

HB0210



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB0210

Introduced 01/21/11, by Rep. Thaddeus Jones

SYNOPSIS AS INTRODUCED:

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Creates a deduction for individual taxpayers in an amount equal to the total amount expended by the taxpayer from September 15 through November 10 of the taxable year for the purpose of purchasing lottery tickets associated with the scratch-off game for Illinois veterans established under the Illinois Lottery Law. Provides that the deduction may not exceed \$1,500 per taxpayer per taxable year. Exempts the deduction from the Act's automatic sunset provisions.

LRB097 02919 HLH 42943 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

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

4 Section 5. The Illinois Income Tax Act is amended by
5 changing 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

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

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

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

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22 withdrawn by the taxpayer in the taxable year from a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

1 20 of the Medical Care Savings Account Act of 2000;

2 (D-10) For taxable years ending after December 31,
3 1997, an amount equal to any eligible remediation costs
4 that the individual deducted in computing adjusted
5 gross income and for which the individual claims a
6 credit under subsection (l) of Section 201;

7 (D-15) For taxable years 2001 and thereafter, an
8 amount equal to the bonus depreciation deduction taken
9 on the taxpayer's federal income tax return for the
10 taxable year under subsection (k) of Section 168 of the
11 Internal Revenue Code;

12 (D-16) If the taxpayer sells, transfers, abandons,
13 or otherwise disposes of property for which the
14 taxpayer was required in any taxable year to make an
15 addition modification under subparagraph (D-15), then
16 an amount equal to the aggregate amount of the
17 deductions taken in all taxable years under
18 subparagraph (Z) with respect to that property.

19 If the taxpayer continues to own property through
20 the last day of the last tax year for which the
21 taxpayer may claim a depreciation deduction for
22 federal income tax purposes and for which the taxpayer
23 was allowed in any taxable year to make a subtraction
24 modification under subparagraph (Z), then an amount
25 equal to that subtraction modification.

26 The taxpayer is required to make the addition

1 modification under this subparagraph only once with
2 respect to any one piece of property;

3 (D-17) An amount equal to the amount otherwise
4 allowed as a deduction in computing base income for
5 interest paid, accrued, or incurred, directly or
6 indirectly, (i) for taxable years ending on or after
7 December 31, 2004, to a foreign person who would be a
8 member of the same unitary business group but for the
9 fact that foreign person's business activity outside
10 the United States is 80% or more of the foreign
11 person's total business activity and (ii) for taxable
12 years ending on or after December 31, 2008, to a person
13 who would be a member of the same unitary business
14 group but for the fact that the person is prohibited
15 under Section 1501(a)(27) from being included in the
16 unitary business group because he or she is ordinarily
17 required to apportion business income under different
18 subsections of Section 304. The addition modification
19 required by this subparagraph shall be reduced to the
20 extent that dividends were included in base income of
21 the unitary group for the same taxable year and
22 received by the taxpayer or by a member of the
23 taxpayer's unitary business group (including amounts
24 included in gross income under Sections 951 through 964
25 of the Internal Revenue Code and amounts included in
26 gross income under Section 78 of the Internal Revenue

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

3 This paragraph shall not apply to the following:

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

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

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

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

25 (iii) the taxpayer can establish, based on
26 clear and convincing evidence, that the interest

1 paid, accrued, or incurred relates to a contract or
2 agreement entered into at arm's-length rates and
3 terms and the principal purpose for the payment is
4 not federal or Illinois tax avoidance; or

5 (iv) an item of interest paid, accrued, or
6 incurred, directly or indirectly, to a person if
7 the taxpayer establishes by clear and convincing
8 evidence that the adjustments are unreasonable; or
9 if the taxpayer and the Director agree in writing
10 to the application or use of an alternative method
11 of apportionment under Section 304(f).

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

21 (D-18) An amount equal to the amount of intangible
22 expenses and costs otherwise allowed as a deduction in
23 computing base income, and that were paid, accrued, or
24 incurred, directly or indirectly, (i) for taxable
25 years ending on or after December 31, 2004, to a
26 foreign person who would be a member of the same

1 unitary business group but for the fact that the
2 foreign person's business activity outside the United
3 States is 80% or more of that person's total business
4 activity and (ii) for taxable years ending on or after
5 December 31, 2008, to a person who would be a member of
6 the same unitary business group but for the fact that
7 the person is prohibited under Section 1501(a)(27)
8 from being included in the unitary business group
9 because he or she is ordinarily required to apportion
10 business income under different subsections of Section
11 304. The addition modification required by this
12 subparagraph shall be reduced to the extent that
13 dividends were included in base income of the unitary
14 group for the same taxable year and received by the
15 taxpayer or by a member of the taxpayer's unitary
16 business group (including amounts included in gross
17 income under Sections 951 through 964 of the Internal
18 Revenue Code and amounts included in gross income under
19 Section 78 of the Internal Revenue Code) with respect
20 to the stock of the same person to whom the intangible
21 expenses and costs were directly or indirectly paid,
22 incurred, or accrued. The preceding sentence does not
23 apply to the extent that the same dividends caused a
24 reduction to the addition modification required under
25 Section 203(a)(2)(D-17) of this Act. As used in this
26 subparagraph, the term "intangible expenses and costs"

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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

1 by which the Department will utilize its authority
2 under Section 404 of this Act;

3 (D-19) For taxable years ending on or after
4 December 31, 2008, an amount equal to the amount of
5 insurance premium expenses and costs otherwise allowed
6 as a deduction in computing base income, and that were
7 paid, accrued, or incurred, directly or indirectly, to
8 a person who would be a member of the same unitary
9 business group but for the fact that the person is
10 prohibited under Section 1501(a)(27) from being
11 included in the unitary business group because he or
12 she is ordinarily required to apportion business
13 income under different subsections of Section 304. The
14 addition modification required by this subparagraph
15 shall be reduced to the extent that dividends were
16 included in base income of the unitary group for the
17 same taxable year and received by the taxpayer or by a
18 member of the taxpayer's unitary business group
19 (including amounts included in gross income under
20 Sections 951 through 964 of the Internal Revenue Code
21 and amounts included in gross income under Section 78
22 of the Internal Revenue Code) with respect to the stock
23 of the same person to whom the premiums and costs were
24 directly or indirectly paid, incurred, or accrued. The
25 preceding sentence does not apply to the extent that
26 the same dividends caused a reduction to the addition

1 modification required under Section 203(a)(2)(D-17) or
2 Section 203(a)(2)(D-18) of this Act.

3 (D-20) For taxable years beginning on or after
4 January 1, 2002 and ending on or before December 31,
5 2006, in the case of a distribution from a qualified
6 tuition program under Section 529 of the Internal
7 Revenue Code, other than (i) a distribution from a
8 College Savings Pool created under Section 16.5 of the
9 State Treasurer Act or (ii) a distribution from the
10 Illinois Prepaid Tuition Trust Fund, an amount equal to
11 the amount excluded from gross income under Section
12 529(c)(3)(B). For taxable years beginning on or after
13 January 1, 2007, in the case of a distribution from a
14 qualified tuition program under Section 529 of the
15 Internal Revenue Code, other than (i) a distribution
16 from a College Savings Pool created under Section 16.5
17 of the State Treasurer Act, (ii) a distribution from
18 the Illinois Prepaid Tuition Trust Fund, or (iii) a
19 distribution from a qualified tuition program under
20 Section 529 of the Internal Revenue Code that (I)
21 adopts and determines that its offering materials
22 comply with the College Savings Plans Network's
23 disclosure principles and (II) has made reasonable
24 efforts to inform in-state residents of the existence
25 of in-state qualified tuition programs by informing
26 Illinois residents directly and, where applicable, to

1 inform financial intermediaries distributing the
2 program to inform in-state residents of the existence
3 of in-state qualified tuition programs at least
4 annually, an amount equal to the amount excluded from
5 gross income under Section 529(c)(3)(B).

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

18 (D-21) For taxable years beginning on or after
19 January 1, 2007, in the case of transfer of moneys from
20 a qualified tuition program under Section 529 of the
21 Internal Revenue Code that is administered by the State
22 to an out-of-state program, an amount equal to the
23 amount of moneys previously deducted from base income
24 under subsection (a)(2)(Y) of this Section;

25 (D-22) For taxable years beginning on or after
26 January 1, 2009, in the case of a nonqualified

1 withdrawal or refund of moneys from a qualified tuition
2 program under Section 529 of the Internal Revenue Code
3 administered by the State that is not used for
4 qualified expenses at an eligible education
5 institution, an amount equal to the contribution
6 component of the nonqualified withdrawal or refund
7 that was previously deducted from base income under
8 subsection (a)(2)(y) of this Section, provided that
9 the withdrawal or refund did not result from the
10 beneficiary's death or disability;

11 (D-23) An amount equal to the credit allowable to
12 the taxpayer under Section 218(a) of this Act,
13 determined without regard to Section 218(c) of this
14 Act;

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

17 (E) For taxable years ending before December 31,
18 2001, any amount included in such total in respect of
19 any compensation (including but not limited to any
20 compensation paid or accrued to a serviceman while a
21 prisoner of war or missing in action) paid to a
22 resident by reason of being on active duty in the Armed
23 Forces of the United States and in respect of any
24 compensation paid or accrued to a resident who as a
25 governmental employee was a prisoner of war or missing
26 in action, and in respect of any compensation paid to a

1 resident in 1971 or thereafter for annual training
2 performed pursuant to Sections 502 and 503, Title 32,
3 United States Code as a member of the Illinois National
4 Guard or, beginning with taxable years ending on or
5 after December 31, 2007, the National Guard of any
6 other state. For taxable years ending on or after
7 December 31, 2001, any amount included in such total in
8 respect of any compensation (including but not limited
9 to any compensation paid or accrued to a serviceman
10 while a prisoner of war or missing in action) paid to a
11 resident by reason of being a member of any component
12 of the Armed Forces of the United States and in respect
13 of any compensation paid or accrued to a resident who
14 as a governmental employee was a prisoner of war or
15 missing in action, and in respect of any compensation
16 paid to a resident in 2001 or thereafter by reason of
17 being a member of the Illinois National Guard or,
18 beginning with taxable years ending on or after
19 December 31, 2007, the National Guard of any other
20 state. The provisions of this amendatory Act of the
21 92nd General Assembly are exempt from the provisions of
22 Section 250;

23 (F) An amount equal to all amounts included in such
24 total pursuant to the provisions of Sections 402(a),
25 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the
26 Internal Revenue Code, or included in such total as

1 distributions under the provisions of any retirement
2 or disability plan for employees of any governmental
3 agency or unit, or retirement payments to retired
4 partners, which payments are excluded in computing net
5 earnings from self employment by Section 1402 of the
6 Internal Revenue Code and regulations adopted pursuant
7 thereto;

8 (G) The valuation limitation amount;

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

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

17 (J) An amount equal to those dividends included in
18 such total which were paid by a corporation which
19 conducts business operations in an Enterprise Zone or
20 zones created under the Illinois Enterprise Zone Act or
21 a River Edge Redevelopment Zone or zones created under
22 the River Edge Redevelopment Zone Act, and conducts
23 substantially all of its operations in an Enterprise
24 Zone or zones or a River Edge Redevelopment Zone or
25 zones. This subparagraph (J) is exempt from the
26 provisions of Section 250;

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

10 (L) For taxable years ending after December 31,
11 1983, an amount equal to all social security benefits
12 and railroad retirement benefits included in such
13 total pursuant to Sections 72(r) and 86 of the Internal
14 Revenue Code;

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

1 250;

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

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

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

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

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

26 (S) An amount, to the extent included in adjusted

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

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

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

21 (V) Beginning with tax years ending on or after
22 December 31, 1995 and ending with tax years ending on
23 or before December 31, 2004, an amount equal to the
24 amount paid by a taxpayer who is a self-employed
25 taxpayer, a partner of a partnership, or a shareholder
26 in a Subchapter S corporation for health insurance or

1 long-term care insurance for that taxpayer or that
2 taxpayer's spouse or dependents, to the extent that the
3 amount paid for that health insurance or long-term care
4 insurance may be deducted under Section 213 of the
5 Internal Revenue Code of 1986, has not been deducted on
6 the federal income tax return of the taxpayer, and does
7 not exceed the taxable income attributable to that
8 taxpayer's income, self-employment income, or
9 Subchapter S corporation income; except that no
10 deduction shall be allowed under this item (V) if the
11 taxpayer is eligible to participate in any health
12 insurance or long-term care insurance plan of an
13 employer of the taxpayer or the taxpayer's spouse. The
14 amount of the health insurance and long-term care
15 insurance subtracted under this item (V) shall be
16 determined by multiplying total health insurance and
17 long-term care insurance premiums paid by the taxpayer
18 times a number that represents the fractional
19 percentage of eligible medical expenses under Section
20 213 of the Internal Revenue Code of 1986 not actually
21 deducted on the taxpayer's federal income tax return;

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

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

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

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

1 made by the employee. This subparagraph (Y) is exempt
2 from the provisions of Section 250;

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

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

16 (2) for taxable years ending on or before
17 December 31, 2005, "x" equals "y" multiplied by 30
18 and then divided by 70 (or "y" multiplied by
19 0.429); and

20 (3) for taxable years ending after December
21 31, 2005:

22 (i) for property on which a bonus
23 depreciation deduction of 30% of the adjusted
24 basis was taken, "x" equals "y" multiplied by
25 30 and then divided by 70 (or "y" multiplied by
26 0.429); and

1 (ii) for property on which a bonus
2 depreciation deduction of 50% of the adjusted
3 basis was taken, "x" equals "y" multiplied by
4 1.0.

5 The aggregate amount deducted under this
6 subparagraph in all taxable years for any one piece of
7 property may not exceed the amount of the bonus
8 depreciation deduction taken on that property on the
9 taxpayer's federal income tax return under subsection
10 (k) of Section 168 of the Internal Revenue Code. This
11 subparagraph (Z) is exempt from the provisions of
12 Section 250;

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

18 If the taxpayer continues to own property through
19 the last day of the last tax year for which the
20 taxpayer may claim a depreciation deduction for
21 federal income tax purposes and for which the taxpayer
22 was required in any taxable year to make an addition
23 modification under subparagraph (D-15), then an amount
24 equal to that addition modification.

25 The taxpayer is allowed to take the deduction under
26 this subparagraph only once with respect to any one

1 piece of property.

2 This subparagraph (AA) is exempt from the
3 provisions of Section 250;

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

7 (CC) The amount of (i) any interest income (net of
8 the deductions allocable thereto) taken into account
9 for the taxable year with respect to a transaction with
10 a taxpayer that is required to make an addition
11 modification with respect to such transaction under
12 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
13 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
14 the amount of that addition modification, and (ii) any
15 income from intangible property (net of the deductions
16 allocable thereto) taken into account for the taxable
17 year with respect to a transaction with a taxpayer that
18 is required to make an addition modification with
19 respect to such transaction under Section
20 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
21 203(d)(2)(D-8), but not to exceed the amount of that
22 addition modification. This subparagraph (CC) is
23 exempt from the provisions of Section 250;

24 (DD) 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

1 transactions with (i) 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 and (ii) for taxable
6 years ending on or after December 31, 2008, to a person
7 who would be a member of the same unitary business
8 group but for the fact that the person is prohibited
9 under Section 1501(a)(27) from being included in the
10 unitary business group because he or she is ordinarily
11 required to apportion business income under different
12 subsections of Section 304, but not to exceed the
13 addition modification required to be made for the same
14 taxable year under Section 203(a)(2)(D-17) for
15 interest paid, accrued, or incurred, directly or
16 indirectly, to the same person. This subparagraph (DD)
17 is exempt from the provisions of Section 250;

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

1 who would be a member of the same unitary business
2 group but for the fact that the person is prohibited
3 under Section 1501(a)(27) from being included in the
4 unitary business group because he or she is ordinarily
5 required to apportion business income under different
6 subsections of Section 304, but not to exceed the
7 addition modification required to be made for the same
8 taxable year under Section 203(a)(2)(D-18) for
9 intangible expenses and costs paid, accrued, or
10 incurred, directly or indirectly, to the same foreign
11 person. This subparagraph (EE) is exempt from the
12 provisions of Section 250; ~~and~~

13 (FG) An amount equal to any amount awarded to the
14 taxpayer during the taxable year by the Court of Claims
15 under subsection (c) of Section 8 of the Court of
16 Claims Act for time unjustly served in a State prison.
17 This subparagraph (FG) is exempt from the provisions of
18 Section 250; ~~and~~ -

19 (GG) For taxable years beginning on or after
20 January 1, 2011, an amount equal to the total amount
21 expended by the taxpayer from September 15 through
22 November 10 of the taxable year for the purpose of
23 purchasing lottery tickets associated with the
24 scratch-off game for Illinois veterans established
25 under Section 21.6 of the Illinois Lottery Law, but not
26 to exceed \$1,500 per taxpayer per taxable year. This

1 subparagraph (GG) is exempt from the provisions of
2 Section 250.

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

1 of 1995 (Public Act 89-89) is declarative of existing
2 law and is not a new enactment);

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 earlier taxable
15 year, with the following limitations applied in the
16 order that 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

1 taxable year from any taxable year ending prior to
2 December 31, 1986 shall not exceed the amount of
3 such carryback or carryforward;

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

11 (E-5) For taxable years ending after December 31,
12 1997, an amount equal to any eligible remediation costs
13 that the corporation deducted in computing adjusted
14 gross income and for which the corporation claims a
15 credit under subsection (l) of Section 201;

16 (E-10) For taxable years 2001 and thereafter, an
17 amount equal to the bonus depreciation deduction taken
18 on the taxpayer's federal income tax return for the
19 taxable year under subsection (k) of Section 168 of the
20 Internal Revenue Code;

21 (E-11) If the taxpayer sells, transfers, abandons,
22 or otherwise disposes of property for which the
23 taxpayer was required in any taxable year to make an
24 addition modification under subparagraph (E-10), then
25 an amount equal to the aggregate amount of the
26 deductions taken in all taxable years under

1 subparagraph (T) with respect to that property.

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

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

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

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

13 This paragraph shall not apply to the following:

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

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

25 (a) the person, during the same taxable
26 year, paid, accrued, or incurred, the interest

1 to a person that is not a related member, and

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

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

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

22 Nothing in this subsection shall preclude the
23 Director from making any other adjustment
24 otherwise allowed under Section 404 of this Act for
25 any tax year beginning after the effective date of
26 this amendment provided such adjustment is made

1 pursuant to regulation adopted by the Department
2 and such regulations provide methods and standards
3 by which the Department will utilize its authority
4 under Section 404 of this Act;

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

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

24 This paragraph shall not apply to the following:

25 (i) any item of intangible expenses or costs
26 paid, accrued, or incurred, directly or

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

6 (ii) any item of intangible expense or cost
7 paid, accrued, or incurred, directly or
8 indirectly, if the taxpayer can establish, based
9 on a preponderance of the evidence, both of the
10 following:

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

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

22 (iii) any item of intangible expense or cost
23 paid, accrued, or incurred, directly or
24 indirectly, from a transaction with a person if the
25 taxpayer establishes by clear and convincing
26 evidence, that the adjustments are unreasonable;

1 or if the taxpayer and the Director agree in
2 writing to the application or use of an alternative
3 method of apportionment under Section 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 (E-14) For taxable years ending on or after
14 December 31, 2008, an amount equal to the amount of
15 insurance premium expenses and costs otherwise allowed
16 as a deduction in computing base income, and that were
17 paid, accrued, or incurred, directly or indirectly, to
18 a person who would be a member of the same unitary
19 business group but for the fact that the person is
20 prohibited under Section 1501(a)(27) from being
21 included in the unitary business group because he or
22 she is ordinarily required to apportion business
23 income under different subsections of Section 304. The
24 addition modification required by this subparagraph
25 shall be reduced to the extent that dividends were
26 included in base income of the unitary group for the

1 same taxable year and received by the taxpayer or by a
2 member of the taxpayer's unitary business group
3 (including amounts included in gross income under
4 Sections 951 through 964 of the Internal Revenue Code
5 and amounts included in gross income under Section 78
6 of the Internal Revenue Code) with respect to the stock
7 of the same person to whom the premiums and costs were
8 directly or indirectly paid, incurred, or accrued. The
9 preceding sentence does not apply to the extent that
10 the same dividends caused a reduction to the addition
11 modification required under Section 203(b) (2) (E-12) or
12 Section 203(b) (2) (E-13) of this Act;

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

18 (E-16) An amount equal to the credit allowable to
19 the taxpayer under Section 218(a) of this Act,
20 determined without regard to Section 218(c) of this
21 Act;

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

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

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

3 (H) In the case of a regulated investment company,
4 an amount equal to the amount of exempt interest
5 dividends as defined in subsection (b) (5) of Section
6 852 of the Internal Revenue Code, paid to shareholders
7 for the taxable year;

8 (I) With the exception of any amounts subtracted
9 under subparagraph (J), an amount equal to the sum of
10 all amounts disallowed as deductions by (i) Sections
11 171(a) (2), and 265(a)(2) and amounts disallowed as
12 interest expense by Section 291(a)(3) of the Internal
13 Revenue Code, as now or hereafter amended, and all
14 amounts of expenses allocable to interest and
15 disallowed as deductions by Section 265(a)(1) of the
16 Internal Revenue Code, as now or hereafter amended; and
17 (ii) for taxable years ending on or after August 13,
18 1999, Sections 171(a)(2), 265, 280C, 291(a)(3), and
19 832(b)(5)(B)(i) of the Internal Revenue Code; the
20 provisions of this subparagraph are exempt from the
21 provisions of Section 250;

22 (J) An amount equal to all amounts included in such
23 total which are exempt from taxation by this State
24 either by reason of its statutes or Constitution or by
25 reason of the Constitution, treaties or statutes of the
26 United States; provided that, in the case of any

1 statute of this State that exempts income derived from
2 bonds or other obligations from the tax imposed under
3 this Act, the amount exempted shall be the interest net
4 of bond premium amortization;

5 (K) An amount equal to those dividends included in
6 such total which were paid by a corporation which
7 conducts business operations in an Enterprise Zone or
8 zones created under the Illinois Enterprise Zone Act or
9 a River Edge Redevelopment Zone or zones created under
10 the River Edge Redevelopment Zone Act and conducts
11 substantially all of its operations in an Enterprise
12 Zone or zones or a River Edge Redevelopment Zone or
13 zones. This subparagraph (K) is exempt from the
14 provisions of Section 250;

15 (L) 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 (K) of paragraph 2 of this subsection
22 shall not be eligible for the deduction provided under
23 this subparagraph (L);

24 (M) For any taxpayer that is a financial
25 organization within the meaning of Section 304(c) of
26 this Act, an amount included in such total as interest

1 income from a loan or loans made by such taxpayer to a
2 borrower, to the extent that such a loan is secured by
3 property which is eligible for the Enterprise Zone
4 Investment Credit or the River Edge Redevelopment Zone
5 Investment Credit. To determine the portion of a loan
6 or loans that is secured by property eligible for a
7 Section 201(f) investment credit to the borrower, the
8 entire principal amount of the loan or loans between
9 the taxpayer and the borrower should be divided into
10 the basis of the Section 201(f) investment credit
11 property which secures the loan or loans, using for
12 this purpose the original basis of such property on the
13 date that it was placed in service in the Enterprise
14 Zone or the River Edge Redevelopment Zone. The
15 subtraction modification available to taxpayer in any
16 year under this subsection shall be that portion of the
17 total interest paid by the borrower with respect to
18 such loan attributable to the eligible property as
19 calculated under the previous sentence. This
20 subparagraph (M) is exempt from the provisions of
21 Section 250;

22 (M-1) For any taxpayer that is a financial
23 organization within the meaning of Section 304(c) of
24 this Act, an amount included in such total as interest
25 income from a loan or loans made by such taxpayer to a
26 borrower, to the extent that such a loan is secured by

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

21 (N) Two times any contribution made during the
22 taxable year to a designated zone organization to the
23 extent that the contribution (i) qualifies as a
24 charitable contribution under subsection (c) of
25 Section 170 of the Internal Revenue Code and (ii) must,
26 by its terms, be used for a project approved by the

1 Department of Commerce and Economic Opportunity under
2 Section 11 of the Illinois Enterprise Zone Act or under
3 Section 10-10 of the River Edge Redevelopment Zone Act.
4 This subparagraph (N) is exempt from the provisions of
5 Section 250;

6 (O) An amount equal to: (i) 85% for taxable years
7 ending on or before December 31, 1992, or, a percentage
8 equal to the percentage allowable under Section
9 243(a)(1) of the Internal Revenue Code of 1986 for
10 taxable years ending after December 31, 1992, of the
11 amount by which dividends included in taxable income
12 and received from a corporation that is not created or
13 organized under the laws of the United States or any
14 state or political subdivision thereof, including, for
15 taxable years ending on or after December 31, 1988,
16 dividends received or deemed received or paid or deemed
17 paid under Sections 951 through 964 of the Internal
18 Revenue Code, exceed the amount of the modification
19 provided under subparagraph (G) of paragraph (2) of
20 this subsection (b) which is related to such dividends,
21 and including, for taxable years ending on or after
22 December 31, 2008, dividends received from a captive
23 real estate investment trust; plus (ii) 100% of the
24 amount by which dividends, included in taxable income
25 and received, including, for taxable years ending on or
26 after December 31, 1988, dividends received or deemed

1 received or paid or deemed paid under Sections 951
2 through 964 of the Internal Revenue Code and including,
3 for taxable years ending on or after December 31, 2008,
4 dividends received from a captive real estate
5 investment trust, from any such corporation specified
6 in clause (i) that would but for the provisions of
7 Section 1504 (b) (3) of the Internal Revenue Code be
8 treated as a member of the affiliated group which
9 includes the dividend recipient, exceed the amount of
10 the modification provided under subparagraph (G) of
11 paragraph (2) of this subsection (b) which is related
12 to such dividends. This subparagraph (O) is exempt from
13 the provisions of Section 250 of this Act;

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

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

22 (R) On and after July 20, 1999, in the case of an
23 attorney-in-fact with respect to whom an interinsurer
24 or a reciprocal insurer has made the election under
25 Section 835 of the Internal Revenue Code, 26 U.S.C.
26 835, an amount equal to the excess, if any, of the

1 amounts paid or incurred by that interinsurer or
2 reciprocal insurer in the taxable year to the
3 attorney-in-fact over the deduction allowed to that
4 interinsurer or reciprocal insurer with respect to the
5 attorney-in-fact under Section 835(b) of the Internal
6 Revenue Code for the taxable year; the provisions of
7 this subparagraph are exempt from the provisions of
8 Section 250;

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

19 (T) For taxable years 2001 and thereafter, for the
20 taxable year in which the bonus depreciation deduction
21 is taken on the taxpayer's federal income tax return
22 under subsection (k) of Section 168 of the Internal
23 Revenue Code and for each applicable taxable year
24 thereafter, an amount equal to "x", where:

25 (1) "y" equals the amount of the depreciation
26 deduction taken for the taxable year on the

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

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

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

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

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

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 taken on that property on the
25 taxpayer's federal income tax return under subsection
26 (k) of Section 168 of the Internal Revenue Code. This

1 subparagraph (T) is exempt from the provisions of
2 Section 250;

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

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

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

18 This subparagraph (U) is exempt from the
19 provisions of Section 250;

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

1 the amount of such addition modification, (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, and (iii) any insurance premium
10 income (net of deductions allocable thereto) taken
11 into account for the taxable year with respect to a
12 transaction with a taxpayer that is required to make an
13 addition modification with respect to such transaction
14 under Section 203(a)(2)(D-19), Section
15 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section
16 203(d)(2)(D-9), but not to exceed the amount of that
17 addition modification. This subparagraph (V) is exempt
18 from the provisions of Section 250;

19 (W) An amount equal to the interest income taken
20 into account for the taxable year (net of the
21 deductions allocable thereto) with respect to
22 transactions with (i) a foreign person who would be a
23 member of the taxpayer's unitary business group but for
24 the fact that the foreign person's business activity
25 outside the United States is 80% or more of that
26 person's total business activity and (ii) for taxable

1 years ending on or after December 31, 2008, to a person
2 who would be a member of the same unitary business
3 group but for the fact that the person is prohibited
4 under Section 1501(a)(27) from being included in the
5 unitary business group because he or she is ordinarily
6 required to apportion business income under different
7 subsections of Section 304, but not to exceed the
8 addition modification required to be made for the same
9 taxable year under Section 203(b)(2)(E-12) for
10 interest paid, accrued, or incurred, directly or
11 indirectly, to the same person. This subparagraph (W)
12 is exempt from the provisions of Section 250; and

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

1 subsections of Section 304, but not to exceed the
2 addition modification required to be made for the same
3 taxable year under Section 203(b)(2)(E-13) for
4 intangible expenses and costs paid, accrued, or
5 incurred, directly or indirectly, to the same foreign
6 person. This subparagraph (X) is exempt from the
7 provisions of Section 250.

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

12 (c) Trusts and estates.

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

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

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

24 (B) In the case of (i) an estate, \$600; (ii) a
25 trust which, under its governing instrument, is

1 required to distribute all of its income currently,
2 \$300; and (iii) any other trust, \$100, but in each such
3 case, only to the extent such amount was deducted in
4 the computation of taxable income;

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

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

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

22 (i) the addition modification relating to the
23 net operating loss carried back or forward to the
24 taxable year from any taxable year ending prior to
25 December 31, 1986 shall be reduced by the amount of
26 addition modification under this subparagraph (E)

1 which related to that net operating loss and which
2 was taken into account in calculating the base
3 income of an earlier taxable year, and

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

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

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

22 (G) An amount equal to the amount of the capital
23 gain deduction allowable under the Internal Revenue
24 Code, to the extent deducted from gross income in the
25 computation of taxable income;

26 (G-5) For taxable years ending after December 31,

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

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

10 (G-11) If the taxpayer sells, transfers, abandons,
11 or otherwise disposes of property for which the
12 taxpayer was required in any taxable year to make an
13 addition modification under subparagraph (G-10), then
14 an amount equal to the aggregate amount of the
15 deductions taken in all taxable years under
16 subparagraph (R) with respect to that property.

17 If the taxpayer continues to own property through
18 the last day of the last tax year for which the
19 taxpayer may claim a depreciation deduction for
20 federal income tax purposes and for which the taxpayer
21 was allowed in any taxable year to make a subtraction
22 modification under subparagraph (R), then an amount
23 equal to that subtraction modification.

24 The taxpayer is required to make the addition
25 modification under this subparagraph only once with
26 respect to any one piece of property;

1 (G-12) An amount equal to the amount otherwise
2 allowed as a deduction in computing base income for
3 interest paid, accrued, or incurred, directly or
4 indirectly, (i) for taxable years ending on or after
5 December 31, 2004, to a foreign person who would be a
6 member of the same unitary business group but for the
7 fact that the foreign person's business activity
8 outside the United States is 80% or more of the foreign
9 person's total business activity and (ii) for taxable
10 years ending on or after December 31, 2008, to a person
11 who would be a member of the same unitary business
12 group but for the fact that the person is prohibited
13 under Section 1501(a)(27) from being included in the
14 unitary business group because he or she is ordinarily
15 required to apportion business income under different
16 subsections of Section 304. The addition modification
17 required by this subparagraph shall be reduced to the
18 extent that dividends were included in base income of
19 the unitary group for the same taxable year and
20 received by the taxpayer or by a member of the
21 taxpayer's unitary business group (including amounts
22 included in gross income pursuant to Sections 951
23 through 964 of the Internal Revenue Code and amounts
24 included in gross income under Section 78 of the
25 Internal Revenue Code) with respect to the stock of the
26 same person to whom the interest was paid, accrued, or

1 incurred.

2 This paragraph shall not apply to the following:

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

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

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

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

1 agreement entered into at arm's-length rates and
2 terms and the principal purpose for the payment is
3 not federal or Illinois tax avoidance; or

4 (iv) an item of interest paid, accrued, or
5 incurred, directly or indirectly, to a person if
6 the taxpayer establishes by clear and convincing
7 evidence that the adjustments are unreasonable; or
8 if the taxpayer and the Director agree in writing
9 to the application or use of an alternative method
10 of apportionment under Section 304(f).

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

20 (G-13) An amount equal to the amount of intangible
21 expenses and costs otherwise allowed as a deduction in
22 computing base income, and that were paid, accrued, or
23 incurred, directly or indirectly, (i) for taxable
24 years ending on or after December 31, 2004, to a
25 foreign person who would be a member of the same
26 unitary business group but for the fact that the

1 foreign person's business activity outside the United
2 States is 80% or more of that person's total business
3 activity and (ii) for taxable years ending on or after
4 December 31, 2008, to a person who would be a member of
5 the same unitary business group but for the fact that
6 the person is prohibited under Section 1501(a)(27)
7 from being included in the unitary business group
8 because he or she is ordinarily required to apportion
9 business income under different subsections of Section
10 304. The addition modification required by this
11 subparagraph shall be reduced to the extent that
12 dividends were included in base income of the unitary
13 group for the same taxable year and received by the
14 taxpayer or by a member of the taxpayer's unitary
15 business group (including amounts included in gross
16 income pursuant to Sections 951 through 964 of the
17 Internal Revenue Code and amounts included in gross
18 income under Section 78 of the Internal Revenue Code)
19 with respect to the stock of the same person to whom
20 the intangible expenses and costs were directly or
21 indirectly paid, incurred, or accrued. The preceding
22 sentence shall not apply to the extent that the same
23 dividends caused a reduction to the addition
24 modification required under Section 203(c)(2)(G-12) of
25 this Act. As used in this subparagraph, the term
26 "intangible expenses and costs" includes: (1)

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

13 This paragraph shall not apply to the following:

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

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

26 (a) the person during the same taxable

1 year paid, accrued, or incurred, the
2 intangible expense or cost to a person that is
3 not a related member, and

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

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

1 under Section 404 of this Act;

2 (G-14) For taxable years ending on or after
3 December 31, 2008, an amount equal to the amount of
4 insurance premium expenses and costs otherwise allowed
5 as a deduction in computing base income, and that were
6 paid, accrued, or incurred, directly or indirectly, to
7 a person who would be a member of the same unitary
8 business group but for the fact that the person is
9 prohibited under Section 1501(a)(27) from being
10 included in the unitary business group because he or
11 she is ordinarily required to apportion business
12 income under different subsections of Section 304. The
13 addition modification required by this subparagraph
14 shall be reduced to the extent that dividends were
15 included in base income of the unitary group for the
16 same taxable year and received by the taxpayer or by a
17 member of the taxpayer's unitary business group
18 (including amounts included in gross income under
19 Sections 951 through 964 of the Internal Revenue Code
20 and amounts included in gross income under Section 78
21 of the Internal Revenue Code) with respect to the stock
22 of the same person to whom the premiums and costs were
23 directly or indirectly paid, incurred, or accrued. The
24 preceding sentence does not apply to the extent that
25 the same dividends caused a reduction to the addition
26 modification required under Section 203(c)(2)(G-12) or

1 Section 203(c) (2) (G-13) of this Act;

2 (G-15) An amount equal to the credit allowable to
3 the taxpayer under Section 218(a) of this Act,
4 determined without regard to Section 218(c) of this
5 Act;

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

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

19 (I) The valuation limitation amount;

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

23 (K) An amount equal to all amounts included in
24 taxable income as modified by subparagraphs (A), (B),
25 (C), (D), (E), (F) and (G) which are exempt from
26 taxation by this State either by reason of its statutes

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

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

21 (M) An amount equal to those dividends included in
22 such total which were paid by a corporation which
23 conducts business operations in an Enterprise Zone or
24 zones created under the Illinois Enterprise Zone Act or
25 a River Edge Redevelopment Zone or zones created under
26 the River Edge Redevelopment Zone Act and conducts

1 substantially all of its operations in an Enterprise
2 Zone or Zones or a River Edge Redevelopment Zone or
3 zones. This subparagraph (M) is exempt from the
4 provisions of Section 250;

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

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

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

22 (Q) For taxable year 1999 and thereafter, an amount
23 equal to the amount of any (i) distributions, to the
24 extent includible in gross income for federal income
25 tax purposes, made to the taxpayer because of his or
26 her status as a victim of persecution for racial or

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

1 purposes. This paragraph is exempt from the provisions
2 of Section 250;

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

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

16 (2) for taxable years ending on or before
17 December 31, 2005, "x" equals "y" multiplied by 30
18 and then divided by 70 (or "y" multiplied by
19 0.429); and

20 (3) for taxable years ending after December
21 31, 2005:

22 (i) for property on which a bonus
23 depreciation deduction of 30% of the adjusted
24 basis was taken, "x" equals "y" multiplied by
25 30 and then divided by 70 (or "y" multiplied by
26 0.429); and

1 (ii) for property on which a bonus
2 depreciation deduction of 50% of the adjusted
3 basis was taken, "x" equals "y" multiplied by
4 1.0.

5 The aggregate amount deducted under this
6 subparagraph in all taxable years for any one piece of
7 property may not exceed the amount of the bonus
8 depreciation deduction taken on that property on the
9 taxpayer's federal income tax return under subsection
10 (k) of Section 168 of the Internal Revenue Code. This
11 subparagraph (R) is exempt from the provisions of
12 Section 250;

13 (S) If the taxpayer sells, transfers, abandons, or
14 otherwise disposes of property for which the taxpayer
15 was required in any taxable year to make an addition
16 modification under subparagraph (G-10), then an amount
17 equal to that addition modification.

18 If the taxpayer continues to own property through
19 the last day of the last tax year for which the
20 taxpayer may claim a depreciation deduction for
21 federal income tax purposes and for which the taxpayer
22 was required in any taxable year to make an addition
23 modification under subparagraph (G-10), then an amount
24 equal to that addition modification.

25 The taxpayer is allowed to take the deduction under
26 this subparagraph only once with respect to any one

1 piece of property.

2 This subparagraph (S) is exempt from the
3 provisions of Section 250;

4 (T) 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. This subparagraph (T) is exempt
20 from the provisions of Section 250;

21 (U) An amount equal to the interest income taken
22 into account for the taxable year (net of the
23 deductions allocable thereto) with respect to
24 transactions with (i) a foreign person who would be a
25 member of the taxpayer's unitary business group but for
26 the fact the foreign person's business activity

1 outside the United States is 80% or more of that
2 person's total business activity and (ii) for taxable
3 years ending on or after December 31, 2008, to a person
4 who would be a member of the same unitary business
5 group but for the fact that the person is prohibited
6 under Section 1501(a)(27) from being included in the
7 unitary business group because he or she is ordinarily
8 required to apportion business income under different
9 subsections of Section 304, but not to exceed the
10 addition modification required to be made for the same
11 taxable year under Section 203(c)(2)(G-12) for
12 interest paid, accrued, or incurred, directly or
13 indirectly, to the same person. This subparagraph (U)
14 is exempt from the provisions of Section 250; and

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

1 unitary business group because he or she is ordinarily
2 required to apportion business income under different
3 subsections of Section 304, but not to exceed the
4 addition modification required to be made for the same
5 taxable year under Section 203(c)(2)(G-13) for
6 intangible expenses and costs paid, accrued, or
7 incurred, directly or indirectly, to the same foreign
8 person. This subparagraph (V) is exempt from the
9 provisions of Section 250.

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

17 (d) Partnerships.

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

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

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

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

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

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

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

18 (D-6) If the taxpayer sells, transfers, abandons,
19 or otherwise disposes of property for which the
20 taxpayer was required in any taxable year to make an
21 addition modification under subparagraph (D-5), then
22 an amount equal to the aggregate amount of the
23 deductions taken in all taxable years under
24 subparagraph (D) with respect to that property.

25 If the taxpayer continues to own property through
26 the last day of the last tax year for which the

1 taxpayer may claim a depreciation deduction for
2 federal income tax purposes and for which the taxpayer
3 was allowed in any taxable year to make a subtraction
4 modification under subparagraph (O), then an amount
5 equal to that subtraction modification.

6 The taxpayer is required to make the addition
7 modification under this subparagraph only once with
8 respect to any one piece of property;

9 (D-7) An amount equal to the amount otherwise
10 allowed as a deduction in computing base income for
11 interest paid, accrued, or incurred, directly or
12 indirectly, (i) for taxable years ending on or after
13 December 31, 2004, to a foreign person who would be a
14 member of the same unitary business group but for the
15 fact the foreign person's business activity outside
16 the United States is 80% or more of the foreign
17 person's total business activity and (ii) for taxable
18 years ending on or after December 31, 2008, to a person
19 who would be a member of the same unitary business
20 group but for the fact that the person is prohibited
21 under Section 1501(a)(27) from being included in the
22 unitary business group because he or she is ordinarily
23 required to apportion business income under different
24 subsections of Section 304. The addition modification
25 required by this subparagraph shall be reduced to the
26 extent that dividends were included in base income of

1 the unitary group for the same taxable year and
2 received by the taxpayer or by a member of the
3 taxpayer's unitary business group (including amounts
4 included in gross income pursuant to Sections 951
5 through 964 of the Internal Revenue Code and amounts
6 included in gross income under Section 78 of the
7 Internal Revenue Code) with respect to the stock of the
8 same person to whom the interest was paid, accrued, or
9 incurred.

10 This paragraph shall not apply to the following:

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

17 (ii) an item of interest paid, accrued, or
18 incurred, directly or indirectly, to a person if
19 the taxpayer can establish, based on a
20 preponderance of the evidence, both of the
21 following:

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

25 (b) the transaction giving rise to the
26 interest expense between the taxpayer and the

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

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

12 (iv) an item of interest paid, accrued, or
13 incurred, directly or indirectly, to a person if
14 the taxpayer establishes by clear and convincing
15 evidence that the adjustments are unreasonable; or
16 if the taxpayer and the Director agree in writing
17 to the application or use of an alternative method
18 of apportionment under Section 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

1 under Section 404 of this Act; and

2 (D-8) An amount equal to the amount of intangible
3 expenses and costs otherwise allowed as a deduction in
4 computing base income, and that were paid, accrued, or
5 incurred, directly or indirectly, (i) for taxable
6 years ending on or after December 31, 2004, to a
7 foreign person who would be a member of the same
8 unitary business group but for the fact that the
9 foreign person's business activity outside the United
10 States is 80% or more of that person's total business
11 activity and (ii) for taxable years ending on or after
12 December 31, 2008, to a person who would be a member of
13 the same unitary business group but for the fact that
14 the person is prohibited under Section 1501(a)(27)
15 from being included in the unitary business group
16 because he or she is ordinarily required to apportion
17 business income under different subsections of Section
18 304. The addition modification required by this
19 subparagraph shall be reduced to the extent that
20 dividends were included in base income of the unitary
21 group for the same taxable year and received by the
22 taxpayer or by a member of the taxpayer's unitary
23 business group (including amounts included in gross
24 income pursuant to Sections 951 through 964 of the
25 Internal Revenue Code and amounts included in gross
26 income under Section 78 of the Internal Revenue Code)

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

21 This paragraph shall not apply to the following:

22 (i) any item of intangible expenses or costs
23 paid, accrued, or incurred, directly or
24 indirectly, from a transaction with a person who is
25 subject in a foreign country or state, other than a
26 state which requires mandatory unitary reporting,

1 to a tax on or measured by net income with respect
2 to such item; or

3 (ii) any item of intangible expense or cost
4 paid, accrued, or incurred, directly or
5 indirectly, if the taxpayer can establish, based
6 on a preponderance of the evidence, both of the
7 following:

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

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

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

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

10 (D-9) For taxable years ending on or after December
11 31, 2008, an amount equal to the amount of insurance
12 premium expenses and costs otherwise allowed as a
13 deduction in computing base income, and that were paid,
14 accrued, or incurred, directly or indirectly, to a
15 person who would be a member of the same unitary
16 business group but for the fact that the person is
17 prohibited under Section 1501(a)(27) from being
18 included in the unitary business group because he or
19 she is ordinarily required to apportion business
20 income under different subsections of Section 304. The
21 addition modification required by this subparagraph
22 shall be reduced to the extent that dividends were
23 included in base income of the unitary group for the
24 same taxable year and received by the taxpayer or by a
25 member of the taxpayer's unitary business group
26 (including amounts included in gross income under

1 Sections 951 through 964 of the Internal Revenue Code
2 and amounts included in gross income under Section 78
3 of the Internal Revenue Code) with respect to the stock
4 of the same person to whom the premiums and costs were
5 directly or indirectly paid, incurred, or accrued. The
6 preceding sentence does not apply to the extent that
7 the same dividends caused a reduction to the addition
8 modification required under Section 203(d)(2)(D-7) or
9 Section 203(d)(2)(D-8) of this Act;

10 (D-10) An amount equal to the credit allowable to
11 the taxpayer under Section 218(a) of this Act,
12 determined without regard to Section 218(c) of this
13 Act;

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

16 (E) The valuation limitation amount;

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 all amounts included in
21 taxable income as modified by subparagraphs (A), (B),
22 (C) and (D) which are exempt from taxation by this
23 State either by reason of its statutes or Constitution
24 or by reason of the Constitution, treaties or statutes
25 of the United States; provided that, in the case of any
26 statute of this State that exempts income derived from

1 bonds or other obligations from the tax imposed under
2 this Act, the amount exempted shall be the interest net
3 of bond premium amortization;

4 (H) Any income of the partnership which
5 constitutes personal service income as defined in
6 Section 1348 (b) (1) of the Internal Revenue Code (as
7 in effect December 31, 1981) or a reasonable allowance
8 for compensation paid or accrued for services rendered
9 by partners to the partnership, whichever is greater;

10 (I) An amount equal to all amounts of income
11 distributable to an entity subject to the Personal
12 Property Tax Replacement Income Tax imposed by
13 subsections (c) and (d) of Section 201 of this Act
14 including amounts distributable to organizations
15 exempt from federal income tax by reason of Section
16 501(a) of the Internal Revenue Code;

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

1 Internal Revenue Code; the provisions of this
2 subparagraph are exempt from the provisions of Section
3 250;

4 (K) An amount equal to those dividends included in
5 such total which were paid by a corporation which
6 conducts business operations in an Enterprise Zone or
7 zones created under the Illinois Enterprise Zone Act,
8 enacted by the 82nd General Assembly, or a River Edge
9 Redevelopment Zone or zones created under the River
10 Edge Redevelopment Zone Act and conducts substantially
11 all of its operations in an Enterprise Zone or Zones or
12 from a River Edge Redevelopment Zone or zones. This
13 subparagraph (K) is exempt from the provisions of
14 Section 250;

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

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

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

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

12 (1) "y" equals the amount of the depreciation
13 deduction taken for the taxable year on the
14 taxpayer's federal income tax return on property
15 for which the bonus depreciation deduction 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;

19 (2) for taxable years ending on or before
20 December 31, 2005, "x" equals "y" multiplied by 30
21 and then divided by 70 (or "y" multiplied by
22 0.429); and

23 (3) for taxable years ending after December
24 31, 2005:

25 (i) for property on which a bonus
26 depreciation deduction of 30% of the adjusted

1 basis was taken, "x" equals "y" multiplied by
2 30 and then divided by 70 (or "y" multiplied by
3 0.429); and

4 (ii) for property on which a bonus
5 depreciation deduction of 50% of the adjusted
6 basis was taken, "x" equals "y" multiplied by
7 1.0.

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

16 (P) If the taxpayer sells, transfers, abandons, or
17 otherwise disposes of property for which the taxpayer
18 was required in any taxable year to make an addition
19 modification under subparagraph (D-5), then an amount
20 equal to that addition modification.

21 If the taxpayer continues to own property through
22 the last day of the last tax year for which the
23 taxpayer may claim a depreciation deduction for
24 federal income tax purposes and for which the taxpayer
25 was required in any taxable year to make an addition
26 modification under subparagraph (D-5), then an amount

1 equal to that addition modification.

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

5 This subparagraph (P) is exempt from the
6 provisions of Section 250;

7 (Q) The amount of (i) any interest income (net of
8 the deductions allocable thereto) taken into account
9 for the taxable year with respect to a transaction with
10 a taxpayer that is required to make an addition
11 modification with respect to such transaction under
12 Section 203(a)(2)(D-17), 203(b)(2)(E-12),
13 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed
14 the amount of such addition modification and (ii) any
15 income from intangible property (net of the deductions
16 allocable thereto) taken into account for the taxable
17 year with respect to a transaction with a taxpayer that
18 is required to make an addition modification with
19 respect to such transaction under Section
20 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or
21 203(d)(2)(D-8), but not to exceed the amount of such
22 addition modification. This subparagraph (Q) is exempt
23 from Section 250;

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

1 transactions with (i) 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 and (ii) for taxable
6 years ending on or after December 31, 2008, to a person
7 who would be a member of the same unitary business
8 group but for the fact that the person is prohibited
9 under Section 1501(a)(27) from being included in the
10 unitary business group because he or she is ordinarily
11 required to apportion business income under different
12 subsections of Section 304, but not to exceed the
13 addition modification required to be made for the same
14 taxable year under Section 203(d)(2)(D-7) for interest
15 paid, accrued, or incurred, directly or indirectly, to
16 the same person. This subparagraph (R) is exempt from
17 Section 250; and

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

1 who would be a member of the same unitary business
2 group but for the fact that the person is prohibited
3 under Section 1501(a)(27) from being included in the
4 unitary business group because he or she is ordinarily
5 required to apportion business income under different
6 subsections of Section 304, but not to exceed the
7 addition modification required to be made for the same
8 taxable year under Section 203(d)(2)(D-8) for
9 intangible expenses and costs paid, accrued, or
10 incurred, directly or indirectly, to the same person.
11 This subparagraph (S) is exempt from Section 250.

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

13 (1) In general. Subject to the provisions of paragraph
14 (2) and subsection (b) (3), for purposes of this Section
15 and Section 803(e), a taxpayer's gross income, adjusted
16 gross income, or taxable income for the taxable year shall
17 mean the amount of gross income, adjusted gross income or
18 taxable income properly reportable for federal income tax
19 purposes for the taxable year under the provisions of the
20 Internal Revenue Code. Taxable income may be less than
21 zero. However, for taxable years ending on or after
22 December 31, 1986, net operating loss carryforwards from
23 taxable years ending prior to December 31, 1986, may not
24 exceed the sum of federal taxable income for the taxable
25 year before net operating loss deduction, plus the excess

1 of addition modifications over subtraction modifications
2 for the taxable year. For taxable years ending prior to
3 December 31, 1986, taxable income may never be an amount in
4 excess of the net operating loss for the taxable year as
5 defined in subsections (c) and (d) of Section 172 of the
6 Internal Revenue Code, provided that when taxable income of
7 a corporation (other than a Subchapter S corporation),
8 trust, or estate is less than zero and addition
9 modifications, other than those provided by subparagraph
10 (E) of paragraph (2) of subsection (b) for corporations or
11 subparagraph (E) of paragraph (2) of subsection (c) for
12 trusts and estates, exceed subtraction modifications, an
13 addition modification must be made under those
14 subparagraphs for any other taxable year to which the
15 taxable income less than zero (net operating loss) is
16 applied under Section 172 of the Internal Revenue Code or
17 under subparagraph (E) of paragraph (2) of this subsection
18 (e) applied in conjunction with Section 172 of the Internal
19 Revenue Code.

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

23 (A) Certain life insurance companies. In the case
24 of a life insurance company subject to the tax imposed
25 by Section 801 of the Internal Revenue Code, life
26 insurance company taxable income, plus the amount of

1 distribution from pre-1984 policyholder surplus
2 accounts as calculated under Section 815a of the
3 Internal Revenue Code;

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

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

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

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

1 Code had been in effect for all such years;

2 (F) Cooperatives. In the case of a cooperative
3 corporation or association, the taxable income of such
4 organization determined in accordance with the
5 provisions of Section 1381 through 1388 of the Internal
6 Revenue Code, but without regard to the prohibition
7 against offsetting losses from patronage activities
8 against income from nonpatronage activities; except
9 that a cooperative corporation or association may make
10 an election to follow its federal income tax treatment
11 of patronage losses and nonpatronage losses. In the
12 event such election is made, such losses shall be
13 computed and carried over in a manner consistent with
14 subsection (a) of Section 207 of this Act and
15 apportioned by the apportionment factor reported by
16 the cooperative on its Illinois income tax return filed
17 for the taxable year in which the losses are incurred.
18 The election shall be effective for all taxable years
19 with original returns due on or after the date of the
20 election. In addition, the cooperative may file an
21 amended return or returns, as allowed under this Act,
22 to provide that the election shall be effective for
23 losses incurred or carried forward for taxable years
24 occurring prior to the date of the election. Once made,
25 the election may only be revoked upon approval of the
26 Director. The Department shall adopt rules setting

1 forth requirements for documenting the elections and
2 any resulting Illinois net loss and the standards to be
3 used by the Director in evaluating requests to revoke
4 elections. Public Act 96-932 ~~This amendatory Act of the~~
5 ~~96th General Assembly~~ is declaratory of existing law;

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

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

1 but which would be taken into account by an individual
2 in calculating his taxable income.

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

20 (f) Valuation limitation amount.

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

24 (A) The sum of the pre-August 1, 1969 appreciation
25 amounts (to the extent consisting of gain reportable

1 under the provisions of Section 1245 or 1250 of the
2 Internal Revenue Code) for all property in respect of
3 which such gain was reported for the taxable year; plus

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

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

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

24 (B) If the fair market value of property referred
25 to in paragraph (1) was not readily ascertainable on
26 August 1, 1969, the pre-August 1, 1969 appreciation

1 amount for such property is that amount which bears the
2 same ratio to the total gain reported in respect of the
3 property for federal income tax purposes for the
4 taxable year, as the number of full calendar months in
5 that part of the taxpayer's holding period for the
6 property ending July 31, 1969 bears to the number of
7 full calendar months in the taxpayer's entire holding
8 period for the property.

9 (C) The Department shall prescribe such
10 regulations as may be necessary to carry out the
11 purposes of this paragraph.

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

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

24 (Source: P.A. 95-23, eff. 8-3-07; 95-233, eff. 8-16-07; 95-286,

1 eff. 8-20-07; 95-331, eff. 8-21-07; 95-707, eff. 1-11-08;
2 95-876, eff. 8-21-08; 96-45, eff. 7-15-09; 96-120, eff. 8-4-09;
3 96-198, eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff.
4 8-14-09; 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935,
5 eff. 6-21-10; 96-1214, eff. 7-22-10; revised 9-16-10.)