "tangible personal property" has the same meaning as when  
25 that term is used in the Retailers' Occupation Tax Act,  
26 and, for taxable years ending after December 31, 2008,

1 does not include the generation, transmission, or  
2 distribution of electricity.

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

6 (5) If the basis of the property for federal income  
7 tax depreciation purposes is increased after it has been  
8 placed in service in Illinois by the taxpayer, the amount  
9 of such increase shall be deemed property placed in  
10 service on the date of such increase in basis.

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

13 (7) If during any taxable year, any property ceases to  
14 be qualified property in the hands of the taxpayer within  
15 48 months after being placed in service, or the situs of  
16 any qualified property is moved outside Illinois within 48  
17 months after being placed in service, the Personal  
18 Property Tax Replacement Income Tax for such taxable year  
19 shall be increased. Such increase shall be determined by  
20 (i) recomputing the investment credit which would have  
21 been allowed for the year in which credit for such  
22 property was originally allowed by eliminating such  
23 property from such computation and, (ii) subtracting such  
24 recomputed credit from the amount of credit previously  
25 allowed. For the purposes of this paragraph (7), a  
26 reduction of the basis of qualified property resulting



1 from a redetermination of the purchase price shall be  
2 deemed a disposition of qualified property to the extent  
3 of such reduction.

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

9 (9) Each taxable year ending before December 31, 2000,  
10 a partnership may elect to pass through to its partners  
11 the credits to which the partnership is entitled under  
12 this subsection (e) for the taxable year. A partner may  
13 use the credit allocated to him or her under this  
14 paragraph only against the tax imposed in subsections (c)  
15 and (d) of this Section. If the partnership makes that  
16 election, those credits shall be allocated among the  
17 partners in the partnership in accordance with the rules  
18 set forth in Section 704(b) of the Internal Revenue Code,  
19 and the rules promulgated under that Section, and the  
20 allocated amount of the credits shall be allowed to the  
21 partners for that taxable year. The partnership shall make  
22 this election on its Personal Property Tax Replacement  
23 Income Tax return for that taxable year. The election to  
24 pass through the credits shall be irrevocable.

25 For taxable years ending on or after December 31,  
26 2000, a partner that qualifies its partnership for a

1 subtraction under subparagraph (I) of paragraph (2) of  
2 subsection (d) of Section 203 or a shareholder that  
3 qualifies a Subchapter S corporation for a subtraction  
4 under subparagraph (S) of paragraph (2) of subsection (b)  
5 of Section 203 shall be allowed a credit under this  
6 subsection (e) equal to its share of the credit earned  
7 under this subsection (e) during the taxable year by the  
8 partnership or Subchapter S corporation, determined in  
9 accordance with the determination of income and  
10 distributive share of income under Sections 702 and 704  
11 and Subchapter S of the Internal Revenue Code. This  
12 paragraph is exempt from the provisions of Section 250.

13 (f) Investment credit; Enterprise Zone; River Edge  
14 Redevelopment Zone.

15 (1) A taxpayer shall be allowed a credit against the  
16 tax imposed by subsections (a) and (b) of this Section for  
17 investment in qualified property which is placed in  
18 service in an Enterprise Zone created pursuant to the  
19 Illinois Enterprise Zone Act or, for property placed in  
20 service on or after July 1, 2006, a River Edge  
21 Redevelopment Zone established pursuant to the River Edge  
22 Redevelopment Zone Act. For partners, shareholders of  
23 Subchapter S corporations, and owners of limited liability  
24 companies, if the liability company is treated as a  
25 partnership for purposes of federal and State income  
26 taxation, there shall be allowed a credit under this

1 subsection (f) to be determined in accordance with the  
2 determination of income and distributive share of income  
3 under Sections 702 and 704 and Subchapter S of the  
4 Internal Revenue Code. The credit shall be .5% of the  
5 basis for such property. The credit shall be available  
6 only in the taxable year in which the property is placed in  
7 service in the Enterprise Zone or River Edge Redevelopment  
8 Zone and shall not be allowed to the extent that it would  
9 reduce a taxpayer's liability for the tax imposed by  
10 subsections (a) and (b) of this Section to below zero. For  
11 tax years ending on or after December 31, 1985, the credit  
12 shall be allowed for the tax year in which the property is  
13 placed in service, or, if the amount of the credit exceeds  
14 the tax liability for that year, whether it exceeds the  
15 original liability or the liability as later amended, such  
16 excess may be carried forward and applied to the tax  
17 liability of the 5 taxable years following the excess  
18 credit year. The credit shall be applied to the earliest  
19 year for which there is a liability. If there is credit  
20 from more than one tax year that is available to offset a  
21 liability, the credit accruing first in time shall be  
22 applied first.

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

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

26 (B) is depreciable pursuant to Section 167 of the

1 Internal Revenue Code, except that "3-year property"  
2 as defined in Section 168(c)(2)(A) of that Code is not  
3 eligible for the credit provided by this subsection  
4 (f);

5 (C) is acquired by purchase as defined in Section  
6 179(d) of the Internal Revenue Code;

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

9 (E) has not been previously used in Illinois in  
10 such a manner and by such a person as would qualify for  
11 the credit provided by this subsection (f) or  
12 subsection (e).

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

16 (4) If the basis of the property for federal income  
17 tax depreciation purposes is increased after it has been  
18 placed in service in the Enterprise Zone or River Edge  
19 Redevelopment Zone by the taxpayer, the amount of such  
20 increase shall be deemed property placed in service on the  
21 date of such increase in basis.

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

24 (6) If during any taxable year, any property ceases to  
25 be qualified property in the hands of the taxpayer within  
26 48 months after being placed in service, or the situs of

1       any qualified property is moved outside the Enterprise  
2       Zone or River Edge Redevelopment Zone within 48 months  
3       after being placed in service, the tax imposed under  
4       subsections (a) and (b) of this Section for such taxable  
5       year shall be increased. Such increase shall be determined  
6       by (i) recomputing the investment credit which would have  
7       been allowed for the year in which credit for such  
8       property was originally allowed by eliminating such  
9       property from such computation, and (ii) subtracting such  
10      recomputed credit from the amount of credit previously  
11      allowed. For the purposes of this paragraph (6), a  
12      reduction of the basis of qualified property resulting  
13      from a redetermination of the purchase price shall be  
14      deemed a disposition of qualified property to the extent  
15      of such reduction.

16       (7) There shall be allowed an additional credit equal  
17      to 0.5% of the basis of qualified property placed in  
18      service during the taxable year in a River Edge  
19      Redevelopment Zone, provided such property is placed in  
20      service on or after July 1, 2006, and the taxpayer's base  
21      employment within Illinois has increased by 1% or more  
22      over the preceding year as determined by the taxpayer's  
23      employment records filed with the Illinois Department of  
24      Employment Security. Taxpayers who are new to Illinois  
25      shall be deemed to have met the 1% growth in base  
26      employment for the first year in which they file

1 employment records with the Illinois Department of  
2 Employment Security. If, in any year, the increase in base  
3 employment within Illinois over the preceding year is less  
4 than 1%, the additional credit shall be limited to that  
5 percentage times a fraction, the numerator of which is  
6 0.5% and the denominator of which is 1%, but shall not  
7 exceed 0.5%.

8 (8) For taxable years beginning on or after January 1,  
9 2021, there shall be allowed an Enterprise Zone  
10 construction jobs credit against the taxes imposed under  
11 subsections (a) and (b) of this Section as provided in  
12 Section 13 of the Illinois Enterprise Zone Act.

13 The credit or credits may not reduce the taxpayer's  
14 liability to less than zero. If the amount of the credit or  
15 credits exceeds the taxpayer's liability, the excess may  
16 be carried forward and applied against the taxpayer's  
17 liability in succeeding calendar years in the same manner  
18 provided under paragraph (4) of Section 211 of this Act.  
19 The credit or credits shall be applied to the earliest  
20 year for which there is a tax liability. If there are  
21 credits from more than one taxable year that are available  
22 to offset a liability, the earlier credit shall be applied  
23 first.

24 For partners, shareholders of Subchapter S  
25 corporations, and owners of limited liability companies,  
26 if the liability company is treated as a partnership for

1 the purposes of federal and State income taxation, there  
2 shall be allowed a credit under this Section to be  
3 determined in accordance with the determination of income  
4 and distributive share of income under Sections 702 and  
5 704 and Subchapter S of the Internal Revenue Code.

6 The total aggregate amount of credits awarded under  
7 the Blue Collar Jobs Act (Article 20 of Public Act 101-9  
8 ~~this amendatory Act of the 101st General Assembly~~) shall  
9 not exceed \$20,000,000 in any State fiscal year.

10 This paragraph (8) is exempt from the provisions of  
11 Section 250.

12 (g) (Blank).

13 (h) Investment credit; High Impact Business.

14 (1) Subject to subsections (b) and (b-5) of Section  
15 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall  
16 be allowed a credit against the tax imposed by subsections  
17 (a) and (b) of this Section for investment in qualified  
18 property which is placed in service by a Department of  
19 Commerce and Economic Opportunity designated High Impact  
20 Business. The credit shall be .5% of the basis for such  
21 property. The credit shall not be available (i) until the  
22 minimum investments in qualified property set forth in  
23 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
24 Enterprise Zone Act have been satisfied or (ii) until the  
25 time authorized in subsection (b-5) of the Illinois  
26 Enterprise Zone Act for entities designated as High Impact

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



1 applied first.

2 Changes made in this subdivision (h) (1) by Public Act  
3 88-670 restore changes made by Public Act 85-1182 and  
4 reflect existing law.

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

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

8 (B) is depreciable pursuant to Section 167 of the  
9 Internal Revenue Code, except that "3-year property"  
10 as defined in Section 168(c) (2) (A) of that Code is not  
11 eligible for the credit provided by this subsection  
12 (h);

13 (C) is acquired by purchase as defined in Section  
14 179(d) of the Internal Revenue Code; and

15 (D) is not eligible for the Enterprise Zone  
16 Investment Credit provided by subsection (f) of this  
17 Section.

18 (3) The basis of qualified property shall be the basis  
19 used to compute the depreciation deduction for federal  
20 income tax purposes.

21 (4) If the basis of the property for federal income  
22 tax depreciation purposes is increased after it has been  
23 placed in service in a federally designated Foreign Trade  
24 Zone or Sub-Zone located in Illinois by the taxpayer, the  
25 amount of such increase shall be deemed property placed in  
26 service on the date of such increase in basis.

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

3           (6) If during any taxable year ending on or before  
4 December 31, 1996, any property ceases to be qualified  
5 property in the hands of the taxpayer within 48 months  
6 after being placed in service, or the situs of any  
7 qualified property is moved outside Illinois within 48  
8 months after being placed in service, the tax imposed  
9 under subsections (a) and (b) of this Section for such  
10 taxable year shall be increased. Such increase shall be  
11 determined by (i) recomputing the investment credit which  
12 would have been allowed for the year in which credit for  
13 such property was originally allowed by eliminating such  
14 property from such computation, and (ii) subtracting such  
15 recomputed credit from the amount of credit previously  
16 allowed. For the purposes of this paragraph (6), a  
17 reduction of the basis of qualified property resulting  
18 from a redetermination of the purchase price shall be  
19 deemed a disposition of qualified property to the extent  
20 of such reduction.

21           (7) Beginning with tax years ending after December 31,  
22 1996, if a taxpayer qualifies for the credit under this  
23 subsection (h) and thereby is granted a tax abatement and  
24 the taxpayer relocates its entire facility in violation of  
25 the explicit terms and length of the contract under  
26 Section 18-183 of the Property Tax Code, the tax imposed

1 under subsections (a) and (b) of this Section shall be  
2 increased for the taxable year in which the taxpayer  
3 relocated its facility by an amount equal to the amount of  
4 credit received by the taxpayer under this subsection (h).

5 (h-5) High Impact Business construction ~~constructions~~ jobs  
6 credit. For taxable years beginning on or after January 1,  
7 2021, there shall also be allowed a High Impact Business  
8 construction jobs credit against the tax imposed under  
9 subsections (a) and (b) of this Section as provided in  
10 subsections (i) and (j) of Section 5.5 of the Illinois  
11 Enterprise Zone Act.

12 The credit or credits may not reduce the taxpayer's  
13 liability to less than zero. If the amount of the credit or  
14 credits exceeds the taxpayer's liability, the excess may be  
15 carried forward and applied against the taxpayer's liability  
16 in succeeding calendar years in the manner provided under  
17 paragraph (4) of Section 211 of this Act. The credit or credits  
18 shall be applied to the earliest year for which there is a tax  
19 liability. If there are credits from more than one taxable  
20 year that are available to offset a liability, the earlier  
21 credit shall be applied first.

22 For partners, shareholders of Subchapter S corporations,  
23 and owners of limited liability companies, if the liability  
24 company is treated as a partnership for the purposes of  
25 federal and State income taxation, there shall be allowed a  
26 credit under this Section to be determined in accordance with

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

4 The total aggregate amount of credits awarded under the  
5 Blue Collar Jobs Act (Article 20 of Public Act 101-9 ~~this~~  
6 ~~amendatory Act of the 101st General Assembly~~) shall not exceed  
7 \$20,000,000 in any State fiscal year.

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

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

20 Any credit earned on or after December 31, 1986 under this  
21 subsection which is unused in the year the credit is computed  
22 because it exceeds the tax liability imposed by subsections  
23 (a) and (b) for that year (whether it exceeds the original  
24 liability or the liability as later amended) may be carried  
25 forward and applied to the tax liability imposed by  
26 subsections (a) and (b) of the 5 taxable years following the

1 excess credit year, provided that no credit may be carried  
2 forward to any year ending on or after December 31, 2003. This  
3 credit shall be applied first to the earliest year for which  
4 there is a liability. If there is a credit under this  
5 subsection from more than one tax year that is available to  
6 offset a liability the earliest credit arising under this  
7 subsection shall be applied first.

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

18 (j) Training expense credit. Beginning with tax years  
19 ending on or after December 31, 1986 and prior to December 31,  
20 2003, a taxpayer shall be allowed a credit against the tax  
21 imposed by subsections (a) and (b) under this Section for all  
22 amounts paid or accrued, on behalf of all persons employed by  
23 the taxpayer in Illinois or Illinois residents employed  
24 outside of Illinois by a taxpayer, for educational or  
25 vocational training in semi-technical or technical fields or  
26 semi-skilled or skilled fields, which were deducted from gross

1 income in the computation of taxable income. The credit  
2 against the tax imposed by subsections (a) and (b) shall be  
3 1.6% of such training expenses. For partners, shareholders of  
4 subchapter S corporations, and owners of limited liability  
5 companies, if the liability company is treated as a  
6 partnership for purposes of federal and State income taxation,  
7 there shall be allowed a credit under this subsection (j) to be  
8 determined in accordance with the determination of income and  
9 distributive share of income under Sections 702 and 704 and  
10 subchapter S of the Internal Revenue Code.

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

21 (k) Research and development credit. For tax years ending  
22 after July 1, 1990 and prior to December 31, 2003, and  
23 beginning again for tax years ending on or after December 31,  
24 2004, and ending prior to January 1, 2027, a taxpayer shall be  
25 allowed a credit against the tax imposed by subsections (a)  
26 and (b) of this Section for increasing research activities in

1 this State. The credit allowed against the tax imposed by  
2 subsections (a) and (b) shall be equal to 6 1/2% of the  
3 qualifying expenditures for increasing research activities in  
4 this State. For partners, shareholders of subchapter S  
5 corporations, and owners of limited liability companies, if  
6 the liability company is treated as a partnership for purposes  
7 of federal and State income taxation, there shall be allowed a  
8 credit under this subsection to be determined in accordance  
9 with the determination of income and distributive share of  
10 income under Sections 702 and 704 and subchapter S of the  
11 Internal Revenue Code.

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

25 Any credit in excess of the tax liability for the taxable  
26 year may be carried forward. A taxpayer may elect to have the

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

7 If an unused credit is carried forward to a given year from  
8 2 or more earlier years, that credit arising in the earliest  
9 year will be applied first against the tax liability for the  
10 given year. If a tax liability for the given year still  
11 remains, the credit from the next earliest year will then be  
12 applied, and so on, until all credits have been used or no tax  
13 liability for the given year remains. Any remaining unused  
14 credit or credits then will be carried forward to the next  
15 following year in which a tax liability is incurred, except  
16 that no credit can be carried forward to a year which is more  
17 than 5 years after the year in which the expense for which the  
18 credit is given was incurred.

19 No inference shall be drawn from Public Act 91-644 ~~this~~  
20 ~~amendatory Act of the 91st General Assembly~~ in construing this  
21 Section for taxable years beginning before January 1, 1999.

22 It is the intent of the General Assembly that the research  
23 and development credit under this subsection (k) shall apply  
24 continuously for all tax years ending on or after December 31,  
25 2004 and ending prior to January 1, 2027, including, but not  
26 limited to, the period beginning on January 1, 2016 and ending



1 on July 6, 2017 (the effective date of Public Act 100-22) ~~this~~  
2 ~~amendatory Act of the 100th General Assembly~~. All actions  
3 taken in reliance on the continuation of the credit under this  
4 subsection (k) by any taxpayer are hereby validated.

5 (l) Environmental Remediation Tax Credit.

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

1 Control Board rules are adopted pursuant to the Illinois  
2 Administrative Procedure Act for the administration and  
3 enforcement of Section 58.9 of the Environmental  
4 Protection Act, determinations as to credit availability  
5 for purposes of this Section shall be made consistent with  
6 those rules. For purposes of this Section, "taxpayer"  
7 includes a person whose tax attributes the taxpayer has  
8 succeeded to under Section 381 of the Internal Revenue  
9 Code and "related party" includes the persons disallowed a  
10 deduction for losses by paragraphs (b), (c), and (f)(1) of  
11 Section 267 of the Internal Revenue Code by virtue of  
12 being a related taxpayer, as well as any of its partners.  
13 The credit allowed against the tax imposed by subsections  
14 (a) and (b) shall be equal to 25% of the unreimbursed  
15 eligible remediation costs in excess of \$100,000 per site,  
16 except that the \$100,000 threshold shall not apply to any  
17 site contained in an enterprise zone as determined by the  
18 Department of Commerce and Community Affairs (now  
19 Department of Commerce and Economic Opportunity). The  
20 total credit allowed shall not exceed \$40,000 per year  
21 with a maximum total of \$150,000 per site. For partners  
22 and shareholders of subchapter S corporations, there shall  
23 be allowed a credit under this subsection to be determined  
24 in accordance with the determination of income and  
25 distributive share of income under Sections 702 and 704  
26 and subchapter S of the Internal Revenue Code.

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

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

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

24 For purposes of this subsection:

25 "Qualifying pupils" means individuals who (i) are  
26 residents of the State of Illinois, (ii) are under the age of

1 21 at the close of the school year for which a credit is  
2 sought, and (iii) during the school year for which a credit is  
3 sought were full-time pupils enrolled in a kindergarten  
4 through twelfth grade education program at any school, as  
5 defined in this subsection.

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

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

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

20 (n) River Edge Redevelopment Zone site remediation tax  
21 credit.

22 (i) For tax years ending on or after December 31,  
23 2006, a taxpayer shall be allowed a credit against the tax  
24 imposed by subsections (a) and (b) of this Section for  
25 certain amounts paid for unreimbursed eligible remediation  
26 costs, as specified in this subsection. For purposes of

1       this Section, "unreimbursed eligible remediation costs"  
2       means costs approved by the Illinois Environmental  
3       Protection Agency ("Agency") under Section 58.14a of the  
4       Environmental Protection Act that were paid in performing  
5       environmental remediation at a site within a River Edge  
6       Redevelopment Zone for which a No Further Remediation  
7       Letter was issued by the Agency and recorded under Section  
8       58.10 of the Environmental Protection Act. The credit must  
9       be claimed for the taxable year in which Agency approval  
10      of the eligible remediation costs is granted. The credit  
11      is not available to any taxpayer if the taxpayer or any  
12      related party caused or contributed to, in any material  
13      respect, a release of regulated substances on, in, or  
14      under the site that was identified and addressed by the  
15      remedial action pursuant to the Site Remediation Program  
16      of the Environmental Protection Act. Determinations as to  
17      credit availability for purposes of this Section shall be  
18      made consistent with rules adopted by the Pollution  
19      Control Board pursuant to the Illinois Administrative  
20      Procedure Act for the administration and enforcement of  
21      Section 58.9 of the Environmental Protection Act. For  
22      purposes of this Section, "taxpayer" includes a person  
23      whose tax attributes the taxpayer has succeeded to under  
24      Section 381 of the Internal Revenue Code and "related  
25      party" includes the persons disallowed a deduction for  
26      losses by paragraphs (b), (c), and (f)(1) of Section 267

1 of the Internal Revenue Code by virtue of being a related  
2 taxpayer, as well as any of its partners. The credit  
3 allowed against the tax imposed by subsections (a) and (b)  
4 shall be equal to 25% of the unreimbursed eligible  
5 remediation costs in excess of \$100,000 per site.

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

1 eligible under the provisions of subsection (i).

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

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

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

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

23 (B) cancellation, revocation, or termination of  
24 any registration by the Illinois Department of Public  
25 Health;

26 (C) a determination by the Illinois Department of



1 Public Health that transfer of the registration is in  
2 the best interests of Illinois qualifying patients as  
3 defined by the Compassionate Use of Medical Cannabis  
4 Program Act;

5 (D) the death of an owner of the equity interest in  
6 a registrant;

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

10 (F) a transfer by a parent company to a wholly  
11 owned subsidiary; or

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

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

23 (Source: P.A. 100-22, eff. 7-6-17; 101-9, eff. 6-5-19; 101-31,  
24 eff. 6-28-19; 101-207, eff. 8-2-19; 101-363, eff. 8-9-19;  
25 revised 11-18-20.)

1 (Text of Section with the changes made by P.A. 101-8,  
2 which did not take effect (see Section 99 of P.A. 101-8))

3 Sec. 201. Tax imposed.

4 (a) In general. A tax measured by net income is hereby  
5 imposed on every individual, corporation, trust and estate for  
6 each taxable year ending after July 31, 1969 on the privilege  
7 of earning or receiving income in or as a resident of this  
8 State. Such tax shall be in addition to all other occupation or  
9 privilege taxes imposed by this State or by any municipal  
10 corporation or political subdivision thereof.

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

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

18 (2) In the case of an individual, trust or estate, for  
19 taxable years beginning prior to July 1, 1989 and ending  
20 after June 30, 1989, an amount equal to the sum of (i) 2  
21 1/2% of the taxpayer's net income for the period prior to  
22 July 1, 1989, as calculated under Section 202.3, and (ii)  
23 3% of the taxpayer's net income for the period after June  
24 30, 1989, as calculated under Section 202.3.

25 (3) In the case of an individual, trust or estate, for  
26 taxable years beginning after June 30, 1989, and ending

1 prior to January 1, 2011, an amount equal to 3% of the  
2 taxpayer's net income for the taxable year.

3 (4) In the case of an individual, trust, or estate,  
4 for taxable years beginning prior to January 1, 2011, and  
5 ending after December 31, 2010, an amount equal to the sum  
6 of (i) 3% of the taxpayer's net income for the period prior  
7 to January 1, 2011, as calculated under Section 202.5, and  
8 (ii) 5% of the taxpayer's net income for the period after  
9 December 31, 2010, as calculated under Section 202.5.

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

14 (5.1) In the case of an individual, trust, or estate,  
15 for taxable years beginning prior to January 1, 2015, and  
16 ending after December 31, 2014, an amount equal to the sum  
17 of (i) 5% of the taxpayer's net income for the period prior  
18 to January 1, 2015, as calculated under Section 202.5, and  
19 (ii) 3.75% of the taxpayer's net income for the period  
20 after December 31, 2014, as calculated under Section  
21 202.5.

22 (5.2) In the case of an individual, trust, or estate,  
23 for taxable years beginning on or after January 1, 2015,  
24 and ending prior to July 1, 2017, an amount equal to 3.75%  
25 of the taxpayer's net income for the taxable year.

26 (5.3) In the case of an individual, trust, or estate,

1 for taxable years beginning prior to July 1, 2017, and  
2 ending after June 30, 2017, an amount equal to the sum of  
3 (i) 3.75% of the taxpayer's net income for the period  
4 prior to July 1, 2017, as calculated under Section 202.5,  
5 and (ii) 4.95% of the taxpayer's net income for the period  
6 after June 30, 2017, as calculated under Section 202.5.

7 (5.4) In the case of an individual, trust, or estate,  
8 for taxable years beginning on or after July 1, 2017 ~~and~~  
9 ~~beginning prior to January 1, 2021~~, an amount equal to  
10 4.95% of the taxpayer's net income for the taxable year.

11 ~~(5.5) In the case of an individual, trust, or estate,~~  
12 ~~for taxable years beginning on or after January 1, 2021,~~  
13 ~~an amount calculated under the rate structure set forth in~~  
14 ~~Section 201.1.~~

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

18 (7) In the case of a corporation, for taxable years  
19 beginning prior to July 1, 1989 and ending after June 30,  
20 1989, an amount equal to the sum of (i) 4% of the  
21 taxpayer's net income for the period prior to July 1,  
22 1989, as calculated under Section 202.3, and (ii) 4.8% of  
23 the taxpayer's net income for the period after June 30,  
24 1989, as calculated under Section 202.3.

25 (8) In the case of a corporation, for taxable years  
26 beginning after June 30, 1989, and ending prior to January

1           1, 2011, an amount equal to 4.8% of the taxpayer's net  
2           income for the taxable year.

3           (9) In the case of a corporation, for taxable years  
4           beginning prior to January 1, 2011, and ending after  
5           December 31, 2010, an amount equal to the sum of (i) 4.8%  
6           of the taxpayer's net income for the period prior to  
7           January 1, 2011, as calculated under Section 202.5, and  
8           (ii) 7% of the taxpayer's net income for the period after  
9           December 31, 2010, as calculated under Section 202.5.

10          (10) In the case of a corporation, for taxable years  
11          beginning on or after January 1, 2011, and ending prior to  
12          January 1, 2015, an amount equal to 7% of the taxpayer's  
13          net income for the taxable year.

14          (11) In the case of a corporation, for taxable years  
15          beginning prior to January 1, 2015, and ending after  
16          December 31, 2014, an amount equal to the sum of (i) 7% of  
17          the taxpayer's net income for the period prior to January  
18          1, 2015, as calculated under Section 202.5, and (ii) 5.25%  
19          of the taxpayer's net income for the period after December  
20          31, 2014, as calculated under Section 202.5.

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

25          (13) In the case of a corporation, for taxable years  
26          beginning prior to July 1, 2017, and ending after June 30,

1        2017, an amount equal to the sum of (i) 5.25% of the  
2        taxpayer's net income for the period prior to July 1,  
3        2017, as calculated under Section 202.5, and (ii) 7% of  
4        the taxpayer's net income for the period after June 30,  
5        2017, as calculated under Section 202.5.

6        (14) In the case of a corporation, for taxable years  
7        beginning on or after July 1, 2017 ~~and beginning prior to~~  
8        ~~January 1, 2021~~, an amount equal to 7% of the taxpayer's  
9        net income for the taxable year.

10        ~~(15) In the case of a corporation, for taxable years~~  
11        ~~beginning on or after January 1, 2021, an amount equal to~~  
12        ~~7.99% of the taxpayer's net income for the taxable year.~~

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

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

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

4           (A) bankruptcy, a receivership, or a debt  
5 adjustment initiated by or against the initial  
6 licensee or the substantial owners of the initial  
7 licensee;

8           (B) cancellation, revocation, or termination of  
9 any such license by the Illinois Gaming Board or the  
10 Illinois Racing Board;

11           (C) a determination by the Illinois Gaming Board  
12 that transfer of the license is in the best interests  
13 of Illinois gaming;

14           (D) the death of an owner of the equity interest in  
15 a licensee;

16           (E) the acquisition of a controlling interest in  
17 the stock or substantially all of the assets of a  
18 publicly traded company;

19           (F) a transfer by a parent company to a wholly  
20 owned subsidiary; or

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

24           (2) the controlling interest in the organization  
25 gaming license, organization license, or racetrack  
26 property is transferred in a transaction to lineal

1 descendants in which no gain or loss is recognized or as a  
2 result of a transaction in accordance with Section 351 of  
3 the Internal Revenue Code in which no gain or loss is  
4 recognized; or

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

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

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



1 corporation or political subdivision thereof.

2 (d) Additional Personal Property Tax Replacement Income  
3 Tax Rates. The personal property tax replacement income tax  
4 imposed by this subsection and subsection (c) of this Section  
5 in the case of a corporation, other than a Subchapter S  
6 corporation and except as adjusted by subsection (d-1), shall  
7 be an additional amount equal to 2.85% of such taxpayer's net  
8 income for the taxable year, except that beginning on January  
9 1, 1981, and thereafter, the rate of 2.85% specified in this  
10 subsection shall be reduced to 2.5%, and in the case of a  
11 partnership, trust or a Subchapter S corporation shall be an  
12 additional amount equal to 1.5% of such taxpayer's net income  
13 for the taxable year.

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

1 under this Act, net of all credits allowed under this Act,  
2 shall equal (i) the total amount of tax that would be imposed  
3 on the foreign insurer's net income allocable to Illinois for  
4 the taxable year by such foreign insurer's state or country of  
5 domicile if that net income were subject to all income taxes  
6 and taxes measured by net income imposed by such foreign  
7 insurer's state or country of domicile, net of all credits  
8 allowed or (ii) a rate of zero if no such tax is imposed on  
9 such income by the foreign insurer's state of domicile. For  
10 the purposes of this subsection (d-1), an inter-affiliate  
11 includes a mutual insurer under common management.

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

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

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

24 equals 1.25% for taxable years ending prior to December  
25 31, 2003, or 1.75% for taxable years ending on or after  
26 December 31, 2003, of the net taxable premiums written for

1 the taxable year, as described by subsection (1) of  
2 Section 409 of the Illinois Insurance Code. This paragraph  
3 will in no event increase the rates imposed under  
4 subsections (b) and (d).

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

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

14 (d-2) A partnership or Subchapter S corporation may elect  
15 to pay a tax that is imposed on the partnership or Subchapter S  
16 corporation. This tax is computed by multiplying the share of  
17 business income apportionable to Illinois and nonbusiness  
18 income allocated to Illinois under Section 303 of this Act, if  
19 this share is not a net loss, that is distributable to each  
20 partner or shareholder as multiplied by the applicable rates  
21 of tax for that partner or shareholder under subsections (a)  
22 through (d) of Section 201 of this Act, and taking the sum of  
23 these amounts. This election shall be made on the  
24 partnership's or Subchapter S corporation's return filed under  
25 Section 502 in such manner as the Department may prescribe.

26 (e) Investment credit. A taxpayer shall be allowed a

1 credit against the Personal Property Tax Replacement Income  
2 Tax for investment in qualified property.

3 (1) A taxpayer shall be allowed a credit equal to .5%  
4 of the basis of qualified property placed in service  
5 during the taxable year, provided such property is placed  
6 in service on or after July 1, 1984. There shall be allowed  
7 an additional credit equal to .5% of the basis of  
8 qualified property placed in service during the taxable  
9 year, provided such property is placed in service on or  
10 after July 1, 1986, and the taxpayer's base employment  
11 within Illinois has increased by 1% or more over the  
12 preceding year as determined by the taxpayer's employment  
13 records filed with the Illinois Department of Employment  
14 Security. Taxpayers who are new to Illinois shall be  
15 deemed to have met the 1% growth in base employment for the  
16 first year in which they file employment records with the  
17 Illinois Department of Employment Security. The provisions  
18 added to this Section by Public Act 85-1200 (and restored  
19 by Public Act 87-895) shall be construed as declaratory of  
20 existing law and not as a new enactment. If, in any year,  
21 the increase in base employment within Illinois over the  
22 preceding year is less than 1%, the additional credit  
23 shall be limited to that percentage times a fraction, the  
24 numerator of which is .5% and the denominator of which is  
25 1%, but shall not exceed .5%. The investment credit shall  
26 not be allowed to the extent that it would reduce a

1 taxpayer's liability in any tax year below zero, nor may  
2 any credit for qualified property be allowed for any year  
3 other than the year in which the property was placed in  
4 service in Illinois. For tax years ending on or after  
5 December 31, 1987, and on or before December 31, 1988, the  
6 credit shall be allowed for the tax year in which the  
7 property is placed in service, or, if the amount of the  
8 credit exceeds the tax liability for that year, whether it  
9 exceeds the original liability or the liability as later  
10 amended, such excess may be carried forward and applied to  
11 the tax liability of the 5 taxable years following the  
12 excess credit years if the taxpayer (i) makes investments  
13 which cause the creation of a minimum of 2,000 full-time  
14 equivalent jobs in Illinois, (ii) is located in an  
15 enterprise zone established pursuant to the Illinois  
16 Enterprise Zone Act and (iii) is certified by the  
17 Department of Commerce and Community Affairs (now  
18 Department of Commerce and Economic Opportunity) as  
19 complying with the requirements specified in clause (i)  
20 and (ii) by July 1, 1986. The Department of Commerce and  
21 Community Affairs (now Department of Commerce and Economic  
22 Opportunity) shall notify the Department of Revenue of all  
23 such certifications immediately. For tax years ending  
24 after December 31, 1988, the credit shall be allowed for  
25 the tax year in which the property is placed in service,  
26 or, if the amount of the credit exceeds the tax liability

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

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

11           (A) is tangible, whether new or used, including  
12           buildings and structural components of buildings and  
13           signs that are real property, but not including land  
14           or improvements to real property that are not a  
15           structural component of a building such as  
16           landscaping, sewer lines, local access roads, fencing,  
17           parking lots, and other appurtenances;

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

23           (C) is acquired by purchase as defined in Section  
24           179(d) of the Internal Revenue Code;

25           (D) is used in Illinois by a taxpayer who is  
26           primarily engaged in manufacturing, or in mining coal

1           or fluorite, or in retailing, or was placed in service  
2           on or after July 1, 2006 in a River Edge Redevelopment  
3           Zone established pursuant to the River Edge  
4           Redevelopment Zone Act; and

5           (E) has not previously been used in Illinois in  
6           such a manner and by such a person as would qualify for  
7           the credit provided by this subsection (e) or  
8           subsection (f).

9           (3) For purposes of this subsection (e),  
10          "manufacturing" means the material staging and production  
11          of tangible personal property by procedures commonly  
12          regarded as manufacturing, processing, fabrication, or  
13          assembling which changes some existing material into new  
14          shapes, new qualities, or new combinations. For purposes  
15          of this subsection (e) the term "mining" shall have the  
16          same meaning as the term "mining" in Section 613(c) of the  
17          Internal Revenue Code. For purposes of this subsection  
18          (e), the term "retailing" means the sale of tangible  
19          personal property for use or consumption and not for  
20          resale, or services rendered in conjunction with the sale  
21          of tangible personal property for use or consumption and  
22          not for resale. For purposes of this subsection (e),  
23          "tangible personal property" has the same meaning as when  
24          that term is used in the Retailers' Occupation Tax Act,  
25          and, for taxable years ending after December 31, 2008,  
26          does not include the generation, transmission, or

1 distribution of electricity.

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

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

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

12 (7) If during any taxable year, any property ceases to  
13 be qualified property in the hands of the taxpayer within  
14 48 months after being placed in service, or the situs of  
15 any qualified property is moved outside Illinois within 48  
16 months after being placed in service, the Personal  
17 Property Tax Replacement Income Tax for such taxable year  
18 shall be increased. Such increase shall be determined by  
19 (i) recomputing the investment credit which would have  
20 been allowed for the year in which credit for such  
21 property was originally allowed by eliminating such  
22 property from such computation and, (ii) subtracting such  
23 recomputed credit from the amount of credit previously  
24 allowed. For the purposes of this paragraph (7), a  
25 reduction of the basis of qualified property resulting  
26 from a redetermination of the purchase price shall be



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

3           (8) Unless the investment credit is extended by law,  
4       the basis of qualified property shall not include costs  
5       incurred after December 31, 2018, except for costs  
6       incurred pursuant to a binding contract entered into on or  
7       before December 31, 2018.

8           (9) Each taxable year ending before December 31, 2000,  
9       a partnership may elect to pass through to its partners  
10      the credits to which the partnership is entitled under  
11      this subsection (e) for the taxable year. A partner may  
12      use the credit allocated to him or her under this  
13      paragraph only against the tax imposed in subsections (c)  
14      and (d) of this Section. If the partnership makes that  
15      election, those credits shall be allocated among the  
16      partners in the partnership in accordance with the rules  
17      set forth in Section 704(b) of the Internal Revenue Code,  
18      and the rules promulgated under that Section, and the  
19      allocated amount of the credits shall be allowed to the  
20      partners for that taxable year. The partnership shall make  
21      this election on its Personal Property Tax Replacement  
22      Income Tax return for that taxable year. The election to  
23      pass through the credits shall be irrevocable.

24           For taxable years ending on or after December 31,  
25      2000, a partner that qualifies its partnership for a  
26      subtraction under subparagraph (I) of paragraph (2) of

1 subsection (d) of Section 203 or a shareholder that  
2 qualifies a Subchapter S corporation for a subtraction  
3 under subparagraph (S) of paragraph (2) of subsection (b)  
4 of Section 203 shall be allowed a credit under this  
5 subsection (e) equal to its share of the credit earned  
6 under this subsection (e) during the taxable year by the  
7 partnership or Subchapter S corporation, determined in  
8 accordance with the determination of income and  
9 distributive share of income under Sections 702 and 704  
10 and Subchapter S of the Internal Revenue Code. This  
11 paragraph is exempt from the provisions of Section 250.

12 (f) Investment credit; Enterprise Zone; River Edge  
13 Redevelopment Zone.

14 (1) A taxpayer shall be allowed a credit against the  
15 tax imposed by subsections (a) and (b) of this Section for  
16 investment in qualified property which is placed in  
17 service in an Enterprise Zone created pursuant to the  
18 Illinois Enterprise Zone Act or, for property placed in  
19 service on or after July 1, 2006, a River Edge  
20 Redevelopment Zone established pursuant to the River Edge  
21 Redevelopment Zone Act. For partners, shareholders of  
22 Subchapter S corporations, and owners of limited liability  
23 companies, if the liability company is treated as a  
24 partnership for purposes of federal and State income  
25 taxation, there shall be allowed a credit under this  
26 subsection (f) to be determined in accordance with the

1 determination of income and distributive share of income  
2 under Sections 702 and 704 and Subchapter S of the  
3 Internal Revenue Code. The credit shall be .5% of the  
4 basis for such property. The credit shall be available  
5 only in the taxable year in which the property is placed in  
6 service in the Enterprise Zone or River Edge Redevelopment  
7 Zone and shall not be allowed to the extent that it would  
8 reduce a taxpayer's liability for the tax imposed by  
9 subsections (a) and (b) of this Section to below zero. For  
10 tax years ending on or after December 31, 1985, the credit  
11 shall be allowed for the tax year in which the property is  
12 placed in service, or, if the amount of the credit exceeds  
13 the tax liability for that year, whether it exceeds the  
14 original liability or the liability as later amended, such  
15 excess may be carried forward and applied to the tax  
16 liability of the 5 taxable years following the excess  
17 credit year. The credit shall be applied to the earliest  
18 year for which there is a liability. If there is credit  
19 from more than one tax year that is available to offset a  
20 liability, the credit accruing first in time shall be  
21 applied first.

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

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

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

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

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

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

8 (E) has not been previously used in Illinois in  
9 such a manner and by such a person as would qualify for  
10 the credit provided by this subsection (f) or  
11 subsection (e).

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

15 (4) If the basis of the property for federal income  
16 tax depreciation purposes is increased after it has been  
17 placed in service in the Enterprise Zone or River Edge  
18 Redevelopment Zone by the taxpayer, the amount of such  
19 increase shall be deemed property placed in service on the  
20 date of such increase in basis.

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

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

1       Zone or River Edge Redevelopment Zone within 48 months  
2       after being placed in service, the tax imposed under  
3       subsections (a) and (b) of this Section for such taxable  
4       year shall be increased. Such increase shall be determined  
5       by (i) recomputing the investment credit which would have  
6       been allowed for the year in which credit for such  
7       property was originally allowed by eliminating such  
8       property from such computation, and (ii) subtracting such  
9       recomputed credit from the amount of credit previously  
10      allowed. For the purposes of this paragraph (6), a  
11      reduction of the basis of qualified property resulting  
12      from a redetermination of the purchase price shall be  
13      deemed a disposition of qualified property to the extent  
14      of such reduction.

15       (7) There shall be allowed an additional credit equal  
16      to 0.5% of the basis of qualified property placed in  
17      service during the taxable year in a River Edge  
18      Redevelopment Zone, provided such property is placed in  
19      service on or after July 1, 2006, and the taxpayer's base  
20      employment within Illinois has increased by 1% or more  
21      over the preceding year as determined by the taxpayer's  
22      employment records filed with the Illinois Department of  
23      Employment Security. Taxpayers who are new to Illinois  
24      shall be deemed to have met the 1% growth in base  
25      employment for the first year in which they file  
26      employment records with the Illinois Department of

1       Employment Security. If, in any year, the increase in base  
2       employment within Illinois over the preceding year is less  
3       than 1%, the additional credit shall be limited to that  
4       percentage times a fraction, the numerator of which is  
5       0.5% and the denominator of which is 1%, but shall not  
6       exceed 0.5%.

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

12         The credit or credits may not reduce the taxpayer's  
13      liability to less than zero. If the amount of the credit or  
14      credits exceeds the taxpayer's liability, the excess may  
15      be carried forward and applied against the taxpayer's  
16      liability in succeeding calendar years in the same manner  
17      provided under paragraph (4) of Section 211 of this Act.  
18      The credit or credits shall be applied to the earliest  
19      year for which there is a tax liability. If there are  
20      credits from more than one taxable year that are available  
21      to offset a liability, the earlier credit shall be applied  
22      first.

23         For partners, shareholders of Subchapter S  
24      corporations, and owners of limited liability companies,  
25      if the liability company is treated as a partnership for  
26      the purposes of federal and State income taxation, there

1 shall be allowed a credit under this Section to be  
2 determined in accordance with the determination of income  
3 and distributive share of income under Sections 702 and  
4 704 and Subchapter S of the Internal Revenue Code.

5 The total aggregate amount of credits awarded under  
6 the Blue Collar Jobs Act (Article 20 of Public Act 101-9  
7 ~~this amendatory Act of the 101st General Assembly~~) shall  
8 not exceed \$20,000,000 in any State fiscal year.

9 This paragraph (8) is exempt from the provisions of  
10 Section 250.

11 (g) (Blank).

12 (h) Investment credit; High Impact Business.

13 (1) Subject to subsections (b) and (b-5) of Section  
14 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall  
15 be allowed a credit against the tax imposed by subsections  
16 (a) and (b) of this Section for investment in qualified  
17 property which is placed in service by a Department of  
18 Commerce and Economic Opportunity designated High Impact  
19 Business. The credit shall be .5% of the basis for such  
20 property. The credit shall not be available (i) until the  
21 minimum investments in qualified property set forth in  
22 subdivision (a)(3)(A) of Section 5.5 of the Illinois  
23 Enterprise Zone Act have been satisfied or (ii) until the  
24 time authorized in subsection (b-5) of the Illinois  
25 Enterprise Zone Act for entities designated as High Impact  
26 Businesses under subdivisions (a)(3)(B), (a)(3)(C), and

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



1 Changes made in this subdivision (h) (1) by Public Act  
2 88-670 restore changes made by Public Act 85-1182 and  
3 reflect existing law.

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

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

7 (B) is depreciable pursuant to Section 167 of the  
8 Internal Revenue Code, except that "3-year property"  
9 as defined in Section 168(c) (2) (A) of that Code is not  
10 eligible for the credit provided by this subsection  
11 (h);

12 (C) is acquired by purchase as defined in Section  
13 179(d) of the Internal Revenue Code; and

14 (D) is not eligible for the Enterprise Zone  
15 Investment Credit provided by subsection (f) of this  
16 Section.

17 (3) The basis of qualified property shall be the basis  
18 used to compute the depreciation deduction for federal  
19 income tax purposes.

20 (4) If the basis of the property for federal income  
21 tax depreciation purposes is increased after it has been  
22 placed in service in a federally designated Foreign Trade  
23 Zone or Sub-Zone located in Illinois by the taxpayer, the  
24 amount of such increase shall be deemed property placed in  
25 service on the date of such increase in basis.

26 (5) The term "placed in service" shall have the same

1 meaning as under Section 46 of the Internal Revenue Code.

2 (6) If during any taxable year ending on or before  
3 December 31, 1996, any property ceases to be qualified  
4 property in the hands of the taxpayer within 48 months  
5 after being placed in service, or the situs of any  
6 qualified property is moved outside Illinois within 48  
7 months after being placed in service, the tax imposed  
8 under subsections (a) and (b) of this Section for such  
9 taxable year shall be increased. Such increase shall be  
10 determined by (i) recomputing the investment credit which  
11 would have been allowed for the year in which credit for  
12 such property was originally allowed by eliminating such  
13 property from such computation, and (ii) subtracting such  
14 recomputed credit from the amount of credit previously  
15 allowed. For the purposes of this paragraph (6), a  
16 reduction of the basis of qualified property resulting  
17 from a redetermination of the purchase price shall be  
18 deemed a disposition of qualified property to the extent  
19 of such reduction.

20 (7) Beginning with tax years ending after December 31,  
21 1996, if a taxpayer qualifies for the credit under this  
22 subsection (h) and thereby is granted a tax abatement and  
23 the taxpayer relocates its entire facility in violation of  
24 the explicit terms and length of the contract under  
25 Section 18-183 of the Property Tax Code, the tax imposed  
26 under subsections (a) and (b) of this Section shall be

1 increased for the taxable year in which the taxpayer  
2 relocated its facility by an amount equal to the amount of  
3 credit received by the taxpayer under this subsection (h).

4 (h-5) High Impact Business construction ~~constructions~~ jobs  
5 credit. For taxable years beginning on or after January 1,  
6 2021, there shall also be allowed a High Impact Business  
7 construction jobs credit against the tax imposed under  
8 subsections (a) and (b) of this Section as provided in  
9 subsections (i) and (j) of Section 5.5 of the Illinois  
10 Enterprise Zone Act.

11 The credit or credits may not reduce the taxpayer's  
12 liability to less than zero. If the amount of the credit or  
13 credits exceeds the taxpayer's liability, the excess may be  
14 carried forward and applied against the taxpayer's liability  
15 in succeeding calendar years in the manner provided under  
16 paragraph (4) of Section 211 of this Act. The credit or credits  
17 shall be applied to the earliest year for which there is a tax  
18 liability. If there are credits from more than one taxable  
19 year that are available to offset a liability, the earlier  
20 credit shall be applied first.

21 For partners, shareholders of Subchapter S corporations,  
22 and owners of limited liability companies, if the liability  
23 company is treated as a partnership for the purposes of  
24 federal and State income taxation, there shall be allowed a  
25 credit under this Section to be determined in accordance with  
26 the determination of income and distributive share of income

1 under Sections 702 and 704 and Subchapter S of the Internal  
2 Revenue Code.

3 The total aggregate amount of credits awarded under the  
4 Blue Collar Jobs Act (Article 20 of Public Act 101-9 ~~this~~  
5 ~~amendatory Act of the 101st General Assembly~~) shall not exceed  
6 \$20,000,000 in any State fiscal year.

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

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

19 Any credit earned on or after December 31, 1986 under this  
20 subsection which is unused in the year the credit is computed  
21 because it exceeds the tax liability imposed by subsections  
22 (a) and (b) for that year (whether it exceeds the original  
23 liability or the liability as later amended) may be carried  
24 forward and applied to the tax liability imposed by  
25 subsections (a) and (b) of the 5 taxable years following the  
26 excess credit year, provided that no credit may be carried

1 forward to any year ending on or after December 31, 2003. This  
2 credit shall be applied first to the earliest year for which  
3 there is a liability. If there is a credit under this  
4 subsection from more than one tax year that is available to  
5 offset a liability the earliest credit arising under this  
6 subsection shall be applied first.

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

17 (j) Training expense credit. Beginning with tax years  
18 ending on or after December 31, 1986 and prior to December 31,  
19 2003, a taxpayer shall be allowed a credit against the tax  
20 imposed by subsections (a) and (b) under this Section for all  
21 amounts paid or accrued, on behalf of all persons employed by  
22 the taxpayer in Illinois or Illinois residents employed  
23 outside of Illinois by a taxpayer, for educational or  
24 vocational training in semi-technical or technical fields or  
25 semi-skilled or skilled fields, which were deducted from gross  
26 income in the computation of taxable income. The credit

1 against the tax imposed by subsections (a) and (b) shall be  
2 1.6% of such training expenses. For partners, shareholders of  
3 subchapter S corporations, and owners of limited liability  
4 companies, if the liability company is treated as a  
5 partnership for purposes of federal and State income taxation,  
6 there shall be allowed a credit under this subsection (j) to be  
7 determined in accordance with the determination of income and  
8 distributive share of income under Sections 702 and 704 and  
9 subchapter S of the Internal Revenue Code.

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

20 (k) Research and development credit. For tax years ending  
21 after July 1, 1990 and prior to December 31, 2003, and  
22 beginning again for tax years ending on or after December 31,  
23 2004, and ending prior to January 1, 2027, a taxpayer shall be  
24 allowed a credit against the tax imposed by subsections (a)  
25 and (b) of this Section for increasing research activities in  
26 this State. The credit allowed against the tax imposed by

1 subsections (a) and (b) shall be equal to 6 1/2% of the  
2 qualifying expenditures for increasing research activities in  
3 this State. For partners, shareholders of subchapter S  
4 corporations, and owners of limited liability companies, if  
5 the liability company is treated as a partnership for purposes  
6 of federal and State income taxation, there shall be allowed a  
7 credit under this subsection to be determined in accordance  
8 with the determination of income and distributive share of  
9 income under Sections 702 and 704 and subchapter S of the  
10 Internal Revenue Code.

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

24 Any credit in excess of the tax liability for the taxable  
25 year may be carried forward. A taxpayer may elect to have the  
26 unused credit shown on its final completed return carried over

1 as a credit against the tax liability for the following 5  
2 taxable years or until it has been fully used, whichever  
3 occurs first; provided that no credit earned in a tax year  
4 ending prior to December 31, 2003 may be carried forward to any  
5 year ending on or after December 31, 2003.

6 If an unused credit is carried forward to a given year from  
7 2 or more earlier years, that credit arising in the earliest  
8 year will be applied first against the tax liability for the  
9 given year. If a tax liability for the given year still  
10 remains, the credit from the next earliest year will then be  
11 applied, and so on, until all credits have been used or no tax  
12 liability for the given year remains. Any remaining unused  
13 credit or credits then will be carried forward to the next  
14 following year in which a tax liability is incurred, except  
15 that no credit can be carried forward to a year which is more  
16 than 5 years after the year in which the expense for which the  
17 credit is given was incurred.

18 No inference shall be drawn from Public Act 91-644 ~~this~~  
19 ~~amendatory Act of the 91st General Assembly~~ in construing this  
20 Section for taxable years beginning before January 1, 1999.

21 It is the intent of the General Assembly that the research  
22 and development credit under this subsection (k) shall apply  
23 continuously for all tax years ending on or after December 31,  
24 2004 and ending prior to January 1, 2027, including, but not  
25 limited to, the period beginning on January 1, 2016 and ending  
26 on July 6, 2017 (the effective date of Public Act 100-22) ~~this~~



1 ~~amendatory Act of the 100th General Assembly.~~ All actions  
2 taken in reliance on the continuation of the credit under this  
3 subsection (k) by any taxpayer are hereby validated.

4 (1) Environmental Remediation Tax Credit.

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

1 Administrative Procedure Act for the administration and  
2 enforcement of Section 58.9 of the Environmental  
3 Protection Act, determinations as to credit availability  
4 for purposes of this Section shall be made consistent with  
5 those rules. For purposes of this Section, "taxpayer"  
6 includes a person whose tax attributes the taxpayer has  
7 succeeded to under Section 381 of the Internal Revenue  
8 Code and "related party" includes the persons disallowed a  
9 deduction for losses by paragraphs (b), (c), and (f)(1) of  
10 Section 267 of the Internal Revenue Code by virtue of  
11 being a related taxpayer, as well as any of its partners.  
12 The credit allowed against the tax imposed by subsections  
13 (a) and (b) shall be equal to 25% of the unreimbursed  
14 eligible remediation costs in excess of \$100,000 per site,  
15 except that the \$100,000 threshold shall not apply to any  
16 site contained in an enterprise zone as determined by the  
17 Department of Commerce and Community Affairs (now  
18 Department of Commerce and Economic Opportunity). The  
19 total credit allowed shall not exceed \$40,000 per year  
20 with a maximum total of \$150,000 per site. For partners  
21 and shareholders of subchapter S corporations, there shall  
22 be allowed a credit under this subsection to be determined  
23 in accordance with the determination of income and  
24 distributive share of income under Sections 702 and 704  
25 and subchapter S of the Internal Revenue Code.

26 (ii) A credit allowed under this subsection that is

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

26 (iii) For purposes of this Section, the term "site"

1 shall have the same meaning as under Section 58.2 of the  
2 Environmental Protection Act.

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

23 For purposes of this subsection:

24 "Qualifying pupils" means individuals who (i) are  
25 residents of the State of Illinois, (ii) are under the age of  
26 21 at the close of the school year for which a credit is

1 sought, and (iii) during the school year for which a credit is  
2 sought were full-time pupils enrolled in a kindergarten  
3 through twelfth grade education program at any school, as  
4 defined in this subsection.

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

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

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

19 (n) River Edge Redevelopment Zone site remediation tax  
20 credit.

21 (i) For tax years ending on or after December 31,  
22 2006, a taxpayer shall be allowed a credit against the tax  
23 imposed by subsections (a) and (b) of this Section for  
24 certain amounts paid for unreimbursed eligible remediation  
25 costs, as specified in this subsection. For purposes of  
26 this Section, "unreimbursed eligible remediation costs"

1 means costs approved by the Illinois Environmental  
2 Protection Agency ("Agency") under Section 58.14a of the  
3 Environmental Protection Act that were paid in performing  
4 environmental remediation at a site within a River Edge  
5 Redevelopment Zone for which a No Further Remediation  
6 Letter was issued by the Agency and recorded under Section  
7 58.10 of the Environmental Protection Act. The credit must  
8 be claimed for the taxable year in which Agency approval  
9 of the eligible remediation costs is granted. The credit  
10 is not available to any taxpayer if the taxpayer or any  
11 related party caused or contributed to, in any material  
12 respect, a release of regulated substances on, in, or  
13 under the site that was identified and addressed by the  
14 remedial action pursuant to the Site Remediation Program  
15 of the Environmental Protection Act. Determinations as to  
16 credit availability for purposes of this Section shall be  
17 made consistent with rules adopted by the Pollution  
18 Control Board pursuant to the Illinois Administrative  
19 Procedure Act for the administration and enforcement of  
20 Section 58.9 of the Environmental Protection Act. For  
21 purposes of this Section, "taxpayer" includes a person  
22 whose tax attributes the taxpayer has succeeded to under  
23 Section 381 of the Internal Revenue Code and "related  
24 party" includes the persons disallowed a deduction for  
25 losses by paragraphs (b), (c), and (f)(1) of Section 267  
26 of the Internal Revenue Code by virtue of being a related

1 taxpayer, as well as any of its partners. The credit  
2 allowed against the tax imposed by subsections (a) and (b)  
3 shall be equal to 25% of the unreimbursed eligible  
4 remediation costs in excess of \$100,000 per site.

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

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

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

14               (1)    the    medical    cannabis    cultivation    center  
15               registration, medical cannabis dispensary registration, or  
16               the property of a registration is transferred as a result  
17               of any of the following:

18                       (A)   bankruptcy, a receivership, or a debt  
19                       adjustment initiated by or against the initial  
20                       registration or the substantial owners of the initial  
21                       registration;

22                       (B)   cancellation, revocation, or termination of  
23                       any registration by the Illinois Department of Public  
24                       Health;

25                       (C)   a determination by the Illinois Department of  
26                       Public Health that transfer of the registration is in



1 the best interests of Illinois qualifying patients as  
2 defined by the Compassionate Use of Medical Cannabis  
3 Program Act;

4 (D) the death of an owner of the equity interest in  
5 a registrant;

6 (E) the acquisition of a controlling interest in  
7 the stock or substantially all of the assets of a  
8 publicly traded company;

9 (F) a transfer by a parent company to a wholly  
10 owned subsidiary; or

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

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

22 (Source: P.A. 100-22, eff. 7-6-17; 101-8, see Section 99 for  
23 effective date; 101-9, eff. 6-5-19; 101-31, eff. 6-28-19;  
24 101-207, eff. 8-2-19; 101-363, eff. 8-9-19; revised 11-18-20.)

25 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

1       Sec. 203. Base income defined.

2       (a) Individuals.

3           (1) In general. In the case of an individual, base  
4       income means an amount equal to the taxpayer's adjusted  
5       gross income for the taxable year as modified by paragraph  
6       (2).

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

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

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

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

1           1, 1991, the retrospective application date of Article  
2           4 of Public Act 87-17. In the case of multi-unit or  
3           multi-use structures and farm dwellings, the taxes on  
4           the taxpayer's principal residence shall be that  
5           portion of the total taxes for the entire property  
6           which is attributable to such principal residence;

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 adjusted gross income;

11          (D-5) An amount, to the extent not included in  
12          adjusted gross income, equal to the amount of money  
13          withdrawn by the taxpayer in the taxable year from a  
14          medical care savings account and the interest earned  
15          on the account in the taxable year of a withdrawal  
16          pursuant to subsection (b) of Section 20 of the  
17          Medical Care Savings Account Act or subsection (b) of  
18          Section 20 of the Medical Care Savings Account Act of  
19          2000;

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

25          (D-15) For taxable years 2001 and thereafter, an  
26          amount equal to the bonus depreciation deduction taken

1 on the taxpayer's federal income tax return for the  
2 taxable year under subsection (k) of Section 168 of  
3 the Internal Revenue Code;

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

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

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

21 (D-17) An amount equal to the amount otherwise  
22 allowed as a deduction in computing base income for  
23 interest paid, accrued, or incurred, directly or  
24 indirectly, (i) for taxable years ending on or after  
25 December 31, 2004, to a foreign person who would be a  
26 member of the same unitary business group but for the

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

22 This paragraph shall not apply to the following:

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

1 reporting, to a tax on or measured by net income  
2 with respect to such interest; or

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

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

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

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

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

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

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

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

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



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

8 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

25 (D-20) For taxable years beginning on or after  
26 January 1, 2002 and ending on or before December 31,

2006, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act or (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, an amount equal to the amount excluded from gross income under Section 529(c)(3)(B). For taxable years beginning on or after January 1, 2007, in the case of a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code, other than (i) a distribution from a College Savings Pool created under Section 16.5 of the State Treasurer Act, (ii) a distribution from the Illinois Prepaid Tuition Trust Fund, or (iii) a distribution from a qualified tuition program under Section 529 of the Internal Revenue Code that (I) adopts and determines that its offering materials comply with the College Savings Plans Network's disclosure principles and (II) has made reasonable efforts to inform in-state residents of the existence of in-state qualified tuition programs by informing Illinois residents directly and, where applicable, to inform financial intermediaries distributing the program to inform in-state residents of the existence of in-state qualified tuition programs at least annually, an amount equal to the amount excluded from

1 gross income under Section 529(c)(3)(B).

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

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

22 (D-21) For taxable years beginning on or after  
23 January 1, 2007, in the case of transfer of moneys from  
24 a qualified tuition program under Section 529 of the  
25 Internal Revenue Code that is administered by the  
26 State to an out-of-state program, an amount equal to

1           the amount of moneys previously deducted from base  
2           income under subsection (a)(2)(Y) of this Section;

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

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

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

17               (D-23) 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               (D-24) 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          and by deducting from the total so obtained the sum of the  
26          following amounts:

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



1           or thereafter by reason of being a member of the  
2           Illinois National Guard or, beginning with taxable  
3           years ending on or after December 31, 2007, the  
4           National Guard of any other state. The provisions of  
5           this subparagraph (E) are exempt from the provisions  
6           of Section 250;

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

18          (G) The valuation limitation amount;

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

22          (I) An amount equal to all amounts included in  
23          such total pursuant to the provisions of Section 111  
24          of the Internal Revenue Code as a recovery of items  
25          previously deducted from adjusted gross income in the  
26          computation of taxable income;

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

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

18          (L) For taxable years ending after December 31,  
19          1983, an amount equal to all social security benefits  
20          and railroad retirement benefits included in such  
21          total pursuant to Sections 72(r) and 86 of the  
22          Internal Revenue Code;

23          (M) With the exception of any amounts subtracted  
24          under subparagraph (N), an amount equal to the sum of  
25          all amounts disallowed as deductions by (i) Sections  
26          171(a)(2) ~~7~~ and 265(a)(2) of the Internal Revenue Code,

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

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

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

26 (P) An amount equal to the amount of the deduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1           203(a)(2)(D-18) for intangible expenses and costs  
2           paid, accrued, or incurred, directly or indirectly, to  
3           the same foreign person. This subparagraph (EE) is  
4           exempt from the provisions of Section 250;

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

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

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

(II) An amount equal to a partner's or shareholder's share of business income apportionable to Illinois and nonbusiness income allocated to Illinois under Section 303 of this Act that is distributable to each partner or shareholder and which was included by a partnership or Subchapter S corporation in the computing the elective tax under subsection (d-2) of Section 201. This subparagraph (II) is exempt from the provisions of Section 250.

(b) Corporations.

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

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

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

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

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

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

24 (D) The amount of any net operating loss deduction  
25 taken in arriving at taxable income, other than a net  
26 operating loss carried forward from a taxable year

1 ending prior to December 31, 1986;

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

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

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

25 For taxable years in which there is a net  
26 operating loss carryback or carryforward from more



1           than one other taxable year ending prior to December  
2           31, 1986, the addition modification provided in this  
3           subparagraph (E) shall be the sum of the amounts  
4           computed independently under the preceding provisions  
5           of this subparagraph (E) for each such taxable year;

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

11          (E-10) 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          (E-11) 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 (E-10), then  
20          an amount equal to the aggregate amount of the  
21          deductions taken in all taxable years under  
22          subparagraph (T) 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 (T), 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           (E-12) 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;

(E-13) An amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) 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(b)(2)(E-12) 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          (E-14) 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(b)(2)(E-12) or Section 203(b)(2)(E-13) of this  
10 Act;

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

17 (E-16) 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 (E-17) 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 (E-18) for taxable years beginning after December  
26 31, 2018, an amount equal to the deduction allowed

1 under Section 250(a)(1)(A) of the Internal Revenue  
2 Code for the taxable year.

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

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

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

10 (H) In the case of a regulated investment company,  
11 an amount equal to the amount of exempt interest  
12 dividends as defined in subsection (b)(5) of Section  
13 852 of the Internal Revenue Code, paid to shareholders  
14 for the taxable year;

15 (I) With the exception of any amounts subtracted  
16 under subparagraph (J), an amount equal to the sum of  
17 all amounts disallowed as deductions by (i) Sections  
18 171(a)(2), ~~7~~ and 265(a)(2) and amounts disallowed as  
19 interest expense by Section 291(a)(3) of the Internal  
20 Revenue Code, and all amounts of expenses allocable to  
21 interest and disallowed as deductions by Section  
22 265(a)(1) of the Internal Revenue Code; and (ii) for  
23 taxable years ending on or after August 13, 1999,  
24 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
25 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
26 for tax years ending on or after December 31, 2011,

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

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

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

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

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

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

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

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

1 in a federally designated Foreign Trade Zone or  
2 Sub-Zone located in Illinois. No taxpayer that is  
3 eligible for the deduction provided in subparagraph  
4 (M) of paragraph (2) of this subsection shall be  
5 eligible for the deduction provided under this  
6 subparagraph (M-1). The subtraction modification  
7 available to taxpayers in any year under this  
8 subsection shall be that portion of the total interest  
9 paid by the borrower with respect to such loan  
10 attributable to the eligible property as calculated  
11 under the previous sentence;

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

23 (O) An amount equal to: (i) 85% for taxable years  
24 ending on or before December 31, 1992, or, a  
25 percentage equal to the percentage allowable under  
26 Section 243(a) (1) of the Internal Revenue Code of 1986

1           for taxable years ending after December 31, 1992, of  
2           the amount by which dividends included in taxable  
3           income and received from a corporation that is not  
4           created or organized under the laws of the United  
5           States or any state or political subdivision thereof,  
6           including, for taxable years ending on or after  
7           December 31, 1988, dividends received or deemed  
8           received or paid or deemed paid under Sections 951  
9           through 965 of the Internal Revenue Code, exceed the  
10          amount of the modification provided under subparagraph  
11          (G) of paragraph (2) of this subsection (b) which is  
12          related to such dividends, and including, for taxable  
13          years ending on or after December 31, 2008, dividends  
14          received from a captive real estate investment trust;  
15          plus (ii) 100% of the amount by which dividends,  
16          included in taxable income and received, including,  
17          for taxable years ending on or after December 31,  
18          1988, dividends received or deemed received or paid or  
19          deemed paid under Sections 951 through 964 of the  
20          Internal Revenue Code and including, for taxable years  
21          ending on or after December 31, 2008, dividends  
22          received from a captive real estate investment trust,  
23          from any such corporation specified in clause (i) that  
24          would but for the provisions of Section 1504(b)(3) of  
25          the Internal Revenue Code be treated as a member of the  
26          affiliated group which includes the dividend

1       recipient, exceed the amount of the modification  
2       provided under subparagraph (G) of paragraph (2) of  
3       this subsection (b) which is related to such  
4       dividends. This subparagraph (O) is exempt from the  
5       provisions of Section 250 of this Act;

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

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

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



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

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

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

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

1           0.429); and

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

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

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

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

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

26           If the taxpayer continues to own property through

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

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

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

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

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

11 (W) 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 that the foreign person's business  
17 activity outside the United States is 80% or more of  
18 that person's total business activity and (ii) for  
19 taxable years ending on or after December 31, 2008, to  
20 a person who would be a member of the same unitary  
21 business group but for the fact that the person is  
22 prohibited under Section 1501(a)(27) from being  
23 included in the unitary business group because he or  
24 she is ordinarily required to apportion business  
25 income under different subsections of Section 304, but  
26 not to exceed the addition modification required to be

1           made for the same taxable year under Section  
2           203(b)(2)(E-12) for interest paid, accrued, or  
3           incurred, directly or indirectly, to the same person.  
4           This subparagraph (W) is exempt from the provisions of  
5           Section 250;

6           (X) An amount equal to the income from intangible  
7           property taken into account for the taxable year (net  
8           of the deductions allocable thereto) with respect to  
9           transactions with (i) a foreign person who would be a  
10          member of the taxpayer's unitary business group but  
11          for the fact that the foreign person's business  
12          activity outside the United States is 80% or more of  
13          that person's total business activity and (ii) for  
14          taxable years ending on or after December 31, 2008, 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, but  
21          not to exceed the addition modification required to be  
22          made for the same taxable year under Section  
23          203(b)(2)(E-13) for intangible expenses and costs  
24          paid, accrued, or incurred, directly or indirectly, to  
25          the same foreign person. This subparagraph (X) is  
26          exempt from the provisions of Section 250;

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

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

25          (AA) An amount equal to a partner's or  
26          shareholder's share of business income apportionable

1           to Illinois and nonbusiness income allocated to  
2           Illinois under Section 303 of this Act that is  
3           distributable to each partner or shareholder and which  
4           was included by a partnership or Subchapter S  
5           corporation in the computing the elective tax under  
6           subsection (d-2) of Section 201. This subparagraph  
7           (AA) is exempt from the provisions of Section 250.

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

16          (c) Trusts and estates.

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

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

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

1 taxable year to the extent excluded from gross income  
2 in the computation of taxable income;

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

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

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

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



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

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

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

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

1           (G) An amount equal to the amount of the capital  
2           gain deduction allowable under the Internal Revenue  
3           Code, to the extent deducted from gross income in the  
4           computation of taxable income;

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

11          (G-10) 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; and

16          (G-11) 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 (G-10), then  
20          an amount equal to the aggregate amount of the  
21          deductions taken in all taxable years under  
22          subparagraph (R) 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 (R), 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           (G-12) 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 that the foreign person's business activity  
14          outside 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;

(G-13) An amount equal to the amount of intangible expenses and costs otherwise allowed as a deduction in computing base income, and that were paid, accrued, or incurred, directly or indirectly, (i) for taxable years ending on or after December 31, 2004, to a foreign person who would be a member of the same unitary business group but for the fact that the foreign person's business activity outside the United States is 80% or more of that person's total business activity and (ii) for taxable years ending on or after December 31, 2008, to a person who would be a member of the same unitary business group but for the fact that the person is prohibited under Section 1501(a)(27) from being included in the unitary business group because he or she is ordinarily required to apportion business income under different subsections of Section 304. The addition modification required by this subparagraph shall be reduced to the extent that dividends were included in base income of the unitary group for the same taxable year and received by the taxpayer or by a member of the taxpayer's unitary business group (including amounts included in gross income pursuant to Sections 951 through 964 of the Internal Revenue Code and amounts included in gross income under Section 78 of the Internal Revenue Code) 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(c)(2)(G-12) of  
6 this Act. As used in this subparagraph, the term  
7 "intangible expenses and costs" includes: (1)  
8 expenses, losses, and costs for or related to the  
9 direct or indirect acquisition, use, maintenance or  
10 management, ownership, sale, exchange, or any other  
11 disposition of intangible property; (2) losses  
12 incurred, directly or indirectly, from factoring  
13 transactions or discounting transactions; (3) royalty,  
14 patent, technical, and copyright fees; (4) licensing  
15 fees; and (5) other similar expenses and costs. For  
16 purposes of this subparagraph, "intangible property"  
17 includes patents, patent applications, trade names,  
18 trademarks, service marks, copyrights, mask works,  
19 trade secrets, and 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          (G-14) 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(c)(2)(G-12) or Section 203(c)(2)(G-13) of this  
10 Act;

11 (G-15) 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 (G-16) 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 and by deducting from the total so obtained the sum of the  
20 following amounts:

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

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

6 (I) The valuation limitation amount;

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

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

21 (L) With the exception of any amounts subtracted  
22 under subparagraph (K), an amount equal to the sum of  
23 all amounts disallowed as deductions by (i) Sections  
24 171(a)(2) and 265(a)(2) of the Internal Revenue Code,  
25 and all amounts of expenses allocable to interest and  
26 disallowed as deductions by Section 265(a)(1) of the

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

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

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

23 (O) An amount equal to those dividends included in  
24 such total that were paid by a corporation that  
25 conducts business operations in a federally designated  
26 Foreign Trade Zone or Sub-Zone and that is designated

1 a High Impact Business located in Illinois; provided  
2 that dividends eligible for the deduction provided in  
3 subparagraph (M) of paragraph (2) of this subsection  
4 shall not be eligible for the deduction provided under  
5 this subparagraph (O);

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

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

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

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

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

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

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

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

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

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

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

1           Section 250;

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

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

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

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

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



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

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

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

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

25 (W) in the case of an estate, an amount equal to  
26 all amounts included in such total pursuant to the

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

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

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

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

6           (AA) An amount equal to a partner's or  
7           shareholder's share of business income apportionable  
8           to Illinois and nonbusiness income allocated to  
9           Illinois under Section 303 of this Act that is  
10           distributable to each partner or shareholder and which  
11           was included by a partnership or Subchapter S  
12           corporation in the computing the elective tax under  
13           subsection (d-2) of Section 201. This subparagraph  
14           (AA) is exempt from the provisions of Section 250.

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

22           (d) Partnerships.

23           (1) In general. In the case of a partnership, 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. The taxable income referred to in  
2       paragraph (1) shall be modified by adding thereto the sum  
3       of the following amounts:

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

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

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

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

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

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

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

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

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

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

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

16 This paragraph shall not apply to the following:

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

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

1 following:

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

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

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

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

26 Nothing in this subsection shall preclude the



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

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

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

1 similar types of intangible assets;

2 This paragraph shall not apply to the following:

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

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

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

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

26 (iii) any item of intangible expense or cost

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

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

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

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

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

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

26 and by deducting from the total so obtained the following

1 amounts:

2 (E) The valuation limitation amount;

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

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

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

24 (I) An amount equal to all amounts of income  
25 distributable to an entity subject to the Personal  
26 Property Tax Replacement Income Tax imposed by

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

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

23 (K) An amount equal to those dividends included in  
24 such total which were paid by a corporation which  
25 conducts business operations in a River Edge  
26 Redevelopment Zone or zones created under the River

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

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

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

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

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



thereafter, an amount equal to "x", where:

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

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

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

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

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

The aggregate amount deducted under this subparagraph in all taxable years for any one piece of property may not exceed the amount of the bonus

1 depreciation deduction taken on that property on the  
2 taxpayer's federal income tax return under subsection  
3 (k) of Section 168 of the Internal Revenue Code. This  
4 subparagraph (O) is exempt from the provisions of  
5 Section 250;

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

11 If the taxpayer continues to own property through  
12 the last day of the last tax year for which the  
13 taxpayer may claim a depreciation deduction for  
14 federal income tax purposes and for which the taxpayer  
15 was required in any taxable year to make an addition  
16 modification under subparagraph (D-5), then an amount  
17 equal to that addition modification.

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

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

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

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

14           (R) An amount equal to the interest income taken  
15          into account for the taxable year (net of the  
16          deductions allocable thereto) with respect to  
17          transactions with (i) a foreign person who would be a  
18          member of the taxpayer's unitary business group but  
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(d)(2)(D-7) for interest paid, accrued, or  
6 incurred, directly or indirectly, to the same person.  
7 This subparagraph (R) is exempt from Section 250;

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

1 same person. This subparagraph (S) is exempt from  
2 Section 250; ~~and~~

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

19 (U) An amount equal to a partner's or  
20 shareholder's share of business income apportionable  
21 to Illinois and nonbusiness income allocated to  
22 Illinois under Section 303 of this Act that is  
23 distributable to each partner or shareholder and which  
24 was included by a partnership or Subchapter S  
25 corporation in the computing the elective tax under  
26 subsection (d-2) of Section 201. This subparagraph (U)

1           is exempt from the provisions of Section 250.

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

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

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

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

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

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

24                (C) Regulated investment companies. In the case of  
25                a regulated investment company subject to the tax  
26                imposed by Section 852 of the Internal Revenue Code,

1 investment company taxable income;

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

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

19 (F) Cooperatives. In the case of a cooperative  
20 corporation or association, the taxable income of such  
21 organization determined in accordance with the  
22 provisions of Section 1381 through 1388 of the  
23 Internal Revenue Code, but without regard to the  
24 prohibition against offsetting losses from patronage  
25 activities against income from nonpatronage  
26 activities; except that a cooperative corporation or



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

24 (G) Subchapter S corporations. In the case of: (i)  
25 a Subchapter S corporation for which there is in  
26 effect an election for the taxable year under Section

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

15               (H) Partnerships. In the case of a partnership,  
16          taxable income determined in accordance with Section  
17          703 of the Internal Revenue Code, except that taxable  
18          income shall take into account those items which are  
19          required by Section 703(a)(1) to be separately stated  
20          but which would be taken into account by an individual  
21          in calculating his taxable income.

22               (3) Recapture of business expenses on disposition of  
23          asset or business. Notwithstanding any other law to the  
24          contrary, if in prior years income from an asset or  
25          business has been classified as business income and in a  
26          later year is demonstrated to be non-business income, then

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

13 (f) Valuation limitation amount.

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

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

23 (B) The lesser of (i) the sum of the pre-August 1,  
24 1969 appreciation amounts (to the extent consisting of  
25 capital gain) for all property in respect of which

1       such gain was reported for federal income tax purposes  
2       for the taxable year, or (ii) the net capital gain for  
3       the taxable year, reduced in either case by any amount  
4       of such gain included in the amount determined under  
5       subsection (a) (2) (F) or (c) (2) (H).

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

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

18          (B) If the fair market value of property referred  
19      to in paragraph (1) was not readily ascertainable on  
20      August 1, 1969, the pre-August 1, 1969 appreciation  
21      amount for such property is that amount which bears  
22      the same ratio to the total gain reported in respect of  
23      the property for federal income tax purposes for the  
24      taxable year, as the number of full calendar months in  
25      that part of the taxpayer's holding period for the  
26      property ending July 31, 1969 bears to the number of

1 full calendar months in the taxpayer's entire holding  
2 period for the property.

3 (C) The Department shall prescribe such  
4 regulations as may be necessary to carry out the  
5 purposes of this paragraph.

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

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

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

20 (35 ILCS 5/601) (from Ch. 120, par. 6-601)

21 Sec. 601. Payment on due date of return.

22 (a) In general. Every taxpayer required to file a return  
23 under this Act shall, without assessment, notice or demand,

1 pay any tax due thereon to the Department, at the place fixed  
2 for filing, on or before the date fixed for filing such return  
3 (determined without regard to any extension of time for filing  
4 the return) pursuant to regulations prescribed by the  
5 Department. If, however, the due date for payment of a  
6 taxpayer's federal income tax liability for a tax year (as  
7 provided in the Internal Revenue Code or by Treasury  
8 regulation, or as extended by the Internal Revenue Service) is  
9 later than the date fixed for filing the taxpayer's Illinois  
10 income tax return for that tax year, the Department may, by  
11 rule, prescribe a due date for payment that is not later than  
12 the due date for payment of the taxpayer's federal income tax  
13 liability. For purposes of the Illinois Administrative  
14 Procedure Act, the adoption of rules to prescribe a later due  
15 date for payment shall be deemed an emergency and necessary  
16 for the public interest, safety, and welfare.

17 (b) Amount payable. In making payment as provided in this  
18 section there shall remain payable only the balance of such  
19 tax remaining due after giving effect to the following:

20 (1) Withheld tax. Any amount withheld during any  
21 calendar year pursuant to Article 7 from compensation paid  
22 to a taxpayer shall be deemed to have been paid on account  
23 of any tax imposed by subsections 201(a) and (b) of this  
24 Act on such taxpayer for his taxable year beginning in  
25 such calendar year. If more than one taxable year begins  
26 in a calendar year, such amount shall be deemed to have

1       been paid on account of such tax for the last taxable year  
2       so beginning.

3           (2) Estimated and tentative tax payments. Any amount  
4       of estimated tax paid by a taxpayer pursuant to Article 8  
5       for a taxable year shall be deemed to have been paid on  
6       account of the tax imposed by this Act for such taxable  
7       year.

8           (3) Foreign tax. The aggregate amount of tax which is  
9       imposed upon or measured by income and which is paid by a  
10      resident for a taxable year to another state or states on  
11      income which is also subject to the tax imposed by  
12      subsections 201(a) and (b) of this Act shall be credited  
13      against the tax imposed by subsections 201(a) and (b)  
14      otherwise due under this Act for such taxable year. For  
15      taxable years ending prior to December 31, 2009, the  
16      aggregate credit provided under this paragraph shall not  
17      exceed that amount which bears the same ratio to the tax  
18      imposed by subsections 201(a) and (b) otherwise due under  
19      this Act as the amount of the taxpayer's base income  
20      subject to tax both by such other state or states and by  
21      this State bears to his total base income subject to tax by  
22      this State for the taxable year. For taxable years ending  
23      on or after December 31, 2009, the credit provided under  
24      this paragraph for tax paid to other states shall not  
25      exceed that amount which bears the same ratio to the tax  
26      imposed by subsections 201(a) and (b) otherwise due under

1       this Act as the amount of the taxpayer's base income that  
2       would be allocated or apportioned to other states if all  
3       other states had adopted the provisions in Article 3 of  
4       this Act bears to the taxpayer's total base income subject  
5       to tax by this State for the taxable year. This subsection  
6       is exempt from the 30-day threshold set forth in  
7       subparagraph (iii) of paragraph (B) of item (2) of  
8       subsection (a) of Section 304. The credit provided by this  
9       paragraph shall not be allowed if any creditable tax was  
10      deducted in determining base income for the taxable year.  
11      This credit shall include representation of taxes based on  
12      income that are imposed on partnerships in which the  
13      taxpayer is a partner and Subchapter S corporations in  
14      which the taxpayer is a shareholder. Any person claiming  
15      such credit shall attach a statement in support thereof  
16      and shall notify the Director of any refund or reductions  
17      in the amount of tax claimed as a credit hereunder all in  
18      such manner and at such time as the Department shall by  
19      regulations prescribe.

20           (4) Accumulation and capital gain distributions. If  
21      the net income of a taxpayer includes amounts included in  
22      his base income by reason of Section 667 of the Internal  
23      Revenue Code (relating to accumulation and capital gain  
24      distributions by a trust, respectively), the tax imposed  
25      on such taxpayer by this Act shall be credited with his pro  
26      rata portion of the taxes imposed by this Act on such trust



1 for preceding taxable years which would not have been  
2 payable for such preceding years if the trust had in fact  
3 made distributions to its beneficiaries at the times and  
4 in the amounts specified in Sections 666 and 669 of the  
5 Internal Revenue Code. The credit provided by this  
6 paragraph shall not reduce the tax otherwise due from the  
7 taxpayer to an amount less than that which would be due if  
8 the amounts included by reason of Section 667 of the  
9 Internal Revenue Code were excluded from his or her base  
10 income.

11 (c) Cross reference. For application against tax due of  
12 overpayments of tax for a prior year, see Section 909.

13 (Source: P.A. 101-585, eff. 8-26-19.)

14 (35 ILCS 5/709.5)

15 Sec. 709.5. Withholding by partnerships, Subchapter S  
16 corporations, and trusts.

17 (a) In general. Except for a partnership or Subchapter S  
18 corporation that has elected the tax under subsection (d-2) of  
19 Section 201, for ~~For~~ each taxable year ending on or after  
20 December 31, 2008, every partnership (other than a publicly  
21 traded partnership under Section 7704 of the Internal Revenue  
22 Code or investment partnership), Subchapter S corporation, and  
23 trust must withhold from each nonresident partner,  
24 shareholder, or beneficiary (other than a partner,  
25 shareholder, or beneficiary who is exempt from tax under

1 Section 501(a) of the Internal Revenue Code or under Section  
2 205 of this Act, who is included on a composite return filed by  
3 the partnership or Subchapter S corporation for the taxable  
4 year under subsection (f) of Section 502 of this Act), or who  
5 is a retired partner, to the extent that partner's  
6 distributions are exempt from tax under Section 203(a)(2)(F)  
7 of this Act) an amount equal to the sum of (i) the share of  
8 business income of the partnership, Subchapter S corporation,  
9 or trust apportionable to Illinois plus (ii) for taxable years  
10 ending on or after December 31, 2014, the share of nonbusiness  
11 income of the partnership, Subchapter S corporation, or trust  
12 allocated to Illinois under Section 303 of this Act (other  
13 than an amount allocated to the commercial domicile of the  
14 taxpayer under Section 303 of this Act) that is distributable  
15 to that partner, shareholder, or beneficiary under Sections  
16 702 and 704 and Subchapter S of the Internal Revenue Code,  
17 whether or not distributed, (iii) multiplied by the applicable  
18 rates of tax for that partner, shareholder, or beneficiary  
19 under subsections (a) through (d) of Section 201 of this Act,  
20 and (iv) net of the share of any credit under Article 2 of this  
21 Act that is distributable by the partnership, Subchapter S  
22 corporation, or trust and allowable against the tax liability  
23 of that partner, shareholder, or beneficiary for a taxable  
24 year ending on or after December 31, 2014.

25 (b) Credit for taxes withheld. Any amount withheld under  
26 subsection (a) of this Section and paid to the Department

1 shall be treated as a payment of the estimated tax liability or  
2 of the liability for withholding under this Section of the  
3 partner, shareholder, or beneficiary to whom the income is  
4 distributable for the taxable year in which that person  
5 incurred a liability under this Act with respect to that  
6 income. The Department shall adopt rules pursuant to which a  
7 partner, shareholder, or beneficiary may claim a credit  
8 against its obligation for withholding under this Section for  
9 amounts withheld under this Section with respect to income  
10 distributable to it by a partnership, Subchapter S  
11 corporation, or trust and allowing its partners, shareholders,  
12 or beneficiaries to claim a credit under this subsection (b)  
13 for those withheld amounts.

14 (c) Exemption from withholding.

15 (1) A partnership, Subchapter S corporation, or trust  
16 shall not be required to withhold tax under subsection (a)  
17 of this Section with respect to any nonresident partner,  
18 shareholder, or beneficiary (other than an individual)  
19 from whom the partnership, S corporation, or trust has  
20 received a certificate, completed in the form and manner  
21 prescribed by the Department, stating that such  
22 nonresident partner, shareholder, or beneficiary shall:

23 (A) file all returns that the partner,  
24 shareholder, or beneficiary is required to file under  
25 Section 502 of this Act and make timely payment of all  
26 taxes imposed under Section 201 of this Act or under

1           this Section on the partner, shareholder, or  
2           beneficiary with respect to income of the partnership,  
3           S corporation, or trust; and

4           (B) be subject to personal jurisdiction in this  
5           State for purposes of the collection of income taxes,  
6           together with related interest and penalties, imposed  
7           on the partner, shareholder, or beneficiary with  
8           respect to the income of the partnership, S  
9           corporation, or trust.

10          (2) The Department may revoke the exemption provided  
11          by this subsection (c) at any time that it determines that  
12          the nonresident partner, shareholder, or beneficiary is  
13          not abiding by the terms of the certificate. The  
14          Department shall notify the partnership, S corporation, or  
15          trust that it has revoked a certificate by notice left at  
16          the usual place of business of the partnership, S  
17          corporation, or trust or by mail to the last known address  
18          of the partnership, S corporation, or trust.

19          (3) A partnership, S corporation, or trust that  
20          receives a certificate under this subsection (c) properly  
21          completed by a nonresident partner, shareholder, or  
22          beneficiary shall not be required to withhold any amount  
23          from that partner, shareholder, or beneficiary, the  
24          payment of which would be due under Section 711(a-5) of  
25          this Act after the receipt of the certificate and no  
26          earlier than 60 days after the Department has notified the

1 partnership, S corporation, or trust that the certificate  
2 has been revoked.

3 (4) Certificates received by a partnership, S  
4 corporation, or trust under this subsection (c) must be  
5 retained by the partnership, S corporation, or trust and a  
6 record of such certificates must be provided to the  
7 Department, in a format in which the record is available  
8 for review by the Department, upon request by the  
9 Department. The Department may, by rule, require the  
10 record of certificates to be maintained and provided to  
11 the Department electronically.

12 (Source: P.A. 100-201, eff. 8-18-17.)

13 (35 ILCS 5/1501) (from Ch. 120, par. 15-1501)

14 Sec. 1501. Definitions.

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

18 (1) Business income. The term "business income" means  
19 all income that may be treated as apportionable business  
20 income under the Constitution of the United States.  
21 Business income is net of the deductions allocable  
22 thereto. Such term does not include compensation or the  
23 deductions allocable thereto. For each taxable year  
24 beginning on or after January 1, 2003, a taxpayer may  
25 elect to treat all income other than compensation as

1 business income. This election shall be made in accordance  
2 with rules adopted by the Department and, once made, shall  
3 be irrevocable.

4 (1.5) Captive real estate investment trust:

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

7 (i) that is considered a real estate  
8 investment trust for the taxable year under  
9 Section 856 of the Internal Revenue Code;

10 (ii) the certificates of beneficial interest  
11 or shares of which are not regularly traded on an  
12 established securities market; and

13 (iii) of which more than 50% of the voting  
14 power or value of the beneficial interest or  
15 shares, at any time during the last half of the  
16 taxable year, is owned or controlled, directly,  
17 indirectly, or constructively, by a single  
18 corporation.

19 (B) The term "captive real estate investment  
20 trust" does not include:

21 (i) a real estate investment trust of which  
22 more than 50% of the voting power or value of the  
23 beneficial interest or shares is owned or  
24 controlled, directly, indirectly, or  
25 constructively, by:

26 (a) a real estate investment trust, other

1           than a captive real estate investment trust;

2           (b) a person who is exempt from taxation  
3           under Section 501 of the Internal Revenue  
4           Code, and who is not required to treat income  
5           received from the real estate investment trust  
6           as unrelated business taxable income under  
7           Section 512 of the Internal Revenue Code;

8           (c) a listed Australian property trust, if  
9           no more than 50% of the voting power or value  
10          of the beneficial interest or shares of that  
11          trust, at any time during the last half of the  
12          taxable year, is owned or controlled, directly  
13          or indirectly, by a single person;

14          (d) an entity organized as a trust,  
15          provided a listed Australian property trust  
16          described in subparagraph (c) owns or  
17          controls, directly or indirectly, or  
18          constructively, 75% or more of the voting  
19          power or value of the beneficial interests or  
20          shares of such entity; or

21          (e) an entity that is organized outside of  
22          the laws of the United States and that  
23          satisfies all of the following criteria:

24               (1) at least 75% of the entity's total  
25               asset value at the close of its taxable  
26               year is represented by real estate assets

1 (as defined in Section 856(c)(5)(B) of the  
2 Internal Revenue Code, thereby including  
3 shares or certificates of beneficial  
4 interest in any real estate investment  
5 trust), cash and cash equivalents, and  
6 U.S. Government securities;

7 (2) the entity is not subject to tax  
8 on amounts that are distributed to its  
9 beneficial owners or is exempt from  
10 entity-level taxation;

11 (3) the entity distributes at least  
12 85% of its taxable income (as computed in  
13 the jurisdiction in which it is organized)  
14 to the holders of its shares or  
15 certificates of beneficial interest on an  
16 annual basis;

17 (4) either (i) the shares or  
18 beneficial interests of the entity are  
19 regularly traded on an established  
20 securities market or (ii) not more than  
21 10% of the voting power or value in the  
22 entity is held, directly, indirectly, or  
23 constructively, by a single entity or  
24 individual; and

25 (5) the entity is organized in a  
26 country that has entered into a tax treaty



1 with the United States; or

2 (ii) during its first taxable year for which  
3 it elects to be treated as a real estate  
4 investment trust under Section 856(c)(1) of the  
5 Internal Revenue Code, a real estate investment  
6 trust the certificates of beneficial interest or  
7 shares of which are not regularly traded on an  
8 established securities market, but only if the  
9 certificates of beneficial interest or shares of  
10 the real estate investment trust are regularly  
11 traded on an established securities market prior  
12 to the earlier of the due date (including  
13 extensions) for filing its return under this Act  
14 for that first taxable year or the date it  
15 actually files that return.

16 (C) For the purposes of this subsection (1.5), the  
17 constructive ownership rules prescribed under Section  
18 318(a) of the Internal Revenue Code, as modified by  
19 Section 856(d)(5) of the Internal Revenue Code, apply  
20 in determining the ownership of stock, assets, or net  
21 profits of any person.

22 (D) For the purposes of this item (1.5), for  
23 taxable years ending on or after August 16, 2007, the  
24 voting power or value of the beneficial interest or  
25 shares of a real estate investment trust does not  
26 include any voting power or value of beneficial

1 interest or shares in a real estate investment trust  
2 held directly or indirectly in a segregated asset  
3 account by a life insurance company (as described in  
4 Section 817 of the Internal Revenue Code) to the  
5 extent such voting power or value is for the benefit of  
6 entities or persons who are either immune from  
7 taxation or exempt from taxation under subtitle A of  
8 the Internal Revenue Code.

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

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

15 (4) Corporation. The term "corporation" includes  
16 associations, joint-stock companies, insurance companies  
17 and cooperatives. Any entity, including a limited  
18 liability company formed under the Illinois Limited  
19 Liability Company Act, shall be treated as a corporation  
20 if it is so classified for federal income tax purposes.

21 (5) Department. The term "Department" means the  
22 Department of Revenue of this State.

23 (6) Director. The term "Director" means the Director  
24 of Revenue of this State.

25 (7) Fiduciary. The term "fiduciary" means a guardian,  
26 trustee, executor, administrator, receiver, or any person

1 acting in any fiduciary capacity for any person.

2 (8) Financial organization.

3 (A) The term "financial organization" means any  
4 bank, bank holding company, trust company, savings  
5 bank, industrial bank, land bank, safe deposit  
6 company, private banker, savings and loan association,  
7 building and loan association, credit union, currency  
8 exchange, cooperative bank, small loan company, sales  
9 finance company, investment company, or any person  
10 which is owned by a bank or bank holding company. For  
11 the purpose of this Section a "person" will include  
12 only those persons which a bank holding company may  
13 acquire and hold an interest in, directly or  
14 indirectly, under the provisions of the Bank Holding  
15 Company Act of 1956 (12 U.S.C. 1841, et seq.), except  
16 where interests in any person must be disposed of  
17 within certain required time limits under the Bank  
18 Holding Company Act of 1956.

19 (B) For purposes of subparagraph (A) of this  
20 paragraph, the term "bank" includes (i) any entity  
21 that is regulated by the Comptroller of the Currency  
22 under the National Bank Act, or by the Federal Reserve  
23 Board, or by the Federal Deposit Insurance Corporation  
24 and (ii) any federally or State chartered bank  
25 operating as a credit card bank.

26 (C) For purposes of subparagraph (A) of this

1 paragraph, the term "sales finance company" has the  
2 meaning provided in the following item (i) or (ii):

3 (i) A person primarily engaged in one or more  
4 of the following businesses: the business of  
5 purchasing customer receivables, the business of  
6 making loans upon the security of customer  
7 receivables, the business of making loans for the  
8 express purpose of funding purchases of tangible  
9 personal property or services by the borrower, or  
10 the business of finance leasing. For purposes of  
11 this item (i), "customer receivable" means:

12 (a) a retail installment contract or  
13 retail charge agreement within the meaning of  
14 the Sales Finance Agency Act, the Retail  
15 Installment Sales Act, or the Motor Vehicle  
16 Retail Installment Sales Act;

17 (b) an installment, charge, credit, or  
18 similar contract or agreement arising from the  
19 sale of tangible personal property or services  
20 in a transaction involving a deferred payment  
21 price payable in one or more installments  
22 subsequent to the sale; or

23 (c) the outstanding balance of a contract  
24 or agreement described in provisions (a) or  
25 (b) of this item (i).

26 A customer receivable need not provide for

1 payment of interest on deferred payments. A sales  
2 finance company may purchase a customer receivable  
3 from, or make a loan secured by a customer  
4 receivable to, the seller in the original  
5 transaction or to a person who purchased the  
6 customer receivable directly or indirectly from  
7 that seller.

8 (ii) A corporation meeting each of the  
9 following criteria:

10 (a) the corporation must be a member of an  
11 "affiliated group" within the meaning of  
12 Section 1504(a) of the Internal Revenue Code,  
13 determined without regard to Section 1504(b)  
14 of the Internal Revenue Code;

15 (b) more than 50% of the gross income of  
16 the corporation for the taxable year must be  
17 interest income derived from qualifying loans.  
18 A "qualifying loan" is a loan made to a member  
19 of the corporation's affiliated group that  
20 originates customer receivables (within the  
21 meaning of item (i)) or to whom customer  
22 receivables originated by a member of the  
23 affiliated group have been transferred, to the  
24 extent the average outstanding balance of  
25 loans from that corporation to members of its  
26 affiliated group during the taxable year do

1 not exceed the limitation amount for that  
2 corporation. The "limitation amount" for a  
3 corporation is the average outstanding  
4 balances during the taxable year of customer  
5 receivables (within the meaning of item (i))  
6 originated by all members of the affiliated  
7 group. If the average outstanding balances of  
8 the loans made by a corporation to members of  
9 its affiliated group exceed the limitation  
10 amount, the interest income of that  
11 corporation from qualifying loans shall be  
12 equal to its interest income from loans to  
13 members of its affiliated groups times a  
14 fraction equal to the limitation amount  
15 divided by the average outstanding balances of  
16 the loans made by that corporation to members  
17 of its affiliated group;

18 (c) the total of all shareholder's equity  
19 (including, without limitation, paid-in  
20 capital on common and preferred stock and  
21 retained earnings) of the corporation plus the  
22 total of all of its loans, advances, and other  
23 obligations payable or owed to members of its  
24 affiliated group may not exceed 20% of the  
25 total assets of the corporation at any time  
26 during the tax year; and

1 (d) more than 50% of all interest-bearing  
2 obligations of the affiliated group payable to  
3 persons outside the group determined in  
4 accordance with generally accepted accounting  
5 principles must be obligations of the  
6 corporation.

7 This amendatory Act of the 91st General Assembly  
8 is declaratory of existing law.

9 (D) Subparagraphs (B) and (C) of this paragraph  
10 are declaratory of existing law and apply  
11 retroactively, for all tax years beginning on or  
12 before December 31, 1996, to all original returns, to  
13 all amended returns filed no later than 30 days after  
14 the effective date of this amendatory Act of 1996, and  
15 to all notices issued on or before the effective date  
16 of this amendatory Act of 1996 under subsection (a) of  
17 Section 903, subsection (a) of Section 904, subsection  
18 (e) of Section 909, or Section 912. A taxpayer that is  
19 a "financial organization" that engages in any  
20 transaction with an affiliate shall be a "financial  
21 organization" for all purposes of this Act.

22 (E) For all tax years beginning on or before  
23 December 31, 1996, a taxpayer that falls within the  
24 definition of a "financial organization" under  
25 subparagraphs (B) or (C) of this paragraph, but who  
26 does not fall within the definition of a "financial

1 organization" under the Proposed Regulations issued by  
2 the Department of Revenue on July 19, 1996, may  
3 irrevocably elect to apply the Proposed Regulations  
4 for all of those years as though the Proposed  
5 Regulations had been lawfully promulgated, adopted,  
6 and in effect for all of those years. For purposes of  
7 applying subparagraphs (B) or (C) of this paragraph to  
8 all of those years, the election allowed by this  
9 subparagraph applies only to the taxpayer making the  
10 election and to those members of the taxpayer's  
11 unitary business group who are ordinarily required to  
12 apportion business income under the same subsection of  
13 Section 304 of this Act as the taxpayer making the  
14 election. No election allowed by this subparagraph  
15 shall be made under a claim filed under subsection (d)  
16 of Section 909 more than 30 days after the effective  
17 date of this amendatory Act of 1996.

18 (F) Finance Leases. For purposes of this  
19 subsection, a finance lease shall be treated as a loan  
20 or other extension of credit, rather than as a lease,  
21 regardless of how the transaction is characterized for  
22 any other purpose, including the purposes of any  
23 regulatory agency to which the lessor is subject. A  
24 finance lease is any transaction in the form of a lease  
25 in which the lessee is treated as the owner of the  
26 leased asset entitled to any deduction for



1 depreciation allowed under Section 167 of the Internal  
2 Revenue Code.

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

6 (9.5) Fixed place of business. The term "fixed place  
7 of business" has the same meaning as that term is given in  
8 Section 864 of the Internal Revenue Code and the related  
9 Treasury regulations.

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

14 (11) Internal Revenue Code. The term "Internal Revenue  
15 Code" means the United States Internal Revenue Code of  
16 1954 or any successor law or laws relating to federal  
17 income taxes in effect for the taxable year.

18 (11.5) Investment partnership.

19 (A) The term "investment partnership" means any  
20 entity that is treated as a partnership for federal  
21 income tax purposes that meets the following  
22 requirements:

23 (i) no less than 90% of the partnership's cost  
24 of its total assets consists of qualifying  
25 investment securities, deposits at banks or other  
26 financial institutions, and office space and

1 equipment reasonably necessary to carry on its  
2 activities as an investment partnership;

3 (ii) no less than 90% of its gross income  
4 consists of interest, dividends, and gains from  
5 the sale or exchange of qualifying investment  
6 securities; and

7 (iii) the partnership is not a dealer in  
8 qualifying investment securities.

9 (B) For purposes of this paragraph (11.5), the  
10 term "qualifying investment securities" includes all  
11 of the following:

12 (i) common stock, including preferred or debt  
13 securities convertible into common stock, and  
14 preferred stock;

15 (ii) bonds, debentures, and other debt  
16 securities;

17 (iii) foreign and domestic currency deposits  
18 secured by federal, state, or local governmental  
19 agencies;

20 (iv) mortgage or asset-backed securities  
21 secured by federal, state, or local governmental  
22 agencies;

23 (v) repurchase agreements and loan  
24 participations;

25 (vi) foreign currency exchange contracts and  
26 forward and futures contracts on foreign

1 currencies;

2 (vii) stock and bond index securities and  
3 futures contracts and other similar financial  
4 securities and futures contracts on those  
5 securities;

6 (viii) options for the purchase or sale of any  
7 of the securities, currencies, contracts, or  
8 financial instruments described in items (i) to  
9 (vii), inclusive;

10 (ix) regulated futures contracts;

11 (x) commodities (not described in Section  
12 1221(a)(1) of the Internal Revenue Code) or  
13 futures, forwards, and options with respect to  
14 such commodities, provided, however, that any item  
15 of a physical commodity to which title is actually  
16 acquired in the partnership's capacity as a dealer  
17 in such commodity shall not be a qualifying  
18 investment security;

19 (xi) derivatives; and

20 (xii) a partnership interest in another  
21 partnership that is an investment partnership.

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

26 (A) arithmetic errors or incorrect computations on

1 the return or supporting schedules;

2 (B) entries on the wrong lines;

3 (C) omission of required supporting forms or  
4 schedules or the omission of the information in whole  
5 or in part called for thereon; and

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

10 (13) Nonbusiness income. The term "nonbusiness income"  
11 means all income other than business income or  
12 compensation.

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

15 (15) Paid, incurred and accrued. The terms "paid",  
16 "incurred" and "accrued" shall be construed according to  
17 the method of accounting upon the basis of which the  
18 person's base income is computed under this Act.

19 (16) Partnership and partner. The term "partnership"  
20 includes a syndicate, group, pool, joint venture or other  
21 unincorporated organization, through or by means of which  
22 any business, financial operation, or venture is carried  
23 on, and which is not, within the meaning of this Act, a  
24 trust or estate or a corporation; and the term "partner"  
25 includes a member in such syndicate, group, pool, joint  
26 venture or organization.

1           The term "partnership" includes any entity, including  
2           a limited liability company formed under the Illinois  
3           Limited Liability Company Act, classified as a partnership  
4           for federal income tax purposes.

5           The term "partnership" does not include a syndicate,  
6           group, pool, joint venture, or other unincorporated  
7           organization established for the sole purpose of playing  
8           the Illinois State Lottery.

9           (17) Part-year resident. The term "part-year resident"  
10          means an individual who became a resident during the  
11          taxable year or ceased to be a resident during the taxable  
12          year. Under Section 1501(a)(20)(A)(i) residence commences  
13          with presence in this State for other than a temporary or  
14          transitory purpose and ceases with absence from this State  
15          for other than a temporary or transitory purpose. Under  
16          Section 1501(a)(20)(A)(ii) residence commences with the  
17          establishment of domicile in this State and ceases with  
18          the establishment of domicile in another State.

19          (17.5) Pass-through owner. The term "pass-through  
20          owner" means any person that is a partner in a partnership  
21          or shareholder in a Subchapter S corporation, except for a  
22          partner or shareholder that is exempt from tax under  
23          Section 501(a) of the Internal Revenue Code or under  
24          Section 205 of this Act.

25          (18) Person. The term "person" shall be construed to  
26          mean and include an individual, a trust, estate,

1 partnership, association, firm, company, corporation,  
2 limited liability company, or fiduciary. For purposes of  
3 Section 1301 and 1302 of this Act, a "person" means (i) an  
4 individual, (ii) a corporation, (iii) an officer, agent,  
5 or employee of a corporation, (iv) a member, agent or  
6 employee of a partnership, or (v) a member, manager,  
7 employee, officer, director, or agent of a limited  
8 liability company who in such capacity commits an offense  
9 specified in Section 1301 and 1302.

10 (18A) Records. The term "records" includes all data  
11 maintained by the taxpayer, whether on paper, microfilm,  
12 microfiche, or any type of machine-sensible data  
13 compilation.

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

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

17 (A) an individual (i) who is in this State for  
18 other than a temporary or transitory purpose during  
19 the taxable year; or (ii) who is domiciled in this  
20 State but is absent from the State for a temporary or  
21 transitory purpose during the taxable year;

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

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

26 (D) An irrevocable trust, the grantor of which was

1 domiciled in this State at the time such trust became  
2 irrevocable. For purpose of this subparagraph, a trust  
3 shall be considered irrevocable to the extent that the  
4 grantor is not treated as the owner thereof under  
5 Sections 671 through 678 of the Internal Revenue Code.

6 (21) Sales. The term "sales" means all gross receipts  
7 of the taxpayer not allocated under Sections 301, 302 and  
8 303.

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

21 (23) Taxable year. The term "taxable year" means the  
22 calendar year, or the fiscal year ending during such  
23 calendar year, upon the basis of which the base income is  
24 computed under this Act. "Taxable year" means, in the case  
25 of a return made for a fractional part of a year under the  
26 provisions of this Act, the period for which such return

1 is made.

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

4 (25) International banking facility. The term  
5 international banking facility shall have the same meaning  
6 as is set forth in the Illinois Banking Act or as is set  
7 forth in the laws of the United States or regulations of  
8 the Board of Governors of the Federal Reserve System.

9 (26) Income Tax Return Preparer.

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

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

20 (i) furnish typing, reproducing, or other  
21 mechanical assistance;

22 (ii) prepare returns or claims for refunds for  
23 the employer by whom he or she is regularly and  
24 continuously employed;

25 (iii) prepare as a fiduciary returns or claims  
26 for refunds for any person; or



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

10       (27) Unitary business group.

11           (A) The term "unitary business group" means a  
12           group of persons related through common ownership  
13           whose business activities are integrated with,  
14           dependent upon and contribute to each other. The group  
15           will not include those members whose business activity  
16           outside the United States is 80% or more of any such  
17           member's total business activity; for purposes of this  
18           paragraph and clause (a)(3)(B)(ii) of Section 304,  
19           business activity within the United States shall be  
20           measured by means of the factors ordinarily applicable  
21           under subsections (a), (b), (c), (d), or (h) of  
22           Section 304 except that, in the case of members  
23           ordinarily required to apportion business income by  
24           means of the 3 factor formula of property, payroll and  
25           sales specified in subsection (a) of Section 304,  
26           including the formula as weighted in subsection (h) of

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

1 integrated through the exercise of strong centralized  
2 management (where, for example, authority over such  
3 matters as purchasing, financing, tax compliance,  
4 product line, personnel, marketing and capital  
5 investment is not left to each member).

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

1 subsection except for the fact that it derives  
2 business income solely from Illinois. As used in this  
3 paragraph, for taxable years ending before December  
4 31, 2017, the phrase "United States" means only the 50  
5 states and the District of Columbia, but does not  
6 include any territory or possession of the United  
7 States or any area over which the United States has  
8 asserted jurisdiction or claimed exclusive rights with  
9 respect to the exploration for or exploitation of  
10 natural resources. For taxable years ending on or  
11 after December 31, 2017, the phrase "United States",  
12 as used in this paragraph, means only the 50 states,  
13 the District of Columbia, and any area over which the  
14 United States has asserted jurisdiction or claimed  
15 exclusive rights with respect to the exploration for  
16 or exploitation of natural resources, but does not  
17 include any territory or possession of the United  
18 States.

19 (C) Holding companies.

20 (i) For purposes of this subparagraph, a  
21 "holding company" is a corporation (other than a  
22 corporation that is a financial organization under  
23 paragraph (8) of this subsection (a) of Section  
24 1501 because it is a bank holding company under  
25 the provisions of the Bank Holding Company Act of  
26 1956 (12 U.S.C. 1841, et seq.) or because it is

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

24 (ii) The income of a holding company which is  
25 a member of more than one unitary business group  
26 shall be included in each unitary business group

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

11 (iii) A holding company shall apportion its  
12 business income under the subsection of Section  
13 304 used by the other members of its unitary  
14 business group. The apportionment factors of a  
15 holding company which would be a member of more  
16 than one unitary business group shall be included  
17 with the apportionment factors of each unitary  
18 business group of which it is a member on a pro  
19 rata basis using the same method used in clause  
20 (ii).

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

23 (D) If including the base income and factors of a  
24 holding company in more than one unitary business  
25 group under subparagraph (C) does not fairly reflect  
26 the degree of integration between the holding company

1           and one or more of the unitary business groups, the  
2           dependence of the holding company and one or more of  
3           the unitary business groups upon each other, or the  
4           contributions between the holding company and one or  
5           more of the unitary business groups, the holding  
6           company may petition the Director, under the  
7           procedures provided under Section 304(f), for  
8           permission to include all base income and factors of  
9           the holding company only with members of a unitary  
10          business group apportioning their business income  
11          under one subsection of subsections (a), (b), (c), or  
12          (d) of Section 304. If the petition is granted, the  
13          holding company shall be included in a unitary  
14          business group only with persons apportioning their  
15          business income under the selected subsection of  
16          Section 304 until the Director grants a petition of  
17          the holding company either to be included in more than  
18          one unitary business group under subparagraph (C) or  
19          to include its base income and factors only with  
20          members of a unitary business group apportioning their  
21          business income under a different subsection of  
22          Section 304.

23               (E) If the unitary business group members'  
24               accounting periods differ, the common parent's  
25               accounting period or, if there is no common parent,  
26               the accounting period of the member that is expected

1 to have, on a recurring basis, the greatest Illinois  
2 income tax liability must be used to determine whether  
3 to use the apportionment method provided in subsection  
4 (a) or subsection (h) of Section 304. The prohibition  
5 against membership in a unitary business group for  
6 taxpayers ordinarily required to apportion income  
7 under different subsections of Section 304 does not  
8 apply to taxpayers required to apportion income under  
9 subsection (a) and subsection (h) of Section 304. The  
10 provisions of this amendatory Act of 1998 apply to tax  
11 years ending on or after December 31, 1998.

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

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

25 (b) Other definitions.



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

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

6                   (B) Words importing the plural include the  
7           singular; and

8                   (C) Words importing the masculine gender include  
9           the feminine as well.

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

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

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

21           Section 99. Effective date. This Act takes effect upon  
22           becoming law.