

1 AN ACT concerning taxes.

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

4 Section 5. The Illinois Income Tax Act is amended by  
5 changing Section 203 as follows:

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)  
7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

27 (C) An amount equal to the amount received  
28 during the taxable year as a recovery or refund of  
29 real property taxes paid with respect to the  
30 taxpayer's principal residence under the Revenue Act  
31 of 1939 and for which a deduction was previously

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

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

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15 withdrawn by the taxpayer in the taxable year from a  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

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

28 (D-15) For taxable years 2001 and thereafter,  
29 an amount equal to the bonus depreciation deduction  
30 (30% of the adjusted basis of the qualified  
31 property) taken on the taxpayer's federal income tax  
32 return for the taxable year under subsection (k) of  
33 Section 168 of the Internal Revenue Code; and

34 (D-16) If the taxpayer reports a capital gain

1 or loss on the taxpayer's federal income tax return  
 2 for the taxable year based on a sale or transfer of  
 3 property for which the taxpayer was required in any  
 4 taxable year to make an addition modification under  
 5 subparagraph (D-15), then an amount equal to the  
 6 aggregate amount of the deductions taken in all  
 7 taxable years under subparagraph (Z) with respect to  
 8 that property.†

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

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

22 and by deducting from the total so obtained the sum of  
 23 the following amounts:

24 (E) For taxable years ending before December  
 25 31, 2001, any amount included in such total in  
 26 respect of any compensation (including but not  
 27 limited to any compensation paid or accrued to a  
 28 serviceman while a prisoner of war or missing in  
 29 action) paid to a resident by reason of being on  
 30 active duty in the Armed Forces of the United States  
 31 and in respect of any compensation paid or accrued  
 32 to a resident who as a governmental employee was a  
 33 prisoner of war or missing in action, and in respect  
 34 of any compensation paid to a resident in 1971 or

1           thereafter for annual training performed pursuant to  
2           Sections 502 and 503, Title 32, United States Code  
3           as a member of the Illinois National Guard. For  
4           taxable years ending on or after December 31, 2001,  
5           any amount included in such total in respect of any  
6           compensation (including but not limited to any  
7           compensation paid or accrued to a serviceman while a  
8           prisoner of war or missing in action) paid to a  
9           resident by reason of being a member of any  
10          component of the Armed Forces of the United States  
11          and in respect of any compensation paid or accrued  
12          to a resident who as a governmental employee was a  
13          prisoner of war or missing in action, and in respect  
14          of any compensation paid to a resident in 2001 or  
15          thereafter by reason of being a member of the  
16          Illinois National Guard. The provisions of this  
17          amendatory Act of the 92nd General Assembly are  
18          exempt from the provisions of Section 250;

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

30                 (G) The valuation limitation amount;

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

1           (I) An amount equal to all amounts included in  
2 such total pursuant to the provisions of Section 111  
3 of the Internal Revenue Code as a recovery of items  
4 previously deducted from adjusted gross income in  
5 the computation of taxable income;

6           (J) An amount equal to those dividends  
7 included in such total which were paid by a  
8 corporation which conducts business operations in an  
9 Enterprise Zone or zones created under the Illinois  
10 Enterprise Zone Act, and conducts substantially all  
11 of its operations in an Enterprise Zone or zones;

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

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

27           (M) With the exception of any amounts  
28 subtracted under subparagraph (N), an amount equal  
29 to the sum of all amounts disallowed as deductions  
30 by (i) Sections 171(a) (2), and 265(2) of the  
31 Internal Revenue Code of 1954, as now or hereafter  
32 amended, and all amounts of expenses allocable to  
33 interest and disallowed as deductions by Section  
34 265(1) of the Internal Revenue Code of 1954, as now

1 or hereafter amended; 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; the provisions of this  
5 subparagraph are exempt from the provisions of  
6 Section 250;

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

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

20 (P) An amount equal to the amount of the  
21 deduction used to compute the federal income tax  
22 credit for restoration of substantial amounts held  
23 under claim of right for the taxable year pursuant  
24 to Section 1341 of the Internal Revenue Code of  
25 1986;

26 (Q) An amount equal to any amounts included in  
27 such total, received by the taxpayer as an  
28 acceleration in the payment of life, endowment or  
29 annuity benefits in advance of the time they would  
30 otherwise be payable as an indemnity for a terminal  
31 illness;

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

1           (S) An amount, to the extent included in  
2 adjusted gross income, equal to the amount of a  
3 contribution made in the taxable year on behalf of  
4 the taxpayer to a medical care savings account  
5 established under the Medical Care Savings Account  
6 Act or the Medical Care Savings Account Act of 2000  
7 to the extent the contribution is accepted by the  
8 account administrator as provided in that Act;

9           (T) An amount, to the extent included in  
10 adjusted gross income, equal to the amount of  
11 interest earned in the taxable year on a medical  
12 care savings account established under the Medical  
13 Care Savings Account Act or the Medical Care Savings  
14 Account Act of 2000 on behalf of the taxpayer, other  
15 than interest added pursuant to item (D-5) of this  
16 paragraph (2);

17           (U) For one taxable year beginning on or after  
18 January 1, 1994, an amount equal to the total amount  
19 of tax imposed and paid under subsections (a) and  
20 (b) of Section 201 of this Act on grant amounts  
21 received by the taxpayer under the Nursing Home  
22 Grant Assistance Act during the taxpayer's taxable  
23 years 1992 and 1993;

24           (V) Beginning with tax years ending on or  
25 after December 31, 1995 and ending with tax years  
26 ending on or before December 31, 2004, an amount  
27 equal to the amount paid by a taxpayer who is a  
28 self-employed taxpayer, a partner of a partnership,  
29 or a shareholder in a Subchapter S corporation for  
30 health insurance or long-term care insurance for  
31 that taxpayer or that taxpayer's spouse or  
32 dependents, to the extent that the amount paid for  
33 that health insurance or long-term care insurance  
34 may be deducted under Section 213 of the Internal

1 Revenue Code of 1986, has not been deducted on the  
2 federal income tax return of the taxpayer, and does  
3 not exceed the taxable income attributable to that  
4 taxpayer's income, self-employment income, or  
5 Subchapter S corporation income; except that no  
6 deduction shall be allowed under this item (V) if  
7 the taxpayer is eligible to participate in any  
8 health insurance or long-term care insurance plan of  
9 an employer of the taxpayer or the taxpayer's  
10 spouse. The amount of the health insurance and  
11 long-term care insurance subtracted under this item  
12 (V) shall be determined by multiplying total health  
13 insurance and long-term care insurance premiums paid  
14 by the taxpayer times a number that represents the  
15 fractional percentage of eligible medical expenses  
16 under Section 213 of the Internal Revenue Code of  
17 1986 not actually deducted on the taxpayer's federal  
18 income tax return;

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

25 (X) For taxable year 1999 and thereafter, an  
26 amount equal to the amount of any (i) distributions,  
27 to the extent includible in gross income for federal  
28 income tax purposes, made to the taxpayer because of  
29 his or her status as a victim of persecution for  
30 racial or religious reasons by Nazi Germany or any  
31 other Axis regime or as an heir of the victim and  
32 (ii) items of income, to the extent includible in  
33 gross income for federal income tax purposes,  
34 attributable to, derived from or in any way related



1 to assets stolen from, hidden from, or otherwise  
2 lost to a victim of persecution for racial or  
3 religious reasons by Nazi Germany or any other Axis  
4 regime immediately prior to, during, and immediately  
5 after World War II, including, but not limited to,  
6 interest on the proceeds receivable as insurance  
7 under policies issued to a victim of persecution for  
8 racial or religious reasons by Nazi Germany or any  
9 other Axis regime by European insurance companies  
10 immediately prior to and during World War II;  
11 provided, however, this subtraction from federal  
12 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  
20 and the eligibility for any public assistance,  
21 benefit, or similar entitlement is not affected by  
22 the inclusion of items (i) and (ii) of this  
23 paragraph in gross income for federal income tax  
24 purposes. This paragraph is exempt from the  
25 provisions of Section 250;

26 (Y) For taxable years beginning on or after  
27 January 1, 2002, moneys contributed in the taxable  
28 year to a College Savings Pool account under Section  
29 16.5 of the State Treasurer Act, except that amounts  
30 excluded from gross income under Section  
31 529(c)(3)(C)(i) of the Internal Revenue Code shall  
32 not be considered moneys contributed under this  
33 subparagraph (Y). This subparagraph (Y) is exempt  
34 from the provisions of Section 250;

1           (Z) For taxable years 2001 and thereafter, for  
2 the taxable year in which the bonus depreciation  
3 deduction (30% of the adjusted basis of the  
4 qualified property) is taken on the taxpayer's  
5 federal income tax return under subsection (k) of  
6 Section 168 of the Internal Revenue Code and for  
7 each applicable taxable year thereafter, an amount  
8 equal to "x", where:

9           (1) "y" equals the amount of the  
10 depreciation deduction taken for the taxable  
11 year on the taxpayer's federal income tax  
12 return on property for which the bonus  
13 depreciation deduction (30% of the adjusted  
14 basis of the qualified property) was taken in  
15 any year under subsection (k) of Section 168 of  
16 the Internal Revenue Code, but not including  
17 the bonus depreciation deduction; and

18           (2) "x" equals "y" multiplied by 30 and  
19 then divided by 70 (or "y" multiplied by  
20 0.429).

21           The aggregate amount deducted under this  
22 subparagraph in all taxable years for any one piece  
23 of property may not exceed the amount of the bonus  
24 depreciation deduction (30% of the adjusted basis of  
25 the qualified property) taken on that property on  
26 the taxpayer's federal income tax return under  
27 subsection (k) of Section 168 of the Internal  
28 Revenue Code; and

29           (AA) If the taxpayer reports a capital gain or  
30 loss on the taxpayer's federal income tax return for  
31 the taxable year based on a sale or transfer of  
32 property for which the taxpayer was required in any  
33 taxable year to make an addition modification under  
34 subparagraph (D-15), then an amount equal to that

1 addition modification.

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

5 (BB) †Z† Any amount included in adjusted gross  
6 income, other than salary, received by a driver in a  
7 ridesharing arrangement using a motor vehicle; and

8 (CC) For taxable years beginning on or after  
9 January 1, 2003, moneys contributed during the  
10 taxable year by the taxpayer for the purchase of an  
11 Illinois prepaid tuition contract, as defined in the  
12 Illinois Prepaid Tuition Act, except that amounts  
13 excluded from gross income under Section  
14 529(c)(3)(C)(i) of the Internal Revenue Code shall  
15 not be considered moneys contributed under this  
16 subparagraph (CC). This subparagraph is exempt from  
17 the provisions of Section 250 of this Act.

18 (b) Corporations.

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

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

25 (A) An amount equal to all amounts paid or  
26 accrued to the taxpayer as interest and all  
27 distributions received from regulated investment  
28 companies during the taxable year to the extent  
29 excluded from gross income in the computation of  
30 taxable income;

31 (B) An amount equal to the amount of tax  
32 imposed by this Act to the extent deducted from  
33 gross income in the computation of taxable income  
34 for the taxable year;

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

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

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

26           (i) the addition modification relating to  
27 the net operating loss carried back or forward  
28 to the taxable year from any taxable year  
29 ending prior to December 31, 1986 shall be  
30 reduced by the amount of addition modification  
31 under this subparagraph (E) which related to  
32 that net operating loss and which was taken  
33 into account in calculating the base income of  
34 an earlier taxable year, and

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

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

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

21          (E-10) For taxable years 2001 and thereafter,  
22          an amount equal to the bonus depreciation deduction  
23          (30% of the adjusted basis of the qualified  
24          property) taken on the taxpayer's federal income tax  
25          return for the taxable year under subsection (k) of  
26          Section 168 of the Internal Revenue Code; and

27          (E-11) If the taxpayer reports a capital gain  
28          or loss on the taxpayer's federal income tax return  
29          for the taxable year based on a sale or transfer of  
30          property for which the taxpayer was required in any  
31          taxable year to make an addition modification under  
32          subparagraph (E-10), then an amount equal to the  
33          aggregate amount of the deductions taken in all  
34          taxable years under subparagraph (T) with respect to

1 that property.

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

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

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

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

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

19 (I) With the exception of any amounts  
20 subtracted under subparagraph (J), an amount equal  
21 to the sum of all amounts disallowed as deductions  
22 by (i) Sections 171(a) (2), and 265(a)(2) and  
23 amounts disallowed as interest expense by Section  
24 291(a)(3) of the Internal Revenue Code, as now or  
25 hereafter amended, and all amounts of expenses  
26 allocable to interest and disallowed as deductions  
27 by Section 265(a)(1) of the Internal Revenue Code,  
28 as now or hereafter amended; and (ii) for taxable  
29 years ending on or after August 13, 1999, Sections  
30 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
31 of the Internal Revenue Code; the provisions of this  
32 subparagraph are exempt from the provisions of  
33 Section 250;

34 (J) An amount equal to all amounts included in

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

10 (K) An amount equal to those dividends  
11 included in such total which were paid by a  
12 corporation which conducts business operations in an  
13 Enterprise Zone or zones created under the Illinois  
14 Enterprise Zone Act and conducts substantially all  
15 of its operations in an Enterprise Zone or zones;

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

26 (M) For any taxpayer that is a financial  
27 organization within the meaning of Section 304(c) of  
28 this Act, an amount included in such total as  
29 interest income from a loan or loans made by such  
30 taxpayer to a borrower, to the extent that such a  
31 loan is secured by property which is eligible for  
32 the Enterprise Zone Investment Credit. To determine  
33 the portion of a loan or loans that is secured by  
34 property eligible for a Section 201(f) investment

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

14 (M-1) For any taxpayer that is a financial  
15 organization within the meaning of Section 304(c) of  
16 this Act, an amount included in such total as  
17 interest income from a loan or loans made by such  
18 taxpayer to a borrower, to the extent that such a  
19 loan is secured by property which is eligible for  
20 the High Impact Business Investment Credit. To  
21 determine the portion of a loan or loans that is  
22 secured by property eligible for a Section 201(h)  
23 investment credit to the borrower, the entire  
24 principal amount of the loan or loans between the  
25 taxpayer and the borrower should be divided into the  
26 basis of the Section 201(h) investment credit  
27 property which secures the loan or loans, using for  
28 this purpose the original basis of such property on  
29 the date that it was placed in service in a  
30 federally designated Foreign Trade Zone or Sub-Zone  
31 located in Illinois. No taxpayer that is eligible  
32 for the deduction provided in subparagraph (M) of  
33 paragraph (2) of this subsection shall be eligible  
34 for the deduction provided under this subparagraph



1 (M-1). The subtraction modification available to  
2 taxpayers in any year under this subsection shall be  
3 that portion of the total interest paid by the  
4 borrower with respect to such loan attributable to  
5 the eligible property as calculated under the  
6 previous sentence;

7 (N) Two times any contribution made during the  
8 taxable year to a designated zone organization to  
9 the extent that the contribution (i) qualifies as a  
10 charitable contribution under subsection (c) of  
11 Section 170 of the Internal Revenue Code and (ii)  
12 must, by its terms, be used for a project approved  
13 by the Department of Commerce and Community Affairs  
14 under Section 11 of the Illinois Enterprise Zone  
15 Act;

16 (O) An amount equal to: (i) 85% for taxable  
17 years ending on or before December 31, 1992, or, a  
18 percentage equal to the percentage allowable under  
19 Section 243(a)(1) of the Internal Revenue Code of  
20 1986 for taxable years ending after December 31,  
21 1992, of the amount by which dividends included in  
22 taxable income and received from a corporation that  
23 is not created or organized under the laws of the  
24 United States or any state or political subdivision  
25 thereof, including, for taxable years ending on or  
26 after December 31, 1988, dividends received or  
27 deemed received or paid or deemed paid under  
28 Sections 951 through 964 of the Internal Revenue  
29 Code, exceed the amount of the modification provided  
30 under subparagraph (G) of paragraph (2) of this  
31 subsection (b) which is related to such dividends;  
32 plus (ii) 100% of the amount by which dividends,  
33 included in taxable income and received, including,  
34 for taxable years ending on or after December 31,

1 1988, dividends received or deemed received or paid  
2 or deemed paid under Sections 951 through 964 of the  
3 Internal Revenue Code, from any such corporation  
4 specified in clause (i) that would but for the  
5 provisions of Section 1504 (b) (3) of the Internal  
6 Revenue Code be treated as a member of the  
7 affiliated group which includes the dividend  
8 recipient, exceed the amount of the modification  
9 provided under subparagraph (G) of paragraph (2) of  
10 this subsection (b) which is related to such  
11 dividends;

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

15 (Q) An amount equal to the amount of the  
16 deduction used to compute the federal income tax  
17 credit for restoration of substantial amounts held  
18 under claim of right for the taxable year pursuant  
19 to Section 1341 of the Internal Revenue Code of  
20 1986;

21 (R) In the case of an attorney-in-fact with  
22 respect to whom an interinsurer or a reciprocal  
23 insurer has made the election under Section 835 of  
24 the Internal Revenue Code, 26 U.S.C. 835, an amount  
25 equal to the excess, if any, of the amounts paid or  
26 incurred by that interinsurer or reciprocal insurer  
27 in the taxable year to the attorney-in-fact over the  
28 deduction allowed to that interinsurer or reciprocal  
29 insurer with respect to the attorney-in-fact under  
30 Section 835(b) of the Internal Revenue Code for the  
31 taxable year;

32 (S) For taxable years ending on or after  
33 December 31, 1997, in the case of a Subchapter S  
34 corporation, an amount equal to all amounts of

1 income allocable to a shareholder subject to the  
2 Personal Property Tax Replacement Income Tax imposed  
3 by subsections (c) and (d) of Section 201 of this  
4 Act, including amounts allocable to organizations  
5 exempt from federal income tax by reason of Section  
6 501(a) of the Internal Revenue Code. This  
7 subparagraph (S) is exempt from the provisions of  
8 Section 250;

9 (T) For taxable years 2001 and thereafter, for  
10 the taxable year in which the bonus depreciation  
11 deduction (30% of the adjusted basis of the  
12 qualified property) is taken on the taxpayer's  
13 federal income tax return under subsection (k) of  
14 Section 168 of the Internal Revenue Code and for  
15 each applicable taxable year thereafter, an amount  
16 equal to "x", where:

17 (1) "y" equals the amount of the  
18 depreciation deduction taken for the taxable  
19 year on the taxpayer's federal income tax  
20 return on property for which the bonus  
21 depreciation deduction (30% of the adjusted  
22 basis of the qualified property) was taken in  
23 any year under subsection (k) of Section 168 of  
24 the Internal Revenue Code, but not including  
25 the bonus depreciation deduction; and

26 (2) "x" equals "y" multiplied by 30 and  
27 then divided by 70 (or "y" multiplied by  
28 0.429).

29 The aggregate amount deducted under this  
30 subparagraph in all taxable years for any one piece  
31 of property may not exceed the amount of the bonus  
32 depreciation deduction (30% of the adjusted basis of  
33 the qualified property) taken on that property on  
34 the taxpayer's federal income tax return under

1 subsection (k) of Section 168 of the Internal  
2 Revenue Code; and

3 (U) If the taxpayer reports a capital gain or  
4 loss on the taxpayer's federal income tax return for  
5 the taxable year based on a sale or transfer of  
6 property for which the taxpayer was required in any  
7 taxable year to make an addition modification under  
8 subparagraph (E-10), then an amount equal to that  
9 addition modification.

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

13 (V) For taxable years beginning on or after  
14 January 1, 2003, moneys contributed during the  
15 taxable year by the taxpayer for the purchase of an  
16 Illinois prepaid tuition contract, as defined in the  
17 Illinois Prepaid Tuition Act, except that amounts  
18 excluded from gross income under Section  
19 529(c)(3)(C)(i) of the Internal Revenue Code shall  
20 not be considered moneys contributed under this  
21 subparagraph (V). This subparagraph is exempt from  
22 the provisions of Section 250 of this Act.

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

28 (c) Trusts and estates.

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

33 (2) Modifications. Subject to the provisions of  
34 paragraph (3), the taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum  
2 of the following amounts:

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

7 (B) In the case of (i) an estate, \$600; (ii) a  
8 trust which, under its governing instrument, is  
9 required to distribute all of its income currently,  
10 \$300; and (iii) any other trust, \$100, but in each  
11 such case, only to the extent such amount was  
12 deducted in the computation of taxable income;

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

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

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

31 (i) the addition modification relating to  
32 the net operating loss carried back or forward  
33 to the taxable year from any taxable year  
34 ending prior to December 31, 1986 shall be

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

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

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

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

26 (G) An amount equal to the amount of the  
27 capital gain deduction allowable under the Internal  
28 Revenue Code, to the extent deducted from gross  
29 income in the computation of taxable income;

30 (G-5) For taxable years ending after December  
31, 1997, an amount equal to any eligible  
32 remediation costs that the trust or estate deducted  
33 in computing adjusted gross income and for which the  
34 trust or estate claims a credit under subsection (1)

1 of Section 201;

2 (G-10) For taxable years 2001 and thereafter,  
3 an amount equal to the bonus depreciation deduction  
4 (30% of the adjusted basis of the qualified  
5 property) taken on the taxpayer's federal income tax  
6 return for the taxable year under subsection (k) of  
7 Section 168 of the Internal Revenue Code; and

8 (G-11) If the taxpayer reports a capital gain  
9 or loss on the taxpayer's federal income tax return  
10 for the taxable year based on a sale or transfer of  
11 property for which the taxpayer was required in any  
12 taxable year to make an addition modification under  
13 subparagraph (G-10), then an amount equal to the  
14 aggregate amount of the deductions taken in all  
15 taxable years under subparagraph (R) with respect to  
16 that property.†

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

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

22 (H) An amount equal to all amounts included in  
23 such total pursuant to the provisions of Sections  
24 402(a), 402(c), 403(a), 403(b), 406(a), 407(a) and  
25 408 of the Internal Revenue Code or included in such  
26 total as distributions under the provisions of any  
27 retirement or disability plan for employees of any  
28 governmental agency or unit, or retirement payments  
29 to retired partners, which payments are excluded in  
30 computing net earnings from self employment by  
31 Section 1402 of the Internal Revenue Code and  
32 regulations adopted pursuant thereto;

33 (I) The valuation limitation amount;

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

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

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

15 (L) With the exception of any amounts  
16 subtracted under subparagraph (K), an amount equal  
17 to the sum of all amounts disallowed as deductions  
18 by (i) Sections 171(a) (2) and 265(a)(2) of the  
19 Internal Revenue Code, as now or hereafter amended,  
20 and all amounts of expenses allocable to interest  
21 and disallowed as deductions by Section 265(1) of  
22 the Internal Revenue Code of 1954, as now or  
23 hereafter amended; and (ii) for taxable years ending  
24 on or after August 13, 1999, Sections 171(a)(2),  
25 265, 280C, and 832(b)(5)(B)(i) of the Internal  
26 Revenue Code; the provisions of this subparagraph  
27 are exempt from the provisions of Section 250;

28 (M) An amount equal to those dividends  
29 included in such total which were paid by a  
30 corporation which conducts business operations in an  
31 Enterprise Zone or zones created under the Illinois  
32 Enterprise Zone Act and conducts substantially all  
33 of its operations in an Enterprise Zone or Zones;

34 (N) An amount equal to any contribution made



1 to a job training project established pursuant to  
2 the Tax Increment Allocation Redevelopment Act;

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

13 (P) An amount equal to the amount of the  
14 deduction used to compute the federal income tax  
15 credit for restoration of substantial amounts held  
16 under claim of right for the taxable year pursuant  
17 to Section 1341 of the Internal Revenue Code of  
18 1986;

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

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

20 (R) For taxable years 2001 and thereafter, for  
21 the taxable year in which the bonus depreciation  
22 deduction (30% of the adjusted basis of the  
23 qualified property) is taken on the taxpayer's  
24 federal income tax return under subsection (k) of  
25 Section 168 of the Internal Revenue Code and for  
26 each applicable taxable year thereafter, an amount  
27 equal to "x", where:

28 (1) "y" equals the amount of the  
29 depreciation deduction taken for the taxable  
30 year on the taxpayer's federal income tax  
31 return on property for which the bonus  
32 depreciation deduction (30% of the adjusted  
33 basis of the qualified property) was taken in  
34 any year under subsection (k) of Section 168 of

1 the Internal Revenue Code, but not including  
2 the bonus depreciation deduction; and

3 (2) "x" equals "y" multiplied by 30 and  
4 then divided by 70 (or "y" multiplied by  
5 0.429).

6 The aggregate amount deducted under this  
7 subparagraph in all taxable years for any one piece  
8 of property may not exceed the amount of the bonus  
9 depreciation deduction (30% of the adjusted basis of  
10 the qualified property) taken on that property on  
11 the taxpayer's federal income tax return under  
12 subsection (k) of Section 168 of the Internal  
13 Revenue Code; and

14 (S) If the taxpayer reports a capital gain or  
15 loss on the taxpayer's federal income tax return for  
16 the taxable year based on a sale or transfer of  
17 property for which the taxpayer was required in any  
18 taxable year to make an addition modification under  
19 subparagraph (G-10), then an amount equal to that  
20 addition modification.

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

24 (T) For taxable years beginning on or after  
25 January 1, 2003, moneys contributed during the  
26 taxable year by the taxpayer for the purchase of an  
27 Illinois prepaid tuition contract, as defined in the  
28 Illinois Prepaid Tuition Act, except that amounts  
29 excluded from gross income under Section  
30 529(c)(3)(C)(i) of the Internal Revenue Code shall  
31 not be considered moneys contributed under this  
32 subparagraph (T). This subparagraph is exempt from  
33 the provisions of Section 250 of this Act.

34 (3) Limitation. The amount of any modification

1 otherwise required under this subsection shall, under  
2 regulations prescribed by the Department, be adjusted by  
3 any amounts included therein which were properly paid,  
4 credited, or required to be distributed, or permanently  
5 set aside for charitable purposes pursuant to Internal  
6 Revenue Code Section 642(c) during the taxable year.

7 (d) Partnerships.

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

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

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

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

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

25 (D) An amount equal to the amount of the  
26 capital gain deduction allowable under the Internal  
27 Revenue Code, to the extent deducted from gross  
28 income in the computation of taxable income;

29 (D-5) For taxable years 2001 and thereafter,  
30 an amount equal to the bonus depreciation deduction  
31 (30% of the adjusted basis of the qualified  
32 property) taken on the taxpayer's federal income tax  
33 return for the taxable year under subsection (k) of  
34 Section 168 of the Internal Revenue Code; and

1           (D-6) If the taxpayer reports a capital gain  
2 or loss on the taxpayer's federal income tax return  
3 for the taxable year based on a sale or transfer of  
4 property for which the taxpayer was required in any  
5 taxable year to make an addition modification under  
6 subparagraph (D-5), then an amount equal to the  
7 aggregate amount of the deductions taken in all  
8 taxable years under subparagraph (O) with respect to  
9 that property.†

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

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

15           (E) The valuation limitation amount;

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

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

31           (H) Any income of the partnership which  
32 constitutes personal service income as defined in  
33 Section 1348 (b) (1) of the Internal Revenue Code  
34 (as in effect December 31, 1981) or a reasonable

1 allowance for compensation paid or accrued for  
2 services rendered by partners to the partnership,  
3 whichever is greater;

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

11 (J) With the exception of any amounts  
12 subtracted under subparagraph (G), an amount equal  
13 to the sum of all amounts disallowed as deductions  
14 by (i) Sections 171(a) (2), and 265(2) of the  
15 Internal Revenue Code of 1954, as now or hereafter  
16 amended, and all amounts of expenses allocable to  
17 interest and disallowed as deductions by Section  
18 265(1) of the Internal Revenue Code, as now or  
19 hereafter amended; and (ii) for taxable years ending  
20 on or after August 13, 1999, Sections 171(a)(2),  
21 265, 280C, and 832(b)(5)(B)(i) of the Internal  
22 Revenue Code; the provisions of this subparagraph  
23 are exempt from the provisions of Section 250;

24 (K) An amount equal to those dividends  
25 included in such total which were paid by a  
26 corporation which conducts business operations in an  
27 Enterprise Zone or zones created under the Illinois  
28 Enterprise Zone Act, enacted by the 82nd General  
29 Assembly, and conducts substantially all of its  
30 operations in an Enterprise Zone or Zones;

31 (L) An amount equal to any contribution made  
32 to a job training project established pursuant to  
33 the Real Property Tax Increment Allocation  
34 Redevelopment Act;

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

11           (N) An amount equal to the amount of the  
12 deduction used to compute the federal income tax  
13 credit for restoration of substantial amounts held  
14 under claim of right for the taxable year pursuant  
15 to Section 1341 of the Internal Revenue Code of  
16 1986;

17           (O) For taxable years 2001 and thereafter, for  
18 the taxable year in which the bonus depreciation  
19 deduction (30% of the adjusted basis of the  
20 qualified property) is taken on the taxpayer's  
21 federal income tax return under subsection (k) of  
22 Section 168 of the Internal Revenue Code and for  
23 each applicable taxable year thereafter, an amount  
24 equal to "x", where:

25           (1) "y" equals the amount of the  
26 depreciation deduction taken for the taxable  
27 year on the taxpayer's federal income tax  
28 return on property for which the bonus  
29 depreciation deduction (30% of the adjusted  
30 basis of the qualified property) was taken in  
31 any year under subsection (k) of Section 168 of  
32 the Internal Revenue Code, but not including  
33 the bonus depreciation deduction; and

34           (2) "x" equals "y" multiplied by 30 and

1 then divided by 70 (or "y" multiplied by  
2 0.429).

3 The aggregate amount deducted under this  
4 subparagraph in all taxable years for any one piece  
5 of property may not exceed the amount of the bonus  
6 depreciation deduction (30% of the adjusted basis of  
7 the qualified property) taken on that property on  
8 the taxpayer's federal income tax return under  
9 subsection (k) of Section 168 of the Internal  
10 Revenue Code; and

11 (P) If the taxpayer reports a capital gain or  
12 loss on the taxpayer's federal income tax return for  
13 the taxable year based on a sale or transfer of  
14 property for which the taxpayer was required in any  
15 taxable year to make an addition modification under  
16 subparagraph (D-5), then an amount equal to that  
17 addition modification.

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

21 (Q) For taxable years beginning on or after  
22 January 1, 2003, moneys contributed during the  
23 taxable year by the taxpayer for the purchase of an  
24 Illinois prepaid tuition contract, as defined in the  
25 Illinois Prepaid Tuition Act, except that amounts  
26 excluded from gross income under Section  
27 529(c)(3)(C)(i) of the Internal Revenue Code shall  
28 not be considered moneys contributed under this  
29 subparagraph (Q). This subparagraph is exempt from  
30 the provisions of Section 250 of this Act.

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

32 (1) In general. Subject to the provisions of  
33 paragraph (2) and subsection (b) (3), for purposes of  
34 this Section and Section 803(e), a taxpayer's gross



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

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

34 (A) Certain life insurance companies. In the

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

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

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

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

20 (E) Consolidated corporations. In the case of  
21 a corporation which is a member of an affiliated  
22 group of corporations filing a consolidated income  
23 tax return for the taxable year for federal income  
24 tax purposes, taxable income determined as if such  
25 corporation had filed a separate return for federal  
26 income tax purposes for the taxable year and each  
27 preceding taxable year for which it was a member of  
28 an affiliated group. For purposes of this  
29 subparagraph, the taxpayer's separate taxable income  
30 shall be determined as if the election provided by  
31 Section 243(b) (2) of the Internal Revenue Code had  
32 been in effect for all such years;

33 (F) Cooperatives. In the case of a  
34 cooperative corporation or association, the taxable

1 income of such organization determined in accordance  
2 with the provisions of Section 1381 through 1388 of  
3 the Internal Revenue Code;

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

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

30 (f) Valuation limitation amount.

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

34 (A) The sum of the pre-August 1, 1969

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

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

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

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

27 (B) If the fair market value of property  
28 referred to in paragraph (1) was not readily  
29 ascertainable on August 1, 1969, the pre-August 1,  
30 1969 appreciation amount for such property is that  
31 amount which bears the same ratio to the total gain  
32 reported in respect of the property for federal  
33 income tax purposes for the taxable year, as the  
34 number of full calendar months in that part of the

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

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

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

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

20 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
21 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
22 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
23 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
24 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
25 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

26 Section 10. The Illinois Prepaid Tuition Act is amended  
27 by changing Section 55 as follows:

28 (110 ILCS 979/55)

29 Sec. 55. Tax exemption. The assets of the Illinois  
30 Prepaid Tuition Trust Fund and its income and operation shall  
31 be exempt from all taxation by the State of Illinois and any

1 of its subdivisions. The accrued earnings of Illinois  
2 prepaid tuition contracts once disbursed on behalf of an  
3 eligible beneficiary shall be similarly exempt from all  
4 taxation by the State of Illinois and any of its  
5 subdivisions, so long as they are used for educational  
6 purposes in accordance with the provisions of an Illinois  
7 prepaid tuition contract. In addition, for taxable years  
8 beginning on or after January 1, 2003, moneys contributed  
9 during the taxable year by the taxpayer for the purchase of  
10 an Illinois prepaid tuition contract, except for amounts  
11 excluded from gross income under Section 529(c)(3)(C)(i) of  
12 the Internal Revenue Code, may be deducted from the  
13 taxpayer's adjusted gross income as provided in Section 203  
14 of the Illinois Income Tax Act. The provisions of this  
15 Section are exempt from the provisions of Section 250 of the  
16 Illinois Income Tax Act.

17 (Source: P.A. 90-546, eff. 12-1-97; 91-867, eff. 6-22-00.)

18 Section 99. Effective date. This Act takes effect upon  
19 becoming law.