

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15 withdrawn by the taxpayer in the taxable year from a  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 and ending on or before  
14 December 31, 2002, in the case of a distribution  
15 from a qualified tuition program under Section 529  
16 of the Internal Revenue Code, other than (i) a  
17 distribution from a College Savings Pool created  
18 under Section 16.5 of the State Treasurer Act or  
19 (ii) a distribution from the Illinois Prepaid  
20 Tuition Trust Fund, an amount equal to the amount  
21 excluded from gross income under Section  
22 529(c)(3)(B). For taxable years beginning on or  
23 after January 1, 2003, in the case of a distribution  
24 from a qualified tuition program under Section 529  
25 of the Internal Revenue Code, other than (i) a  
26 distribution from a College Savings Pool created  
27 under Section 16.5 of the State Treasurer Act, (ii)  
28 a distribution from the Illinois Prepaid Tuition  
29 Trust Fund, or (iii) a distribution from a qualified  
30 tuition program under Section 529 of the Internal  
31 Revenue Code that is administered by a state that  
32 has passed a law that provides an unlimited state  
33 tax deduction for moneys distributed from a  
34 qualified tuition program administered by the State

1 of Illinois, an amount equal to the amount excluded  
2 from gross income under Section 529(c)(3)(B);

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

5 (E) For taxable years ending before December  
6 31, 2001, any amount included in such total in  
7 respect of any compensation (including but not  
8 limited to any compensation paid or accrued to a  
9 serviceman while a prisoner of war or missing in  
10 action) paid to a resident by reason of being on  
11 active duty in the Armed Forces of the United States  
12 and in respect of any compensation paid or accrued  
13 to a resident who as a governmental employee was a  
14 prisoner of war or missing in action, and in respect  
15 of any compensation paid to a resident in 1971 or  
16 thereafter for annual training performed pursuant to  
17 Sections 502 and 503, Title 32, United States Code  
18 as a member of the Illinois National Guard. For  
19 taxable years ending on or after December 31, 2001,  
20 any amount included in such total in respect of any  
21 compensation (including but not limited to any  
22 compensation paid or accrued to a serviceman while a  
23 prisoner of war or missing in action) paid to a  
24 resident by reason of being a member of any  
25 component of the Armed Forces of the United States  
26 and in respect of any compensation paid or accrued  
27 to a resident who as a governmental employee was a  
28 prisoner of war or missing in action, and in respect  
29 of any compensation paid to a resident in 2001 or  
30 thereafter by reason of being a member of the  
31 Illinois National Guard. The provisions of this  
32 amendatory Act of the 92nd General Assembly are  
33 exempt from the provisions of Section 250;

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

1 such total pursuant to the provisions of Sections  
2 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and  
3 408 of the Internal Revenue Code, or included in  
4 such total as distributions under the provisions of  
5 any retirement or disability plan for employees of  
6 any governmental agency or unit, or retirement  
7 payments to retired partners, which payments are  
8 excluded in computing net earnings from self  
9 employment by Section 1402 of the Internal Revenue  
10 Code and regulations adopted pursuant thereto;

11 (G) The valuation limitation amount;

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

16 (I) An amount equal to all amounts included in  
17 such total pursuant to the provisions of Section 111  
18 of the Internal Revenue Code as a recovery of items  
19 previously deducted from adjusted gross income in  
20 the computation of taxable income;

21 (J) An amount equal to those dividends  
22 included in such total which were paid by a  
23 corporation which conducts business operations in an  
24 Enterprise Zone or zones created under the Illinois  
25 Enterprise Zone Act, and conducts substantially all  
26 of its operations in an Enterprise Zone or zones;

27 (K) An amount equal to those dividends  
28 included in such total that were paid by a  
29 corporation that conducts business operations in a  
30 federally designated Foreign Trade Zone or Sub-Zone  
31 and that is designated a High Impact Business  
32 located in Illinois; provided that dividends  
33 eligible for the deduction provided in subparagraph  
34 (J) of paragraph (2) of this subsection shall not be

1 eligible for the deduction provided under this  
2 subparagraph (K);

3 (L) For taxable years ending after December  
4 31, 1983, an amount equal to all social security  
5 benefits and railroad retirement benefits included  
6 in such total pursuant to Sections 72(r) and 86 of  
7 the Internal Revenue Code;

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

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

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

1           (P) An amount equal to the amount of the  
2 deduction used to compute the federal income tax  
3 credit for restoration of substantial amounts held  
4 under claim of right for the taxable year pursuant  
5 to Section 1341 of the Internal Revenue Code of  
6 1986;

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

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

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

24           (T) An amount, to the extent included in  
25 adjusted gross income, equal to the amount of  
26 interest earned in the taxable year on a medical  
27 care savings account established under the Medical  
28 Care Savings Account Act or the Medical Care Savings  
29 Account Act of 2000 on behalf of the taxpayer, other  
30 than interest added pursuant to item (D-5) of this  
31 paragraph (2);

32           (U) For one taxable year beginning on or after  
33 January 1, 1994, an amount equal to the total amount  
34 of tax imposed and paid under subsections (a) and

1 (b) of Section 201 of this Act on grant amounts  
2 received by the taxpayer under the Nursing Home  
3 Grant Assistance Act during the taxpayer's taxable  
4 years 1992 and 1993;

5 (V) Beginning with tax years ending on or  
6 after December 31, 1995 and ending with tax years  
7 ending on or before December 31, 2004, an amount  
8 equal to the amount paid by a taxpayer who is a  
9 self-employed taxpayer, a partner of a partnership,  
10 or a shareholder in a Subchapter S corporation for  
11 health insurance or long-term care insurance for  
12 that taxpayer or that taxpayer's spouse or  
13 dependents, to the extent that the amount paid for  
14 that health insurance or long-term care insurance  
15 may be deducted under Section 213 of the Internal  
16 Revenue Code of 1986, has not been deducted on the  
17 federal income tax return of the taxpayer, and does  
18 not exceed the taxable income attributable to that  
19 taxpayer's income, self-employment income, or  
20 Subchapter S corporation income; except that no  
21 deduction shall be allowed under this item (V) if  
22 the taxpayer is eligible to participate in any  
23 health insurance or long-term care insurance plan of  
24 an employer of the taxpayer or the taxpayer's  
25 spouse. The amount of the health insurance and  
26 long-term care insurance subtracted under this item  
27 (V) shall be determined by multiplying total health  
28 insurance and long-term care insurance premiums paid  
29 by the taxpayer times a number that represents the  
30 fractional percentage of eligible medical expenses  
31 under Section 213 of the Internal Revenue Code of  
32 1986 not actually deducted on the taxpayer's federal  
33 income tax return;

34 (W) For taxable years beginning on or after



1 January 1, 1998, all amounts included in the  
2 taxpayer's federal gross income in the taxable year  
3 from amounts converted from a regular IRA to a Roth  
4 IRA. This paragraph is exempt from the provisions of  
5 Section 250;

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

1 and the eligibility for any public assistance,  
2 benefit, or similar entitlement is not affected by  
3 the inclusion of items (i) and (ii) of this  
4 paragraph in gross income for federal income tax  
5 purposes. This paragraph is exempt from the  
6 provisions of Section 250;

7 (Y) For taxable years beginning on or after  
8 January 1, 2002 and ending on or before December 31,  
9 2002, moneys contributed in the taxable year to a  
10 College Savings Pool account under Section 16.5 of  
11 the State Treasurer Act, except that amounts  
12 excluded from gross income under Section  
13 529(c)(3)(C)(i) of the Internal Revenue Code shall  
14 not be considered moneys contributed under this  
15 subparagraph (Y). For taxable years beginning on or  
16 after January 1, 2003, moneys contributed in the  
17 taxable year to (i) a College Savings Pool account  
18 under Section 16.5 of the State Treasurer Act or  
19 (ii) the Illinois Prepaid Tuition Trust Fund, except  
20 that amounts excluded from gross income under  
21 Section 529(c)(3)(C)(i) of the Internal Revenue Code  
22 shall not be considered moneys contributed under  
23 this subparagraph (Y). This subparagraph (Y) is  
24 exempt from the provisions of Section 250;

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

33 (1) "y" equals the amount of the  
34 depreciation deduction taken for the taxable

1 year on the taxpayer's federal income tax  
2 return on property for which the bonus  
3 depreciation deduction (30% of the adjusted  
4 basis of the qualified property) was taken in  
5 any year under subsection (k) of Section 168 of  
6 the Internal Revenue Code, but not including  
7 the bonus depreciation deduction; and

8 (2) "x" equals "y" multiplied by 30 and  
9 then divided by 70 (or "y" multiplied by  
10 0.429).

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

19 (AA) If the taxpayer reports a capital gain or  
20 loss on the taxpayer's federal income tax return for  
21 the taxable year based on a sale or transfer of  
22 property for which the taxpayer was required in any  
23 taxable year to make an addition modification under  
24 subparagraph (D-15), then an amount equal to that  
25 addition modification.

26 The taxpayer is allowed to take the deduction  
27 under this subparagraph only once with respect to  
28 any one piece of property; and

29 (BB) ~~(Z)~~ Any amount included in adjusted gross  
30 income, other than salary, received by a driver in a  
31 ridesharing arrangement using a motor vehicle.

32 (b) Corporations.

33 (1) In general. In the case of a corporation, base  
34 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  
3 in paragraph (1) shall be modified by adding thereto the  
4 sum of the following amounts:

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

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

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

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

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

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

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

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

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

29 (E-5) For taxable years ending after December  
30 31, 1997, an amount equal to any eligible  
31 remediation costs that the corporation deducted in  
32 computing adjusted gross income and for which the  
33 corporation claims a credit under subsection (l) of  
34 Section 201;

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

7           (E-11) If the taxpayer reports a capital gain  
8           or loss on the taxpayer's federal income tax return  
9           for the taxable year based on a sale or transfer of  
10          property for which the taxpayer was required in any  
11          taxable year to make an addition modification under  
12          subparagraph (E-10), then an amount equal to the  
13          aggregate amount of the deductions taken in all  
14          taxable years under subparagraph (T) with respect to  
15          that property.†

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

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

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

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

28          (H) In the case of a regulated investment  
29          company, an amount equal to the amount of exempt  
30          interest dividends as defined in subsection (b) (5)  
31          of Section 852 of the Internal Revenue Code, paid to  
32          shareholders for the taxable year;

33          (I) With the exception of any amounts  
34          subtracted under subparagraph (J), an amount equal

1 to the sum of all amounts disallowed as deductions  
2 by (i) Sections 171(a) (2), and 265(a)(2) and  
3 amounts disallowed as interest expense by Section  
4 291(a)(3) of the Internal Revenue Code, as now or  
5 hereafter amended, and all amounts of expenses  
6 allocable to interest and disallowed as deductions  
7 by Section 265(a)(1) of the Internal Revenue Code,  
8 as now or hereafter amended; and (ii) for taxable  
9 years ending on or after August 13, 1999, Sections  
10 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
11 of the Internal Revenue Code; the provisions of this  
12 subparagraph are exempt from the provisions of  
13 Section 250;

14 (J) 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  
17 Constitution or by reason of the Constitution,  
18 treaties or statutes of the United States; provided  
19 that, in the case of any statute of this State that  
20 exempts income derived from bonds or other  
21 obligations from the tax imposed under this Act, the  
22 amount exempted shall be the interest net of bond  
23 premium amortization;

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 and conducts substantially all  
29 of its operations in an Enterprise Zone or zones;

30 (L) An amount equal to those dividends  
31 included in such total that were paid by a  
32 corporation that conducts business operations in a  
33 federally designated Foreign Trade Zone or Sub-Zone  
34 and that is designated a High Impact Business

1 located in Illinois; provided that dividends  
2 eligible for the deduction provided in subparagraph  
3 (K) of paragraph 2 of this subsection shall not be  
4 eligible for the deduction provided under this  
5 subparagraph (L);

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

28 (M-1) For any taxpayer that is a financial  
29 organization within the meaning of Section 304(c) of  
30 this Act, an amount included in such total as  
31 interest income from a loan or loans made by such  
32 taxpayer to a borrower, to the extent that such a  
33 loan is secured by property which is eligible for  
34 the High Impact Business Investment Credit. To



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

21 (N) Two times any contribution made during the  
22 taxable year to a designated zone organization to  
23 the extent that the contribution (i) qualifies as a  
24 charitable contribution under subsection (c) of  
25 Section 170 of the Internal Revenue Code and (ii)  
26 must, by its terms, be used for a project approved  
27 by the Department of Commerce and Community Affairs  
28 under Section 11 of the Illinois Enterprise Zone  
29 Act;

30 (O) An amount equal to: (i) 85% for taxable  
31 years ending on or before December 31, 1992, or, a  
32 percentage equal to the percentage allowable under  
33 Section 243(a)(1) of the Internal Revenue Code of  
34 1986 for taxable years ending after December 31,

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

26 (P) An amount equal to any contribution made  
27 to a job training project established pursuant to  
28 the Tax Increment Allocation Redevelopment Act;

29 (Q) An amount equal to the amount of the  
30 deduction used to compute the federal income tax  
31 credit for restoration of substantial amounts held  
32 under claim of right for the taxable year pursuant  
33 to Section 1341 of the Internal Revenue Code of  
34 1986;

1           (R) In the case of an attorney-in-fact with  
2 respect to whom an interinsurer or a reciprocal  
3 insurer has made the election under Section 835 of  
4 the Internal Revenue Code, 26 U.S.C. 835, an amount  
5 equal to the excess, if any, of the amounts paid or  
6 incurred by that interinsurer or reciprocal insurer  
7 in the taxable year to the attorney-in-fact over the  
8 deduction allowed to that interinsurer or reciprocal  
9 insurer with respect to the attorney-in-fact under  
10 Section 835(b) of the Internal Revenue Code for the  
11 taxable year;

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

23           (T) For taxable years 2001 and thereafter, for  
24 the taxable year in which the bonus depreciation  
25 deduction (30% of the adjusted basis of the  
26 qualified property) is taken on the taxpayer's  
27 federal income tax return under subsection (k) of  
28 Section 168 of the Internal Revenue Code and for  
29 each applicable taxable year thereafter, an amount  
30 equal to "x", where:

31           (1) "y" equals the amount of the  
32 depreciation deduction taken for the taxable  
33 year on the taxpayer's federal income tax  
34 return on property for which the bonus

1 depreciation deduction (30% of the adjusted  
2 basis of the qualified property) was taken in  
3 any year under subsection (k) of Section 168 of  
4 the Internal Revenue Code, but not including  
5 the bonus depreciation deduction; and

6 (2) "x" equals "y" multiplied by 30 and  
7 then divided by 70 (or "y" multiplied by  
8 0.429).

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

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

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

27 (3) Special rule. For purposes of paragraph (2)  
28 (A), "gross income" in the case of a life insurance  
29 company, for tax years ending on and after December 31,  
30 1994, shall mean the gross investment income for the  
31 taxable year.

32 (c) Trusts and estates.

33 (1) In general. In the case of a trust or estate,  
34 base income means an amount equal to the taxpayer's

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

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

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

11 (B) In the case of (i) an estate, \$600; (ii) a  
12 trust which, under its governing instrument, is  
13 required to distribute all of its income currently,  
14 \$300; and (iii) any other trust, \$100, but in each  
15 such case, only to the extent such amount was  
16 deducted in the computation of taxable income;

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

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

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

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

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

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

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

30           (G) An amount equal to the amount of the  
31           capital gain deduction allowable under the Internal  
32           Revenue Code, to the extent deducted from gross  
33           income in the computation of taxable income;

34           (G-5) For taxable years ending after December

1 31, 1997, an amount equal to any eligible  
2 remediation costs that the trust or estate deducted  
3 in computing adjusted gross income and for which the  
4 trust or estate claims a credit under subsection (l)  
5 of Section 201;

6 (G-10) For taxable years 2001 and thereafter,  
7 an amount equal to the bonus depreciation deduction  
8 (30% of the adjusted basis of the qualified  
9 property) taken on the taxpayer's federal income tax  
10 return for the taxable year under subsection (k) of  
11 Section 168 of the Internal Revenue Code; and

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

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

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

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

1 Section 1402 of the Internal Revenue Code and  
2 regulations adopted pursuant thereto;

3 (I) The valuation limitation amount;

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

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

19 (L) With the exception of any amounts  
20 subtracted under subparagraph (K), an amount equal  
21 to the sum of all amounts disallowed as deductions  
22 by (i) Sections 171(a) (2) and 265(a)(2) of the  
23 Internal Revenue Code, as now or hereafter amended,  
24 and all amounts of expenses allocable to interest  
25 and disallowed as deductions by Section 265(1) of  
26 the Internal Revenue Code of 1954, as now or  
27 hereafter amended; and (ii) for taxable years ending  
28 on or after August 13, 1999, Sections 171(a)(2),  
29 265, 280C, and 832(b)(5)(B)(i) of the Internal  
30 Revenue Code; the provisions of this subparagraph  
31 are exempt from the provisions of Section 250;

32 (M) An amount equal to those dividends  
33 included in such total which were paid by a  
34 corporation which conducts business operations in an



1 Enterprise Zone or zones created under the Illinois  
2 Enterprise Zone Act and conducts substantially all  
3 of its operations in an Enterprise Zone or Zones;

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

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

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

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

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

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

32 (1) "y" equals the amount of the  
33 depreciation deduction taken for the taxable  
34 year on the taxpayer's federal income tax

1 return on property for which the bonus  
2 depreciation deduction (30% of the adjusted  
3 basis of the qualified property) was taken in  
4 any year under subsection (k) of Section 168 of  
5 the Internal Revenue Code, but not including  
6 the bonus depreciation deduction; and

7 (2) "x" equals "y" multiplied by 30 and  
8 then divided by 70 (or "y" multiplied by  
9 0.429).

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

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

25 The taxpayer is allowed to take the deduction  
26 under this subparagraph only once with respect to  
27 any one piece of property.

28 (3) Limitation. The amount of any modification  
29 otherwise required under this subsection shall, under  
30 regulations prescribed by the Department, be adjusted by  
31 any amounts included therein which were properly paid,  
32 credited, or required to be distributed, or permanently  
33 set aside for charitable purposes pursuant to Internal  
34 Revenue Code Section 642(c) during the taxable year.

1 (d) Partnerships.

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

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

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

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

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

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

23 (D-5) For taxable years 2001 and thereafter,  
24 an amount equal to the bonus depreciation deduction  
25 (30% of the adjusted basis of the qualified  
26 property) taken on the taxpayer's federal income tax  
27 return for the taxable year under subsection (k) of  
28 Section 168 of the Internal Revenue Code; and

29 (D-6) If the taxpayer reports a capital gain  
30 or loss on the taxpayer's federal income tax return  
31 for 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-5), then an amount equal to the

1 aggregate amount of the deductions taken in all  
2 taxable years under subparagraph (O) with respect to  
3 that property.†

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

9 (E) The valuation limitation amount;

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

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

25 (H) Any income of the partnership which  
26 constitutes personal service income as defined in  
27 Section 1348 (b) (1) of the Internal Revenue Code  
28 (as in effect December 31, 1981) or a reasonable  
29 allowance for compensation paid or accrued for  
30 services rendered by partners to the partnership,  
31 whichever is greater;

32 (I) An amount equal to all amounts of income  
33 distributable to an entity subject to the Personal  
34 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;

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

18 (K) An amount equal to those dividends  
19 included in such total which were paid by a  
20 corporation which conducts business operations in an  
21 Enterprise Zone or zones created under the Illinois  
22 Enterprise Zone Act, enacted by the 82nd General  
23 Assembly, and conducts substantially all of its  
24 operations in an Enterprise Zone or Zones;

25 (L) An amount equal to any contribution made  
26 to a job training project established pursuant to  
27 the Real Property Tax Increment Allocation  
28 Redevelopment Act;

29 (M) An amount equal to those dividends  
30 included in such total that were paid by a  
31 corporation that conducts business operations in a  
32 federally designated Foreign Trade Zone or Sub-Zone  
33 and that is designated a High Impact Business  
34 located in Illinois; provided that dividends

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

5 (N) An amount equal to the amount of the  
6 deduction used to compute the federal income tax  
7 credit for restoration of substantial amounts held  
8 under claim of right for the taxable year pursuant  
9 to Section 1341 of the Internal Revenue Code of  
10 1986;

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

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

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

31 The aggregate amount deducted under this  
32 subparagraph in all taxable years for any one piece  
33 of property may not exceed the amount of the bonus  
34 depreciation deduction (30% of the adjusted basis of

1 the qualified property) taken on that property on  
2 the taxpayer's federal income tax return under  
3 subsection (k) of Section 168 of the Internal  
4 Revenue Code; and

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

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

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

16 (1) In general. Subject to the provisions of  
17 paragraph (2) and subsection (b) (3), for purposes of  
18 this Section and Section 803(e), a taxpayer's gross  
19 income, adjusted gross income, or taxable income for the  
20 taxable year shall mean the amount of gross income,  
21 adjusted gross income or taxable income properly  
22 reportable for federal income tax purposes for the  
23 taxable year under the provisions of the Internal Revenue  
24 Code. Taxable income may be less than zero. However, for  
25 taxable years ending on or after December 31, 1986, net  
26 operating loss carryforwards from taxable years ending  
27 prior to December 31, 1986, may not exceed the sum of  
28 federal taxable income for the taxable year before net  
29 operating loss deduction, plus the excess of addition  
30 modifications over subtraction modifications for the  
31 taxable year. For taxable years ending prior to December  
32 31, 1986, taxable income may never be an amount in excess  
33 of the net operating loss for the taxable year as defined  
34 in subsections (c) and (d) of Section 172 of the Internal



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

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

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

25 (B) Certain other insurance companies. In the  
26 case of mutual insurance companies subject to the  
27 tax imposed by Section 831 of the Internal Revenue  
28 Code, insurance company taxable income;

29 (C) Regulated investment companies. In the  
30 case of a regulated investment company subject to  
31 the tax imposed by Section 852 of the Internal  
32 Revenue Code, investment company taxable income;

33 (D) Real estate investment trusts. In the  
34 case of a real estate investment trust subject to

1 the tax imposed by Section 857 of the Internal  
2 Revenue Code, real estate investment trust taxable  
3 income;

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

17 (F) Cooperatives. In the case of a  
18 cooperative corporation or association, the taxable  
19 income of such organization determined in accordance  
20 with the provisions of Section 1381 through 1388 of  
21 the Internal Revenue Code;

22 (G) Subchapter S corporations. In the case  
23 of: (i) a Subchapter S corporation for which there  
24 is in effect an election for the taxable year under  
25 Section 1362 of the Internal Revenue Code, the  
26 taxable income of such corporation determined in  
27 accordance with Section 1363(b) of the Internal  
28 Revenue Code, except that taxable income shall take  
29 into account those items which are required by  
30 Section 1363(b)(1) of the Internal Revenue Code to  
31 be separately stated; and (ii) a Subchapter S  
32 corporation for which there is in effect a federal  
33 election to opt out of the provisions of the  
34 Subchapter S Revision Act of 1982 and have applied

1           instead the prior federal Subchapter S rules as in  
2           effect on July 1, 1982, the taxable income of such  
3           corporation determined in accordance with the  
4           federal Subchapter S rules as in effect on July 1,  
5           1982; and

6           (H) Partnerships. In the case of a  
7           partnership, taxable income determined in accordance  
8           with Section 703 of the Internal Revenue Code,  
9           except that taxable income shall take into account  
10          those items which are required by Section 703(a)(1)  
11          to be separately stated but which would be taken  
12          into account by an individual in calculating his  
13          taxable income.

14       (f) Valuation limitation amount.

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

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

24           (B) The lesser of (i) the sum of the  
25          pre-August 1, 1969 appreciation amounts (to the  
26          extent consisting of capital gain) for all property  
27          in respect of which such gain was reported for  
28          federal income tax purposes for the taxable year, or  
29          (ii) the net capital gain for the taxable year,  
30          reduced in either case by any amount of such gain  
31          included in the amount determined under subsection  
32          (a) (2) (F) or (c) (2) (H).

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

34           (A) If the fair market value of property

1 referred to in paragraph (1) was readily  
2 ascertainable on August 1, 1969, the pre-August 1,  
3 1969 appreciation amount for such property is the  
4 lesser of (i) the excess of such fair market value  
5 over the taxpayer's basis (for determining gain) for  
6 such property on that date (determined under the  
7 Internal Revenue Code as in effect on that date), or  
8 (ii) the total gain realized and reportable for  
9 federal income tax purposes in respect of the sale,  
10 exchange or other disposition of such property.

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

23 (C) The Department shall prescribe such  
24 regulations as may be necessary to carry out the  
25 purposes of this paragraph.

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

29 (h) Legislative intention. Except as expressly provided  
30 by this Section there shall be no modifications or  
31 limitations on the amounts of income, gain, loss or deduction  
32 taken into account in determining gross income, adjusted  
33 gross income or taxable income for federal income tax

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

5 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
6 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
7 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
8 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
9 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
10 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

11 Section 99. Effective date. This Act takes effect upon  
12 becoming law.