



Rep. Kenneth Dunkin

Filed: 3/10/2005

09400HB1749ham001

LRB094 03234 BDD 42984 a

1 AMENDMENT TO HOUSE BILL 1749

2 AMENDMENT NO. _____. Amend House Bill 1749 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21 withdrawn by the taxpayer in the taxable year from a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 2001 and thereafter, an
33 amount equal to the bonus depreciation deduction (30%
34 of the adjusted basis of the qualified property) taken

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

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

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

16 (D-17) For taxable years ending on or after
17 December 31, 2004, an amount equal to the amount
18 otherwise allowed as a deduction in computing base
19 income for interest paid, accrued, or incurred,
20 directly or indirectly, to a foreign person who would
21 be a member of the same unitary business group but for
22 the fact that foreign person's business activity
23 outside the United States is 80% or more of the foreign
24 person's total business activity. The addition
25 modification required by this subparagraph shall be
26 reduced to the extent that dividends were included in
27 base income of the unitary group for the same taxable
28 year and received by the taxpayer or by a member of the
29 taxpayer's unitary business group (including amounts
30 included in gross income under Sections 951 through 964
31 of the Internal Revenue Code and amounts included in
32 gross income under Section 78 of the Internal Revenue
33 Code) with respect to the stock of the same person to
34 whom the interest was paid, accrued, or incurred.

1 This paragraph shall not apply to the following:

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

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

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

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

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

30 (iv) an item of interest paid, accrued, or
31 incurred, directly or indirectly, to a foreign
32 person if the taxpayer establishes by clear and
33 convincing evidence that the adjustments are
34 unreasonable; or if the taxpayer and the Director

1 agree in writing to the application or use of an
2 alternative method of apportionment under Section
3 304(f).

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

13 (D-18) For taxable years ending on or after
14 December 31, 2004, an amount equal to the amount of
15 intangible expenses and costs otherwise allowed as a
16 deduction in computing base income, and that were paid,
17 accrued, or incurred, directly or indirectly, to a
18 foreign person who would be a member of the same
19 unitary business group but for the fact that the
20 foreign person's business activity outside the United
21 States is 80% or more of that person's total business
22 activity. The addition modification required by this
23 subparagraph shall be reduced to the extent that
24 dividends were included in base income of the unitary
25 group for the same taxable year and received by the
26 taxpayer or by a member of the taxpayer's unitary
27 business group (including amounts included in gross
28 income under Sections 951 through 964 of the Internal
29 Revenue Code and amounts included in gross income under
30 Section 78 of the Internal Revenue Code) with respect
31 to the stock of the same person to whom the intangible
32 expenses and costs were directly or indirectly paid,
33 incurred, or accrued. The preceding sentence does not
34 apply to the extent that the same dividends caused a

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

17 This paragraph shall not apply to the following:

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

25 (ii) any item of intangible expense or cost
26 paid, accrued, or incurred, directly or
27 indirectly, if the taxpayer can establish, based
28 on a preponderance of the evidence, both of the
29 following:

30 (a) the foreign person during the same
31 taxable year paid, accrued, or incurred, the
32 intangible expense or cost to a person that is
33 not a related member, and

34 (b) the transaction giving rise to the

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

7 (iii) any item of intangible expense or cost
8 paid, accrued, or incurred, directly or
9 indirectly, from a transaction with a foreign
10 person if the taxpayer establishes by clear and
11 convincing evidence, that the adjustments are
12 unreasonable; or if the taxpayer and the Director
13 agree in writing to the application or use of an
14 alternative method of apportionment under Section
15 304(f);

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

25 (D-20) For taxable years beginning on or after
26 January 1, 2002, in the case of a distribution from a
27 qualified tuition program under Section 529 of the
28 Internal Revenue Code, other than (i) a distribution
29 from a College Savings Pool created under Section 16.5
30 of the State Treasurer Act or (ii) a distribution from
31 the Illinois Prepaid Tuition Trust Fund, an amount
32 equal to the amount excluded from gross income under
33 Section 529(c)(3)(B);

34 (D-25) For taxable years ending on or after

1 December 31, 2005, an amount equal to the expense
2 deduction under Section 179 of the Internal Revenue
3 Code for a sport utility vehicle taken on the
4 taxpayer's federal income tax return for the taxable
5 year less the amount of the depreciation deduction
6 limitation under Section 280F of the Internal Revenue
7 Code for the first taxable year of the recovery period.
8 For Illinois tax purposes, the adjusted basis of the
9 sport utility vehicle under this paragraph shall equal
10 the federal adjusted basis of the vehicle. For the
11 purpose of this paragraph, "sport utility vehicle"
12 means a four-wheeled vehicle manufactured primarily
13 for use on public streets, roads, and highways that:

14 (1) is rated between 6,000 and 14,000 pounds
15 gross vehicle weight;

16 (2) is designed to seat 9 or fewer individuals;

17 and

18 (3) is not equipped with an open cargo area
19 with an interior length of 72 or more inches that
20 is separate from the passenger compartment;

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

23 (E) For taxable years ending before December 31,
24 2001, any amount included in such total in respect of
25 any compensation (including but not limited to any
26 compensation paid or accrued to a serviceman while a
27 prisoner of war or missing in action) paid to a
28 resident by reason of being on active duty in the Armed
29 Forces of the United States and in respect of any
30 compensation paid or accrued to a resident who as a
31 governmental employee was a prisoner of war or missing
32 in action, and in respect of any compensation paid to a
33 resident in 1971 or thereafter for annual training
34 performed pursuant to Sections 502 and 503, Title 32,

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

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

27 (G) The valuation limitation amount;

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

31 (I) An amount equal to all amounts included in such
32 total pursuant to the provisions of Section 111 of the
33 Internal Revenue Code as a recovery of items previously
34 deducted from adjusted gross income in the computation

1 of taxable income;

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

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

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

22 (M) With the exception of any amounts subtracted
23 under subparagraph (N), an amount equal to the sum of
24 all amounts disallowed as deductions by (i) Sections
25 171(a) (2), and 265(2) of the Internal Revenue Code of
26 1954, as now or hereafter amended, and all amounts of
27 expenses allocable to interest and disallowed as
28 deductions by Section 265(1) of the Internal Revenue
29 Code of 1954, as now or hereafter amended; and (ii) for
30 taxable years ending on or after August 13, 1999,
31 Sections 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of
32 the Internal Revenue Code; the provisions of this
33 subparagraph are exempt from the provisions of Section
34 250;

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

10 (O) An amount equal to any contribution made to a
11 job training project established pursuant to the Tax
12 Increment Allocation Redevelopment Act;

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

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

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

25 (S) An amount, to the extent included in adjusted
26 gross income, equal to the amount of a contribution
27 made in the taxable year on behalf of the taxpayer to a
28 medical care savings account established under the
29 Medical Care Savings Account Act or the Medical Care
30 Savings Account Act of 2000 to the extent the
31 contribution is accepted by the account administrator
32 as provided in that Act;

33 (T) An amount, to the extent included in adjusted
34 gross income, equal to the amount of interest earned in

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

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

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

1 times a number that represents the fractional
2 percentage of eligible medical expenses under Section
3 213 of the Internal Revenue Code of 1986 not actually
4 deducted on the taxpayer's federal income tax return;

5 (W) For taxable years beginning on or after January
6 1, 1998, all amounts included in the taxpayer's federal
7 gross income in the taxable year from amounts converted
8 from a regular IRA to a Roth IRA. This paragraph is
9 exempt from the provisions of Section 250;

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

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

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

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

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

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

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

10 The aggregate amount deducted under this
11 subparagraph in all taxable years for any one piece of
12 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 the
15 taxpayer's federal income tax return under subsection
16 (k) of Section 168 of the Internal Revenue Code;

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

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

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

30 (CC) The amount of (i) any interest income (net of
31 the deductions allocable thereto) taken into account
32 for the taxable year with respect to a transaction with
33 a taxpayer that is required to make an addition
34 modification with respect to such transaction under

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

12 (DD) An amount equal to the interest income taken
13 into account for the taxable year (net of the
14 deductions allocable thereto) with respect to
15 transactions with a foreign person who would be a
16 member of the taxpayer's unitary business group but for
17 the fact that the foreign person's business activity
18 outside the United States is 80% or more of that
19 person's total business activity, but not to exceed the
20 addition modification required to be made for the same
21 taxable year under Section 203(a)(2)(D-17) for
22 interest paid, accrued, or incurred, directly or
23 indirectly, to the same foreign person; and

24 (EE) An amount equal to the income from intangible
25 property taken into account for the taxable year (net
26 of the deductions allocable thereto) with respect to
27 transactions with a foreign person who would be a
28 member of the taxpayer's unitary business group but for
29 the fact that the foreign person's business activity
30 outside the United States is 80% or more of that
31 person's total business activity, but not to exceed the
32 addition modification required to be made for the same
33 taxable year under Section 203(a)(2)(D-18) for
34 intangible expenses and costs paid, accrued, or

1 incurred, directly or indirectly, to the same foreign
2 person.

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 2001 and thereafter, an

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

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

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

18 (E-12) For taxable years ending on or after
19 December 31, 2004, an amount equal to the amount
20 otherwise allowed as a deduction in computing base
21 income for interest paid, accrued, or incurred,
22 directly or indirectly, to a foreign person who would
23 be a member of the same unitary business group but for
24 the fact the foreign person's business activity
25 outside the United States is 80% or more of the foreign
26 person's total business activity. The addition
27 modification required by this subparagraph shall be
28 reduced to the extent that dividends were included in
29 base income of the unitary group for the same taxable
30 year and received by the taxpayer or by a member of the
31 taxpayer's unitary business group (including amounts
32 included in gross income pursuant to Sections 951
33 through 964 of the Internal Revenue Code and amounts
34 included in gross income under Section 78 of the

1 Internal Revenue Code) with respect to the stock of the
2 same person to whom the interest was paid, accrued, or
3 incurred.

4 This paragraph shall not apply to the following:

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

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

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

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

27 (iii) the taxpayer can establish, based on
28 clear and convincing evidence, that the interest
29 paid, accrued, or incurred relates to a contract or
30 agreement entered into at arm's-length rates and
31 terms and the principal purpose for the payment is
32 not federal or Illinois tax avoidance; or

33 (iv) an item of interest paid, accrued, or
34 incurred, directly or indirectly, to a foreign

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

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

16 (E-13) For taxable years ending on or after
17 December 31, 2004, an amount equal to the amount of
18 intangible expenses and costs otherwise allowed as a
19 deduction in computing base income, and that were paid,
20 accrued, or incurred, directly or indirectly, to a
21 foreign person who would be a member of the same
22 unitary business group but for the fact that the
23 foreign person's business activity outside the United
24 States is 80% or more of that person's total business
25 activity. The addition modification required by this
26 subparagraph shall be reduced to the extent that
27 dividends were included in base income of the unitary
28 group for the same taxable year and received by the
29 taxpayer or by a member of the taxpayer's unitary
30 business group (including amounts included in gross
31 income pursuant to Sections 951 through 964 of the
32 Internal Revenue Code and amounts included in gross
33 income under Section 78 of the Internal Revenue Code)
34 with respect to the stock of the same person to whom

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

20 This paragraph shall not apply to the following:

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

28 (ii) any item of intangible expense or cost
29 paid, accrued, or incurred, directly or
30 indirectly, if the taxpayer can establish, based
31 on a preponderance of the evidence, both of the
32 following:

33 (a) the foreign person during the same
34 taxable year paid, accrued, or incurred, the

1 intangible expense or cost to a person that is
2 not a related member, and

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

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

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

28 (E-15) For taxable years ending on or after
29 December 31, 2005, an amount equal to the expense
30 deduction under Section 179 of the Internal Revenue
31 Code for a sport utility vehicle taken on the
32 taxpayer's federal income tax return for the taxable
33 year less the amount of the depreciation deduction
34 limitation under Section 280F of the Internal Revenue

1 Code for the first taxable year of the recovery period.
2 For Illinois tax purposes, the adjusted basis of the
3 sport utility vehicle under this paragraph shall equal
4 the federal adjusted basis of the vehicle. For the
5 purpose of this paragraph, "sport utility vehicle"
6 means a four-wheeled vehicle manufactured primarily
7 for use on public streets, roads, and highways that:

8 (1) is rated between 6,000 and 14,000 pounds
9 gross vehicle weight;

10 (2) is designed to seat 9 or fewer individuals;

11 and

12 (3) is not equipped with an open cargo area
13 with an interior length of 72 or more inches that
14 is separate from the passenger compartment;

15 and by deducting from the total so obtained the sum of the
16 following amounts:

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

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

22 (H) In the case of a regulated investment company,
23 an amount equal to the amount of exempt interest
24 dividends as defined in subsection (b) (5) of Section
25 852 of the Internal Revenue Code, paid to shareholders
26 for the taxable year;

27 (I) With the exception of any amounts subtracted
28 under subparagraph (J), an amount equal to the sum of
29 all amounts disallowed as deductions by (i) Sections
30 171(a) (2), and 265(a) (2) and amounts disallowed as
31 interest expense by Section 291(a) (3) of the Internal
32 Revenue Code, as now or hereafter amended, and all
33 amounts of expenses allocable to interest and
34 disallowed as deductions by Section 265(a) (1) of the

1 Internal Revenue Code, as now or hereafter amended; and
2 (ii) for taxable years ending on or after August 13,
3 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and
4 832(b)(5)(B)(i) of the Internal Revenue Code; the
5 provisions of this subparagraph are exempt from the
6 provisions of Section 250;

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

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

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

31 (M) For any taxpayer that is a financial
32 organization within the meaning of Section 304(c) of
33 this Act, an amount included in such total as interest
34 income from a loan or loans made by such taxpayer to a

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

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

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

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

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

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

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

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

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

28 (S) For taxable years ending on or after December
29 31, 1997, in the case of a Subchapter S corporation, an
30 amount equal to all amounts of income allocable to a
31 shareholder subject to the Personal Property Tax
32 Replacement Income Tax imposed by subsections (c) and
33 (d) of Section 201 of this Act, including amounts
34 allocable to organizations exempt from federal income

1 tax by reason of Section 501(a) of the Internal Revenue
2 Code. This subparagraph (S) is exempt from the
3 provisions of Section 250;

4 (T) For taxable years 2001 and thereafter, for the
5 taxable year in which the bonus depreciation deduction
6 (30% of the adjusted basis of the qualified property)
7 is taken on the taxpayer's federal income tax return
8 under subsection (k) of Section 168 of the Internal
9 Revenue Code and for each applicable taxable year
10 thereafter, an amount equal to "x", where:

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

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

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

28 (U) If the taxpayer reports a capital gain or loss
29 on the taxpayer's federal income tax return for the
30 taxable year based on a sale or transfer of property
31 for which the taxpayer was required in any taxable year
32 to make an addition modification under subparagraph
33 (E-10), then an amount equal to that addition
34 modification.

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

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

20 (W) An amount equal to the interest income taken
21 into account for the taxable year (net of the
22 deductions allocable thereto) with respect to
23 transactions with a foreign person who would be a
24 member of the taxpayer's unitary business group but for
25 the fact that the foreign person's business activity
26 outside the United States is 80% or more of that
27 person's total business activity, but not to exceed the
28 addition modification required to be made for the same
29 taxable year under Section 203(b)(2)(E-12) for
30 interest paid, accrued, or incurred, directly or
31 indirectly, to the same foreign person; and

32 (X) An amount equal to the income from intangible
33 property taken into account for the taxable year (net
34 of the deductions allocable thereto) with respect to

1 transactions with a foreign person who would be a
2 member of the taxpayer's unitary business group but for
3 the fact that the foreign person's business activity
4 outside the United States is 80% or more of that
5 person's total business activity, but not to exceed the
6 addition modification required to be made for the same
7 taxable year under Section 203(b)(2)(E-13) for
8 intangible expenses and costs paid, accrued, or
9 incurred, directly or indirectly, to the same foreign
10 person.

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

15 (c) Trusts and estates.

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

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

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

27 (B) In the case of (i) an estate, \$600; (ii) a
28 trust which, under its governing instrument, is
29 required to distribute all of its income currently,
30 \$300; and (iii) any other trust, \$100, but in each such
31 case, only to the extent such amount was deducted in
32 the computation of taxable income;

33 (C) An amount equal to the amount of tax imposed by

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

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

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

17 (i) 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 be reduced by the amount of
21 addition modification under this subparagraph (E)
22 which related to that net operating loss and which
23 was taken into account in calculating the base
24 income of an earlier taxable year, and

25 (ii) the addition modification relating to the
26 net operating loss carried back or forward to the
27 taxable year from any taxable year ending prior to
28 December 31, 1986 shall not exceed the amount of
29 such carryback or carryforward;

30 For taxable years in which there is a net operating
31 loss carryback or carryforward from more than one other
32 taxable year ending prior to December 31, 1986, the
33 addition modification provided in this subparagraph
34 (E) shall be the sum of the amounts computed

1 independently under the preceding provisions of this
2 subparagraph (E) for each such taxable year;

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

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

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

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

24 (G-11) If the taxpayer reports a capital gain or
25 loss on the taxpayer's federal income tax return for
26 the taxable year based on a sale or transfer of
27 property for which the taxpayer was required in any
28 taxable year to make an addition modification under
29 subparagraph (G-10), then an amount equal to the
30 aggregate amount of the deductions taken in all taxable
31 years under subparagraph (R) with respect to that
32 property.

33 The taxpayer is required to make the addition
34 modification under this subparagraph only once with

1 respect to any one piece of property;

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

22 This paragraph shall not apply to the following:

23 (i) an item of interest paid, accrued, or
24 incurred, directly or indirectly, to a foreign
25 person who is subject in a foreign country or
26 state, other than a state which requires mandatory
27 unitary reporting, to a tax on or measured by net
28 income with respect to such interest; or

29 (ii) an item of interest paid, accrued, or
30 incurred, directly or indirectly, to a foreign
31 person if the taxpayer can establish, based on a
32 preponderance of the evidence, both of the
33 following:

34 (a) the foreign person, during the same

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

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

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

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

25 Nothing in this subsection shall preclude the
26 Director from making any other adjustment
27 otherwise allowed under Section 404 of this Act for
28 any tax year beginning after the effective date of
29 this amendment provided such adjustment is made
30 pursuant to regulation adopted by the Department
31 and such regulations provide methods and standards
32 by which the Department will utilize its authority
33 under Section 404 of this Act;

34 (G-13) For taxable years ending on or after

1 December 31, 2004, an amount equal to the amount of
2 intangible expenses and costs otherwise allowed as a
3 deduction in computing base income, and that were paid,
4 accrued, or incurred, directly or indirectly, to a
5 foreign person who would be a member of the same
6 unitary business group but for the fact that the
7 foreign person's business activity outside the United
8 States is 80% or more of that person's total business
9 activity. The addition modification required by this
10 subparagraph shall be reduced to the extent that
11 dividends were included in base income of the unitary
12 group for the same taxable year and received by the
13 taxpayer or by a member of the taxpayer's unitary
14 business group (including amounts included in gross
15 income pursuant to Sections 951 through 964 of the
16 Internal Revenue Code and amounts included in gross
17 income under Section 78 of the Internal Revenue Code)
18 with respect to the stock of the same person to whom
19 the intangible expenses and costs were directly or
20 indirectly paid, incurred, or accrued. The preceding
21 sentence shall not apply to the extent that the same
22 dividends caused a reduction to the addition
23 modification required under Section 203(c)(2)(G-12) of
24 this Act. As used in this subparagraph, the term
25 "intangible expenses and costs" includes: (1)
26 expenses, losses, and costs for or related to the
27 direct or indirect acquisition, use, maintenance or
28 management, ownership, sale, exchange, or any other
29 disposition of intangible property; (2) losses
30 incurred, directly or indirectly, from factoring
31 transactions or discounting transactions; (3) royalty,
32 patent, technical, and copyright fees; (4) licensing
33 fees; and (5) other similar expenses and costs. For
34 purposes of this subparagraph, "intangible property"

1 includes patents, patent applications, trade names,
2 trademarks, service marks, copyrights, mask works,
3 trade secrets, and similar types of intangible assets.

4 This paragraph shall not apply to the following:

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

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

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

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

28 (iii) any item of intangible expense or cost
29 paid, accrued, or incurred, directly or
30 indirectly, from a transaction with a foreign
31 person if the taxpayer establishes by clear and
32 convincing evidence, that the adjustments are
33 unreasonable; or if the taxpayer and the Director
34 agree in writing to the application or use of an

1 alternative method of apportionment under Section
2 304(f);

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

12 (G-15) For taxable years ending on or after
13 December 31, 2005, an amount equal to the expense
14 deduction under Section 179 of the Internal Revenue
15 Code for a sport utility vehicle taken on the
16 taxpayer's federal income tax return for the taxable
17 year less the amount of the depreciation deduction
18 limitation under Section 280F of the Internal Revenue
19 Code for the first taxable year of the recovery period.
20 For Illinois tax purposes, the adjusted basis of the
21 sport utility vehicle under this paragraph shall equal
22 the federal adjusted basis of the vehicle. For the
23 purpose of this paragraph, "sport utility vehicle"
24 means a four-wheeled vehicle manufactured primarily
25 for use on public streets, roads, and highways that:

26 (1) is rated between 6,000 and 14,000 pounds
27 gross vehicle weight;

28 (2) is designed to seat 9 or fewer individuals;

29 and

30 (3) is not equipped with an open cargo area
31 with an interior length of 72 or more inches that
32 is separate from the passenger compartment;

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

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

12 (I) The valuation limitation amount;

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

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

27 (L) With the exception of any amounts subtracted
28 under subparagraph (K), an amount equal to the sum of
29 all amounts disallowed as deductions by (i) Sections
30 171(a) (2) and 265(a) (2) of the Internal Revenue Code,
31 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 (M) An amount equal to those dividends included in
7 such total which were paid by a corporation which
8 conducts business operations in an Enterprise Zone or
9 zones created under the Illinois Enterprise Zone Act
10 and conducts substantially all of its operations in an
11 Enterprise Zone or Zones;

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

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

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

29 (Q) For taxable year 1999 and thereafter, an amount
30 equal to the amount of any (i) distributions, to the
31 extent includible in gross income for federal income
32 tax purposes, made to the taxpayer because of his or
33 her status as a victim of persecution for racial or
34 religious reasons by Nazi Germany or any other Axis

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

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

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

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

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

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

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

28 (T) The amount of (i) any interest income (net of
29 the deductions allocable thereto) taken into account
30 for the taxable year with respect to a transaction with
31 a taxpayer that is required to make an addition
32 modification with respect to such transaction under
33 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
34 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed

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

10 (U) An amount equal to the interest income taken
11 into account for the taxable year (net of the
12 deductions allocable thereto) with respect to
13 transactions with a foreign person who would be a
14 member of the taxpayer's unitary business group but for
15 the fact the foreign person's business activity
16 outside the United States is 80% or more of that
17 person's total business activity, but not to exceed the
18 addition modification required to be made for the same
19 taxable year under Section 203(c)(2)(G-12) for
20 interest paid, accrued, or incurred, directly or
21 indirectly, to the same foreign person; and

22 (V) An amount equal to the income from intangible
23 property taken into account for the taxable year (net
24 of the deductions allocable thereto) with respect to
25 transactions with a foreign person who would be a
26 member of the taxpayer's unitary business group but for
27 the fact that the foreign person's business activity
28 outside the United States is 80% or more of that
29 person's total business activity, but not to exceed the
30 addition modification required to be made for the same
31 taxable year under Section 203(c)(2)(G-13) for
32 intangible expenses and costs paid, accrued, or
33 incurred, directly or indirectly, to the same foreign
34 person.

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

8 (d) Partnerships.

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

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

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

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

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

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

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

1 Internal Revenue Code;

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

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

14 (D-7) For taxable years ending on or after December
15 31, 2004, an amount equal to the amount otherwise
16 allowed as a deduction in computing base income for
17 interest paid, accrued, or incurred, directly or
18 indirectly, to a foreign person who would be a member
19 of the same unitary business group but for the fact the
20 foreign person's business activity outside the United
21 States is 80% or more of the foreign person's total
22 business activity. The addition modification required
23 by this subparagraph shall be reduced to the extent
24 that dividends were included in base income of the
25 unitary group for the same taxable year and received by
26 the taxpayer or by a member of the taxpayer's unitary
27 business group (including amounts included in gross
28 income pursuant to Sections 951 through 964 of the
29 Internal Revenue Code and amounts included in gross
30 income under Section 78 of the Internal Revenue Code)
31 with respect to the stock of the same person to whom
32 the interest was paid, accrued, or incurred.

33 This paragraph shall not apply to the following:

34 (i) an item of interest paid, accrued, or

1 incurred, directly or indirectly, to a foreign
2 person who is subject in a foreign country or
3 state, other than a state which requires mandatory
4 unitary reporting, to a tax on or measured by net
5 income with respect to such interest; or

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

11 (a) the foreign person, during the same
12 taxable year, paid, accrued, or incurred, the
13 interest to a person that is not a related
14 member, and

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

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

28 (iv) an item of interest paid, accrued, or
29 incurred, directly or indirectly, to a foreign
30 person if the taxpayer establishes by clear and
31 convincing evidence that the adjustments are
32 unreasonable; or if the taxpayer and the Director
33 agree in writing to the application or use of an
34 alternative method of apportionment under Section

1 304(f).

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

11 (D-8) For taxable years ending on or after December
12 31, 2004, an amount equal to the amount of intangible
13 expenses and costs otherwise allowed as a deduction in
14 computing base income, and that were paid, accrued, or
15 incurred, directly or indirectly, to a foreign person
16 who would be a member of the same unitary business
17 group but for the fact that the foreign person's
18 business activity outside the United States is 80% or
19 more of that person's total business activity. The
20 addition modification required by this subparagraph
21 shall be reduced to the extent that dividends were
22 included in base income of the unitary group for the
23 same taxable year and received by the taxpayer or by a
24 member of the taxpayer's unitary business group
25 (including amounts included in gross income pursuant
26 to Sections 951 through 964 of the Internal Revenue
27 Code and amounts included in gross income under Section
28 78 of the Internal Revenue Code) with respect to the
29 stock of the same person to whom the intangible
30 expenses and costs were directly or indirectly paid,
31 incurred or accrued. The preceding sentence shall not
32 apply to the extent that the same dividends caused a
33 reduction to the addition modification required under
34 Section 203(d)(2)(D-7) of this Act. As used in this

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

15 This paragraph shall not apply to the following:

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

23 (ii) any item of intangible expense or cost
24 paid, accrued, or incurred, directly or
25 indirectly, if the taxpayer can establish, based
26 on a preponderance of the evidence, both of the
27 following:

28 (a) the foreign person during the same
29 taxable year paid, accrued, or incurred, the
30 intangible expense or cost to a person that is
31 not a related member, and

32 (b) the transaction giving rise to the
33 intangible expense or cost between the
34 taxpayer and the foreign person did not have as

1 a principal purpose the avoidance of Illinois
2 income tax, and is paid pursuant to a contract
3 or agreement that reflects arm's-length terms;
4 or

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

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

23 (D-10) For taxable years ending on or after
24 December 31, 2005, an amount equal to the expense
25 deduction under Section 179 of the Internal Revenue
26 Code for a sport utility vehicle taken on the
27 taxpayer's federal income tax return for the taxable
28 year less the amount of the depreciation deduction
29 limitation under Section 280F of the Internal Revenue
30 Code for the first taxable year of the recovery period.
31 For Illinois tax purposes, the adjusted basis of the
32 sport utility vehicle under this paragraph shall equal
33 the federal adjusted basis of the vehicle. For the
34 purpose of this paragraph, "sport utility vehicle"

1 means a four-wheeled vehicle manufactured primarily
2 for use on public streets, roads, and highways that:

3 (1) is rated between 6,000 and 14,000 pounds
4 gross vehicle weight;

5 (2) is designed to seat 9 or fewer individuals;
6 and

7 (3) is not equipped with an open cargo area
8 with an interior length of 72 or more inches that
9 is separate from the passenger compartment;

10 and by deducting from the total so obtained the following
11 amounts:

12 (E) The valuation limitation amount;

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

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

26 (H) Any income of the partnership which
27 constitutes personal service income as defined in
28 Section 1348 (b) (1) of the Internal Revenue Code (as
29 in effect December 31, 1981) or a reasonable allowance
30 for compensation paid or accrued for services rendered
31 by partners to the partnership, 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 subtracted
6 under subparagraph (G), an amount equal to the sum of
7 all amounts disallowed as deductions by (i) Sections
8 171(a) (2), and 265(2) of the Internal Revenue Code of
9 1954, as now or hereafter amended, and all amounts of
10 expenses allocable to interest and disallowed as
11 deductions by Section 265(1) of the Internal Revenue
12 Code, as now or hereafter amended; and (ii) for taxable
13 years ending on or after August 13, 1999, Sections
14 171(a) (2), 265, 280C, and 832(b) (5) (B) (i) of the
15 Internal Revenue Code; the provisions of this
16 subparagraph are exempt from the provisions of Section
17 250;

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

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

28 (M) An amount equal to those dividends included in
29 such total that were paid by a corporation that
30 conducts business operations in a federally designated
31 Foreign Trade Zone or Sub-Zone and that is designated a
32 High Impact Business located in Illinois; provided
33 that dividends eligible for the deduction provided in
34 subparagraph (K) of paragraph (2) of this subsection

1 shall not be eligible for the deduction provided under
2 this subparagraph (M);

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

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

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

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

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;

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

24 (R) An amount equal to the interest income taken
25 into account for the taxable year (net of the
26 deductions allocable thereto) with respect to
27 transactions with a foreign person who would be a
28 member of the taxpayer's unitary business group but for
29 the fact that the foreign person's business activity
30 outside the United States is 80% or more of that
31 person's total business activity, but not to exceed the
32 addition modification required to be made for the same
33 taxable year under Section 203(d)(2)(D-7) for interest
34 paid, accrued, or incurred, directly or indirectly, to

1 the same foreign person; and

2 (S) An amount equal to the income from intangible
3 property taken into account for the taxable year (net
4 of the deductions allocable thereto) with respect to
5 transactions with a foreign person who would be a
6 member of the taxpayer's unitary business group but for
7 the fact that the foreign person's business activity
8 outside the United States is 80% or more of that
9 person's total business activity, but not to exceed the
10 addition modification required to be made for the same
11 taxable year under Section 203(d)(2)(D-8) for
12 intangible expenses and costs paid, accrued, or
13 incurred, directly or indirectly, to the same foreign
14 person.

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

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

1 Internal Revenue Code, provided that when taxable income of
2 a 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 or
6 subparagraph (E) of paragraph (2) of subsection (c) for
7 trusts and estates, exceed subtraction modifications, an
8 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 subsection
13 (e) applied in conjunction with Section 172 of the Internal
14 Revenue Code.

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

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

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

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

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

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

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

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

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

1 Subchapter S rules as in effect on July 1, 1982; and

2 (H) Partnerships. In the case of a partnership,
3 taxable income determined in accordance with Section
4 703 of the Internal Revenue Code, except that taxable
5 income shall take into account those items which are
6 required by Section 703(a)(1) to be separately stated
7 but which would be taken into account by an individual
8 in calculating his taxable income.

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

26 (f) Valuation limitation amount.

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

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

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

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

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

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

32 (C) The Department shall prescribe such
33 regulations as may be necessary to carry out the
34 purposes of this paragraph.

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

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

13 (Source: P.A. 92-16, eff. 6-28-01; 92-244, eff. 8-3-01; 92-439,
14 eff. 8-17-01; 92-603, eff. 6-28-02; 92-626, eff. 7-11-02;
15 92-651, eff. 7-11-02; 92-846, eff. 8-23-02; 93-812, eff.
16 7-26-04; 93-840, eff. 7-30-04; revised 10-12-04.)".