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LRB093 15834 RCE 51234 a

1 AMENDMENT TO SENATE BILL 2211

2 AMENDMENT NO. _____. Amend Senate Bill 2211 by replacing
3 everything after the enacting clause with the following:

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

23 (B) An amount equal to the amount of tax imposed by
24 this Act to the extent deducted from gross income in

1 the computation of adjusted gross income for the
2 taxable year;

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

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

19 (D-5) An amount, to the extent not included in
20 adjusted gross income, equal to the amount of money
21 withdrawn by the taxpayer in the taxable year from a
22 medical care savings account and the interest earned on
23 the account in the taxable year of a withdrawal
24 pursuant to subsection (b) of Section 20 of the Medical
25 Care Savings Account Act or subsection (b) of Section
26 20 of the Medical Care Savings Account Act of 2000;

27 (D-10) For taxable years ending after December 31,
28 1997, an amount equal to any eligible remediation costs
29 that the individual deducted in computing adjusted
30 gross income and for which the individual claims a
31 credit under subsection (1) of Section 201;

32 (D-15) For taxable years ending on or after
33 December 31, 2000 and before December 31, 2004 ~~2001 and~~
34 ~~thereafter~~, an amount equal to the bonus depreciation

1 deduction ~~(30% of the adjusted basis of the qualified~~
2 ~~property)~~ taken on the taxpayer's federal income tax
3 return for the taxable year under subsection (k) of
4 Section 168 of the Internal Revenue Code; ~~and~~

5 (D-16) 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-15), then an amount equal to the
11 aggregate amount of the deductions taken in all taxable
12 years under subparagraph (Z) with respect to that
13 property.~~†~~

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

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

26 and by deducting from the total so obtained the sum of the
27 following amounts:

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

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

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

32 (G) The valuation limitation amount;

33 (H) An amount equal to the amount of any tax
34 imposed by this Act which was refunded to the taxpayer

1 and included in such total for the taxable year;

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

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

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

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

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

1 taxable years ending on or after August 13, 1999,
2 Sections 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of
3 the Internal Revenue Code; the provisions of this
4 subparagraph are exempt from the provisions of Section
5 250;

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

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

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

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

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

30 (S) An amount, to the extent included in adjusted
31 gross income, equal to the amount of a contribution
32 made in the taxable year on behalf of the taxpayer to a
33 medical care savings account established under the
34 Medical Care Savings Account Act or the Medical Care

1 Savings Account Act of 2000 to the extent the
2 contribution is accepted by the account administrator
3 as provided in that Act;

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

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

17 (V) Beginning with tax years ending on or after
18 December 31, 1995 and ending with tax years ending on
19 or before December 31, 2004, an amount equal to the
20 amount paid by a taxpayer who is a self-employed
21 taxpayer, a partner of a partnership, or a shareholder
22 in a Subchapter S corporation for health insurance or
23 long-term care insurance for that taxpayer or that
24 taxpayer's spouse or dependents, to the extent that the
25 amount paid for that health insurance or long-term care
26 insurance may be deducted under Section 213 of the
27 Internal Revenue Code of 1986, has not been deducted on
28 the federal income tax return of the taxpayer, and does
29 not exceed the taxable income attributable to that
30 taxpayer's income, self-employment income, or
31 Subchapter S corporation income; except that no
32 deduction shall be allowed under this item (V) if the
33 taxpayer is eligible to participate in any health
34 insurance or long-term care insurance plan of an

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

10 (W) For taxable years beginning on or after January
11 1, 1998, all amounts included in the taxpayer's federal
12 gross income in the taxable year from amounts converted
13 from a regular IRA to a Roth IRA. This paragraph is
14 exempt from the provisions of Section 250;

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

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

14 (Y) For taxable years beginning on or after January
15 1, 2002, moneys contributed in the taxable year to a
16 College Savings Pool account under Section 16.5 of the
17 State Treasurer Act, except that amounts excluded from
18 gross income under Section 529(c)(3) (C)(i) of the
19 Internal Revenue Code shall not be considered moneys
20 contributed under this subparagraph (Y). This
21 subparagraph (Y) is exempt from the provisions of
22 Section 250;

23 (Z) For each taxable year ending before December
24 31, 2004 ~~years 2001 and thereafter~~, for the taxable
25 year in which the bonus depreciation deduction ~~(30% of~~
26 ~~the adjusted basis of the qualified property)~~ is taken
27 on the taxpayer's federal income tax return under
28 subsection (k) of Section 168 of the Internal Revenue
29 Code and for each applicable taxable year thereafter,
30 an amount equal to "x", where:

31 (1) "y" equals the amount of the depreciation
32 deduction taken for the taxable year on the
33 taxpayer's federal income tax return on property
34 for which the bonus depreciation deduction ~~(30% of~~

1 ~~the adjusted basis of the qualified property~~ was
2 taken in any year under subsection (k) of Section
3 168 of the Internal Revenue Code (for this purpose,
4 the depreciation deduction taken for the taxable
5 year on the taxpayer's federal income tax return is
6 deemed to take into account any depreciation
7 adjustment required under Section 203(e)(2)(I)),
8 but not including the bonus depreciation
9 deduction; and

10 (2) for property on which a bonus depreciation
11 deduction of 30% of the adjusted basis was taken,
12 "x" equals "y" multiplied by 30 and then divided by
13 70 (or "y" multiplied by 0.429), and for property
14 on which a bonus depreciation deduction of 50% of
15 the adjusted basis was taken, "x" equals "y"
16 multiplied by 1.0.

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

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

31 The taxpayer is allowed to take the deduction under
32 this subparagraph only once with respect to any one
33 piece of property; and

34 (BB) ~~(Z)~~ Any amount included in adjusted gross

1 income, other than salary, received by a driver in a
2 ridesharing arrangement using a motor vehicle.

3 (b) Corporations.

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

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

10 (A) An amount equal to all amounts paid or accrued
11 to the taxpayer as interest and all distributions
12 received from regulated investment companies during
13 the taxable year to the extent excluded from gross
14 income in the computation of taxable income;

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

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

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

32 (E) For taxable years in which a net operating loss
33 carryback or carryforward from a taxable year ending

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

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

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

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

29 (E-5) For taxable years ending after December 31,
30 1997, an amount equal to any eligible remediation costs
31 that the corporation deducted in computing adjusted
32 gross income and for which the corporation claims a
33 credit under subsection (1) of Section 201;

34 (E-10) For taxable years ending on or after

1 December 31, 2000 and before December 31, 2004 ~~2001 and~~
2 ~~thereafter~~, an amount equal to the bonus depreciation
3 deduction ~~(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 or
8 loss on the taxpayer's federal income tax return for
9 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 taxable
14 years under subparagraph (T) with respect to that
15 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 the
20 following amounts:

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

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

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

31 (I) With the exception of any amounts subtracted
32 under subparagraph (J), an amount equal to the sum of
33 all amounts disallowed as deductions by (i) Sections
34 171(a) (2), and 265(a) (2) and amounts disallowed as

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

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

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

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

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

21 (M-1) For any taxpayer that is a financial
22 organization within the meaning of Section 304(c) of
23 this Act, an amount included in such total as interest
24 income from a loan or loans made by such taxpayer to a
25 borrower, to the extent that such a loan is secured by
26 property which is eligible for the High Impact Business
27 Investment Credit. To determine the portion of a loan
28 or loans that is secured by property eligible for a
29 Section 201(h) investment credit to the borrower, the
30 entire principal amount of the loan or loans between
31 the taxpayer and the borrower should be divided into
32 the basis of the Section 201(h) investment credit
33 property which secures the loan or loans, using for
34 this purpose the original basis of such property on the

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

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

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

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

15 (P) An amount equal to any contribution made to a
16 job training project established pursuant to the Tax
17 Increment Allocation Redevelopment Act;

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

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

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

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

9 (T) For each taxable year ending before December
10 31, 2004 ~~years 2001 and thereafter~~, for the taxable
11 year in which the bonus depreciation deduction ~~(30% of~~
12 ~~the adjusted basis of the qualified property)~~ is taken
13 on the taxpayer's federal income tax return under
14 subsection (k) of Section 168 of the Internal Revenue
15 Code and for each applicable taxable year thereafter,
16 an amount equal to "x", where:

17 (1) "y" equals the amount of the depreciation
18 deduction taken for the taxable year on the
19 taxpayer's federal income tax return on property
20 for which the bonus depreciation deduction ~~(30% of~~
21 ~~the adjusted basis of the qualified property)~~ was
22 taken in any year under subsection (k) of Section
23 168 of the Internal Revenue Code (for this purpose,
24 the depreciation deduction taken for the taxable
25 year on the taxpayer's federal income tax return is
26 deemed to take into account any depreciation
27 adjustment required under Section 203(e)(2)(I)),
28 but not including the bonus depreciation
29 deduction; and

30 (2) for property on which a bonus depreciation
31 deduction of 30% of the adjusted basis was taken,
32 "x" equals "y" multiplied by 30 and then divided by
33 70 (or "y" multiplied by 0.429), and for property
34 on which a bonus depreciation deduction of 50% of

1 the adjusted basis was taken, "x" equals "y"
2 multiplied by 1.0.

3 The aggregate amount deducted under this
4 subparagraph in all taxable years for any one piece of
5 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 the
8 taxpayer's federal income tax return under subsection
9 (k) of Section 168 of the Internal Revenue Code; and

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

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

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

24 (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

34 (ii) the addition modification relating to the

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

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

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

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

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

27 (G-10) For taxable years ending on or after
28 December 31, 2000 and before December 31, 2004, 2001
29 ~~and thereafter~~, an amount equal to the bonus
30 depreciation deduction ~~(30% of the adjusted basis of~~
31 ~~the qualified property)~~ taken on the taxpayer's
32 federal income tax return for the taxable year under
33 subsection (k) of Section 168 of the Internal Revenue
34 Code; and

1 (G-11) If the taxpayer reports a capital gain or
2 loss on the taxpayer's federal income tax return for
3 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 (G-10), then an amount equal to the
7 aggregate amount of the deductions taken in all taxable
8 years under subparagraph (R) with respect to that
9 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 sum of the
14 following amounts:

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

26 (I) The valuation limitation amount;

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

30 (K) An amount equal to all amounts included in
31 taxable income as modified by subparagraphs (A), (B),
32 (C), (D), (E), (F) and (G) which are exempt from
33 taxation by this State either by reason of its statutes
34 or Constitution or by reason of the Constitution,

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

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

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

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

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

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

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

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

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

8 (R) For each taxable year ending before December
9 31, 2004 ~~years 2001 and thereafter~~, for the taxable
10 year in which the bonus depreciation deduction ~~(30% of~~
11 ~~the adjusted basis of the qualified property)~~ is taken
12 on the taxpayer's federal income tax return under
13 subsection (k) of Section 168 of the Internal Revenue
14 Code and for each applicable taxable year thereafter,
15 an amount equal to "x", where:

16 (1) "y" equals the amount of the depreciation
17 deduction taken for the taxable year on the
18 taxpayer's federal income tax return on property
19 for which the bonus depreciation deduction ~~(30% of~~
20 ~~the adjusted basis of the qualified property)~~ was
21 taken in any year under subsection (k) of Section
22 168 of the Internal Revenue Code (for this purpose,
23 the depreciation deduction taken for the taxable
24 year on the taxpayer's federal income tax return is
25 deemed to take into account any depreciation
26 adjustment required under Section 203(e)(2)(I)),
27 but not including the bonus depreciation
28 deduction; and

29 (2) for property on which a bonus depreciation
30 deduction of 30% of the adjusted basis was taken,
31 "x" equals "y" multiplied by 30 and then divided by
32 70 (or "y" multiplied by 0.429), and for property
33 on which a bonus depreciation deduction of 50% of
34 the adjusted basis was taken, "x" equals "y"

1 multiplied by 1.0.

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

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

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

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

26 (d) Partnerships.

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

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

33 (A) An amount equal to all amounts paid or accrued

1 to the taxpayer as interest or dividends during the
2 taxable year to the extent excluded from gross income
3 in the computation of taxable income;

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

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

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

14 (D-5) For taxable years ending on or after December
15 31, 2000 and before December 31, 2004, 2001 and
16 ~~thereafter~~, an amount equal to the bonus depreciation
17 deduction ~~(30% of the adjusted basis of the qualified~~
18 ~~property)~~ taken on the taxpayer's federal income tax
19 return for the taxable year under subsection (k) of
20 Section 168 of the Internal Revenue Code; and

21 (D-6) If the taxpayer reports a capital gain or
22 loss on the taxpayer's federal income tax return for
23 the taxable year based on a sale or transfer of
24 property for which the taxpayer was required in any
25 taxable year to make an addition modification under
26 subparagraph (D-5), then an amount equal to the
27 aggregate amount of the deductions taken in all taxable
28 years under subparagraph (O) with respect to that
29 property.†

30 The taxpayer is required to make the addition
31 modification under this subparagraph only once with
32 respect to any one piece of property;

33 and by deducting from the total so obtained the following
34 amounts:

1 (E) The valuation limitation amount;

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

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

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

21 (I) An amount equal to all amounts of income
22 distributable to an entity subject to the Personal
23 Property Tax Replacement Income Tax imposed by
24 subsections (c) and (d) of Section 201 of this Act
25 including amounts distributable to organizations
26 exempt from federal income tax by reason of Section
27 501(a) of the Internal Revenue Code;

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

1 Code, as now or hereafter amended; and (ii) for taxable
2 years 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 Section
6 250;

7 (K) An amount equal to those dividends included in
8 such total which were paid by a corporation which
9 conducts business operations in an Enterprise Zone or
10 zones created under the Illinois Enterprise Zone Act,
11 enacted by the 82nd General Assembly, and conducts
12 substantially all of its operations in an Enterprise
13 Zone or Zones;

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

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

26 (N) An amount equal to the amount of the deduction
27 used to compute the federal income tax credit for
28 restoration of substantial amounts held under claim of
29 right for the taxable year pursuant to Section 1341 of
30 the Internal Revenue Code of 1986;

31 (O) For each taxable year ending before December
32 31, 2004 ~~years 2001 and thereafter~~, for the taxable
33 year in which the bonus depreciation deduction ~~(30% of~~
34 ~~the adjusted basis of the qualified property)~~ is taken

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

5 (1) "y" equals the amount of the depreciation
6 deduction taken for the taxable year on the
7 taxpayer's federal income tax return on property
8 for which the bonus depreciation deduction ~~(30% of~~
9 ~~the adjusted basis of the qualified property)~~ was
10 taken in any year under subsection (k) of Section
11 168 of the Internal Revenue Code (for this purpose,
12 the depreciation deduction taken for the taxable
13 year on the taxpayer's federal income tax return is
14 deemed to take into account any depreciation
15 adjustment required under Section 203(e)(2)(I)),
16 but not including the bonus depreciation
17 deduction; and

18 (2) for property on which a bonus depreciation
19 deduction of 30% of the adjusted basis was taken,
20 "x" equals "y" multiplied by 30 and then divided by
21 70 (or "y" multiplied by 0.429), and for property
22 on which a bonus depreciation deduction of 50% of
23 the adjusted basis was taken, "x" equals "y"
24 multiplied by 1.0.

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

32 (P) If the taxpayer reports a capital gain or loss
33 on the taxpayer's federal income tax return for the
34 taxable year based on a sale or transfer of property

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

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

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

9 (1) In general. Subject to the provisions of paragraph
10 (2) and subsection (b) (3), for purposes of this Section
11 and Section 803(e), a taxpayer's gross income, adjusted
12 gross income, or taxable income for the taxable year shall
13 mean the amount of gross income, adjusted gross income or
14 taxable income properly reportable for federal income tax
15 purposes for the taxable year under the provisions of the
16 Internal Revenue Code. With respect to taxable years ending
17 on or after December 31, 2004, for purposes of determining
18 the amount of gross income, adjusted gross income, or
19 taxable income properly reportable for federal income tax
20 purposes: (i) there shall be taken into account the
21 depreciation adjustment and the basis adjustment required
22 by paragraph (2) (I) of this subsection; (ii) the provisions
23 of Section 179 of the Internal Revenue Code apply to the
24 extent that the Section is elected for federal income tax
25 purposes with respect to "Section 179 property", except
26 that the dollar limitation of Section 179(b)(1) shall be
27 deemed to be \$25,000 for all taxable years and the
28 reduction in limitation under Section 179(b)(2) shall be
29 deemed to be \$200,000 for all taxable years, without any
30 adjustment under Section 179(b)(5); and (iii) the gross
31 income, adjusted gross income, or taxable income shall be
32 determined as if the Internal Revenue Code required that,
33 with respect to property placed in service in taxable years

1 ending on or after December 31, 2004, the depreciation
2 deduction determined under Section 168 of the Internal
3 Revenue Code must be determined under Section 168(g)(2)
4 (including the straight-line method and without any
5 special allowance under Section 168(k)). Taxable income
6 may be less than zero. However, for taxable years ending on
7 or after December 31, 1986, net operating loss
8 carryforwards from taxable years ending prior to December
9 31, 1986, may not exceed the sum of federal taxable income
10 for the taxable year before net operating loss deduction,
11 plus the excess of addition modifications over subtraction
12 modifications for the taxable year. For taxable years
13 ending prior to December 31, 1986, taxable income may never
14 be an amount in excess of the net operating loss for the
15 taxable year as defined in subsections (c) and (d) of
16 Section 172 of the Internal Revenue Code, provided that
17 when taxable income of a corporation (other than a
18 Subchapter S corporation), trust, or estate is less than
19 zero and addition modifications, other than those provided
20 by subparagraph (E) of paragraph (2) of subsection (b) for
21 corporations or subparagraph (E) of paragraph (2) of
22 subsection (c) for trusts and estates, exceed subtraction
23 modifications, an addition modification must be made under
24 those subparagraphs for any other taxable year to which the
25 taxable income less than zero (net operating loss) is
26 applied under Section 172 of the Internal Revenue Code or
27 under subparagraph (E) of paragraph (2) of this subsection
28 (e) applied in conjunction with Section 172 of the Internal
29 Revenue Code.

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

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

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

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

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

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

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

30 (F) Cooperatives. In the case of a cooperative
31 corporation or association, the taxable income of such
32 organization determined in accordance with the
33 provisions of Section 1381 through 1388 of the Internal
34 Revenue Code;

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

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

24 (I) Depreciation and basis adjustments for all
25 taxpayers.

26 (A) Depreciation adjustment. With respect to
27 property placed in service in taxable years ending
28 before December 31, 2004, the depreciation
29 deduction allowed under Section 167 of the
30 Internal Revenue Code, with respect to property as
31 to which the deduction is determined under Section
32 168 of the Code, shall be determined as if the
33 Internal Revenue Code required a switch to the
34 straight-line method beginning with that

1 property's adjusted basis for federal income tax
2 purposes as of the beginning of the last taxable
3 year beginning before December 31, 2004.

4 (B) Basis adjustment. With respect to property
5 subject to subparagraph (A) of this paragraph, the
6 adjustment otherwise required under Section 1016
7 of the Internal Revenue Code shall take into
8 account the depreciation adjustment required under
9 subparagraph (A).

10 (f) Valuation limitation amount.

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

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

19 (B) The lesser of (i) the sum of the pre-August 1,
20 1969 appreciation amounts (to the extent consisting of
21 capital gain) for all property in respect of which such
22 gain was reported for federal income tax purposes for
23 the taxable year, or (ii) the net capital gain for the
24 taxable year, reduced in either case by any amount of
25 such gain included in the amount determined under
26 subsection (a) (2) (F) or (c) (2) (H).

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

28 (A) If the fair market value of property referred
29 to in paragraph (1) was readily ascertainable on August
30 1, 1969, the pre-August 1, 1969 appreciation amount for
31 such property is the lesser of (i) the excess of such
32 fair market value over the taxpayer's basis (for
33 determining gain) for such property on that date

1 (determined under the Internal Revenue Code as in
2 effect on that date), or (ii) the total gain realized
3 and reportable for federal income tax purposes in
4 respect of the sale, exchange or other disposition of
5 such property.

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

17 (C) The Department shall prescribe such
18 regulations as may be necessary to carry out the
19 purposes of this paragraph.

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

23 (h) Legislative intention. Except as expressly provided by
24 this Section there shall be no modifications or limitations on
25 the amounts of income, gain, loss or deduction taken into
26 account in determining gross income, adjusted gross income or
27 taxable income for federal income tax purposes for the taxable
28 year, or in the amount of such items entering into the
29 computation of base income and net income under this Act for
30 such taxable year, whether in respect of property values as of
31 August 1, 1969 or otherwise.

32 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;

1 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
2 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
3 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
4 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.
5 7-11-02; 92-846, eff. 8-23-02; revised 10-15-03.)".