



Sen. Toi W. Hutchinson

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LRB098 04567 HLH 60286 a

1 AMENDMENT TO SENATE BILL 353

2 AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 353 by replacing  
3 everything after the enacting clause with the following:

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

1 to the taxpayer as interest or dividends during the  
2 taxable year to the extent excluded from gross income  
3 in the computation of adjusted gross income, except  
4 stock dividends of qualified public utilities  
5 described in Section 305(e) of the Internal Revenue  
6 Code;

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

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

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

1           (D-5) An amount, to the extent not included in  
2 adjusted gross income, equal to the amount of money  
3 withdrawn by the taxpayer in the taxable year from a  
4 medical care savings account and the interest earned on  
5 the account in the taxable year of a withdrawal  
6 pursuant to subsection (b) of Section 20 of the Medical  
7 Care Savings Account Act or subsection (b) of Section  
8 20 of the Medical Care Savings Account Act of 2000;

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

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

19           (D-16) If the taxpayer sells, transfers, abandons,  
20 or otherwise disposes of property for which the  
21 taxpayer was required in any taxable year to make an  
22 addition modification under subparagraph (D-15), then  
23 an amount equal to the aggregate amount of the  
24 deductions taken in all taxable years under  
25 subparagraph (Z) with respect to that property.

26           If the taxpayer continues to own property through

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

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

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

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

2 (D-18) 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 under Sections 951 through 964 of the Internal  
25 Revenue Code and amounts included in gross income under  
26 Section 78 of the Internal Revenue Code) with respect

1 to the stock of the same person to whom the intangible  
2 expenses and costs were directly or indirectly paid,  
3 incurred, or accrued. The preceding sentence does not  
4 apply to the extent that the same dividends caused a  
5 reduction to the addition modification required under  
6 Section 203(a)(2)(D-17) of this Act. As used in this  
7 subparagraph, the term "intangible expenses and costs"  
8 includes (1) expenses, losses, and costs for, or  
9 related to, the direct or indirect acquisition, use,  
10 maintenance or management, ownership, sale, exchange,  
11 or any other disposition of intangible property; (2)  
12 losses incurred, directly or indirectly, from  
13 factoring transactions or discounting transactions;  
14 (3) royalty, patent, technical, and copyright fees;  
15 (4) licensing fees; and (5) other similar expenses and  
16 costs. For purposes of this subparagraph, "intangible  
17 property" includes patents, patent applications, trade  
18 names, trademarks, service marks, copyrights, mask  
19 works, trade secrets, and similar types of intangible  
20 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-19) For taxable years ending on or after  
11           December 31, 2008, an amount equal to the amount of  
12           insurance premium expenses and costs otherwise allowed  
13           as a deduction in computing base income, and that were  
14           paid, accrued, or incurred, directly or indirectly, to  
15           a 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(a) (2) (D-17) or  
9 Section 203(a) (2) (D-18) of this Act.

10 (D-20) For taxable years beginning on or after  
11 January 1, 2002 and ending on or before December 31,  
12 2006, in the case of a distribution from a qualified  
13 tuition program under Section 529 of the Internal  
14 Revenue Code, other than (i) a distribution from a  
15 College Savings Pool created under Section 16.5 of the  
16 State Treasurer Act or (ii) a distribution from the  
17 Illinois Prepaid Tuition Trust Fund, an amount equal to  
18 the amount excluded from gross income under Section  
19 529(c) (3) (B). For taxable years beginning on or after  
20 January 1, 2007, in the case of a distribution from a  
21 qualified tuition program under Section 529 of the  
22 Internal Revenue Code, other than (i) a distribution  
23 from a College Savings Pool created under Section 16.5  
24 of the State Treasurer Act, (ii) a distribution from  
25 the Illinois Prepaid Tuition Trust Fund, or (iii) a  
26 distribution from a qualified tuition program under

1 Section 529 of the Internal Revenue Code that (I)  
2 adopts and determines that its offering materials  
3 comply with the College Savings Plans Network's  
4 disclosure principles and (II) has made reasonable  
5 efforts to inform in-state residents of the existence  
6 of in-state qualified tuition programs by informing  
7 Illinois residents directly and, where applicable, to  
8 inform financial intermediaries distributing the  
9 program to inform in-state residents of the existence  
10 of in-state qualified tuition programs at least  
11 annually, an amount equal to the amount excluded from  
12 gross income under Section 529(c) (3) (B) .

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

25 (D-21) For taxable years beginning on or after  
26 January 1, 2007, in the case of transfer of moneys from

1 a qualified tuition program under Section 529 of the  
2 Internal Revenue Code that is administered by the State  
3 to an out-of-state program, an amount equal to the  
4 amount of moneys previously deducted from base income  
5 under subsection (a) (2) (Y) of this Section;

6 (D-22) For taxable years beginning on or after  
7 January 1, 2009, in the case of a nonqualified  
8 withdrawal or refund of moneys from a qualified tuition  
9 program under Section 529 of the Internal Revenue Code  
10 administered by the State that is not used for  
11 qualified expenses at an eligible education  
12 institution, an amount equal to the contribution  
13 component of the nonqualified withdrawal or refund  
14 that was previously deducted from base income under  
15 subsection (a) (2) (y) of this Section, provided that  
16 the withdrawal or refund did not result from the  
17 beneficiary's death or disability;

18 (D-23) 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 (D-24) For taxable years ending on or after  
23 December 31, 2014, an amount equal to the deduction  
24 allowed under Section 199 of the Internal Revenue Code  
25 for the taxable year;

26 and by deducting from the total so obtained the sum of the

1 following amounts:

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

1           paid to a resident in 2001 or thereafter by reason of  
2           being a member of the Illinois National Guard or,  
3           beginning with taxable years ending on or after  
4           December 31, 2007, the National Guard of any other  
5           state. The provisions of this subparagraph (E) are  
6           exempt from the provisions of Section 250;

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

18          (G) The valuation limitation amount;

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

22          (I) An amount equal to all amounts included in such  
23          total pursuant to the provisions of Section 111 of the  
24          Internal Revenue Code as a recovery of items previously  
25          deducted from adjusted gross income in the computation  
26          of taxable income;

1           (J) An amount equal to those dividends included in  
2 such total which were paid by a corporation which  
3 conducts business operations in a River Edge  
4 Redevelopment Zone or zones created under the River  
5 Edge Redevelopment Zone Act, and conducts  
6 substantially all of its operations in a River Edge  
7 Redevelopment Zone or zones. This subparagraph (J) is  
8 exempt from the provisions of Section 250;

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

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

23           (M) With the exception of any amounts subtracted  
24 under subparagraph (N), an amount equal to the sum of  
25 all amounts disallowed as deductions by (i) Sections  
26 171(a) (2), and 265(2) of the Internal Revenue Code,



1 and all amounts of expenses allocable to interest and  
2 disallowed as deductions by Section 265(1) of the  
3 Internal Revenue Code; and (ii) for taxable years  
4 ending on or after August 13, 1999, Sections 171(a)(2),  
5 265, 280C, and 832(b)(5)(B)(i) of the Internal Revenue  
6 Code, plus, for taxable years ending on or after  
7 December 31, 2011, Section 45G(e)(3) of the Internal  
8 Revenue Code and, for taxable years ending on or after  
9 December 31, 2008, any amount included in gross income  
10 under Section 87 of the Internal Revenue Code; the  
11 provisions of this subparagraph are exempt from the  
12 provisions of Section 250;

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

22 (O) An amount equal to any contribution made to a  
23 job training project established pursuant to the Tax  
24 Increment Allocation Redevelopment Act;

25 (P) An amount equal to the amount of the deduction  
26 used to compute the federal income tax credit for

1 restoration of substantial amounts held under claim of  
2 right for the taxable year pursuant to Section 1341 of  
3 the Internal Revenue Code or of any itemized deduction  
4 taken from adjusted gross income in the computation of  
5 taxable income for restoration of substantial amounts  
6 held under claim of right for the taxable year;

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

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

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

22 (T) An amount, to the extent included in adjusted  
23 gross income, equal to the amount of interest earned in  
24 the taxable year on a medical care savings account  
25 established under the Medical Care Savings Account Act  
26 or the Medical Care Savings Account Act of 2000 on

1           behalf of the taxpayer, other than interest added  
2           pursuant to item (D-5) of this paragraph (2);

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

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

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

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

15 (X) For taxable year 1999 and thereafter, an amount  
16 equal to the amount of any (i) distributions, to the  
17 extent includible in gross income for federal income  
18 tax purposes, made to the taxpayer because of his or  
19 her status as a victim of persecution for racial or  
20 religious reasons by Nazi Germany or any other Axis  
21 regime or as an heir of the victim and (ii) items of  
22 income, to the extent includible in gross income for  
23 federal income tax purposes, attributable to, derived  
24 from or in any way related to assets stolen from,  
25 hidden from, or otherwise lost to a victim of  
26 persecution for racial or religious reasons by Nazi

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

22 (Y) For taxable years beginning on or after January  
23 1, 2002 and ending on or before December 31, 2004,  
24 moneys contributed in the taxable year to a College  
25 Savings Pool account under Section 16.5 of the State  
26 Treasurer Act, except that amounts excluded from gross

1 income under Section 529(c)(3)(C)(i) of the Internal  
2 Revenue Code shall not be considered moneys  
3 contributed under this subparagraph (Y). For taxable  
4 years beginning on or after January 1, 2005, a maximum  
5 of \$10,000 contributed in the taxable year to (i) a  
6 College Savings Pool account under Section 16.5 of the  
7 State Treasurer Act or (ii) the Illinois Prepaid  
8 Tuition Trust Fund, except that amounts excluded from  
9 gross income under Section 529(c)(3)(C)(i) of the  
10 Internal Revenue Code shall not be considered moneys  
11 contributed under this subparagraph (Y). For purposes  
12 of this subparagraph, contributions made by an  
13 employer on behalf of an employee, or matching  
14 contributions made by an employee, shall be treated as  
15 made by the employee. This subparagraph (Y) is exempt  
16 from the provisions of Section 250;

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

23 (1) "y" equals the amount of the depreciation  
24 deduction taken for the taxable year on the  
25 taxpayer's federal income tax return on property  
26 for which the bonus depreciation deduction was

1 taken in any year under subsection (k) of Section  
2 168 of the Internal Revenue Code, but not including  
3 the bonus depreciation deduction;

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

8 (3) for taxable years ending after December  
9 31, 2005:

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

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

19 The aggregate amount deducted under this  
20 subparagraph in all taxable years for any one piece of  
21 property may not exceed the amount of the bonus  
22 depreciation deduction taken on that property on the  
23 taxpayer's federal income tax return under subsection  
24 (k) of Section 168 of the Internal Revenue Code. This  
25 subparagraph (Z) is exempt from the provisions of  
26 Section 250;

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

6           If the taxpayer continues to own property through  
7 the last day of the last tax year for which the  
8 taxpayer may claim a depreciation deduction for  
9 federal income tax purposes and for which the taxpayer  
10 was required in any taxable year to make an addition  
11 modification under subparagraph (D-15), then an amount  
12 equal to that addition modification.

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

16           This subparagraph (AA) is exempt from the  
17 provisions of Section 250;

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

21           (CC) The amount of (i) any interest income (net of  
22 the deductions allocable thereto) taken into account  
23 for the taxable year with respect to a transaction with  
24 a taxpayer that is required to make an addition  
25 modification with respect to such transaction under  
26 Section           203(a)(2)(D-17),           203(b)(2)(E-12),



1           203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
2           the amount of that addition modification, and (ii) any  
3           income from intangible property (net of the deductions  
4           allocable thereto) taken into account for the taxable  
5           year with respect to a transaction with a taxpayer that  
6           is required to make an addition modification with  
7           respect to such transaction under Section  
8           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
9           203(d)(2)(D-8), but not to exceed the amount of that  
10          addition modification. This subparagraph (CC) is  
11          exempt from the provisions of Section 250;

12           (DD) An amount equal to the interest income taken  
13          into account for the taxable year (net of the  
14          deductions allocable thereto) with respect to  
15          transactions with (i) a foreign person who would be a  
16          member of the taxpayer's unitary business group but for  
17          the fact that the foreign person's business activity  
18          outside the United States is 80% or more of that  
19          person's total business activity and (ii) for taxable  
20          years ending on or after December 31, 2008, to a person  
21          who would be a member of the same unitary business  
22          group but for the fact that the person is prohibited  
23          under Section 1501(a)(27) from being included in the  
24          unitary business group because he or she is ordinarily  
25          required to apportion business income under different  
26          subsections of Section 304, but not to exceed the

1 addition modification required to be made for the same  
2 taxable year under Section 203(a)(2)(D-17) for  
3 interest paid, accrued, or incurred, directly or  
4 indirectly, to the same person. This subparagraph (DD)  
5 is exempt from the provisions of Section 250;

6 (EE) An amount equal to the income from intangible  
7 property taken into account for the taxable year (net  
8 of the deductions allocable thereto) with respect to  
9 transactions with (i) a foreign person who would be a  
10 member of the taxpayer's unitary business group but for  
11 the fact that the foreign person's business activity  
12 outside the United States is 80% or more of that  
13 person's total business activity and (ii) for taxable  
14 years ending on or after December 31, 2008, to a person  
15 who would be a member of the same unitary business  
16 group but for the fact that the person is prohibited  
17 under Section 1501(a)(27) from being included in the  
18 unitary business group because he or she is ordinarily  
19 required to apportion business income under different  
20 subsections of Section 304, but not to exceed the  
21 addition modification required to be made for the same  
22 taxable year under Section 203(a)(2)(D-18) for  
23 intangible expenses and costs paid, accrued, or  
24 incurred, directly or indirectly, to the same foreign  
25 person. This subparagraph (EE) is exempt from the  
26 provisions of Section 250;

1           (F) An amount equal to any amount awarded to the  
2 taxpayer during the taxable year by the Court of Claims  
3 under subsection (c) of Section 8 of the Court of  
4 Claims Act for time unjustly served in a State prison.  
5 This subparagraph (F) is exempt from the provisions of  
6 Section 250; and

7           (G) For taxable years ending on or after December  
8 31, 2011, in the case of a taxpayer who was required to  
9 add back any insurance premiums under Section  
10 203(a)(2)(D-19), such taxpayer may elect to subtract  
11 that part of a reimbursement received from the  
12 insurance company equal to the amount of the expense or  
13 loss (including expenses incurred by the insurance  
14 company) that would have been taken into account as a  
15 deduction for federal income tax purposes if the  
16 expense or loss had been uninsured. If a taxpayer makes  
17 the election provided for by this subparagraph (G),  
18 the insurer to which the premiums were paid must add  
19 back to income the amount subtracted by the taxpayer  
20 pursuant to this subparagraph (G). This subparagraph  
21 (G) is exempt from the provisions of Section 250.

22           (b) Corporations.

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

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

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

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

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

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

26           (E) For taxable years in which a net operating loss

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

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

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

23 For taxable years in which there is a net operating  
24 loss carryback or carryforward from more than one other  
25 taxable year ending prior to December 31, 1986, the  
26 addition modification provided in this subparagraph

1 (E) shall be the sum of the amounts computed  
2 independently under the preceding provisions of this  
3 subparagraph (E) for each such taxable year;

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

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

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

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 allowed in any taxable year to make a subtraction  
26 modification under subparagraph (T), then an amount

1 equal to that subtraction modification.

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

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

1 through 964 of the Internal Revenue Code and amounts  
2 included in gross income under Section 78 of the  
3 Internal Revenue Code) with respect to the stock of the  
4 same person to whom the interest was paid, accrued, or  
5 incurred.

6 This paragraph shall not apply to the following:

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

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

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

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



1 terms; or

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

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

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

24 (E-13) An amount equal to the amount of intangible  
25 expenses and costs otherwise allowed as a deduction in  
26 computing base income, and that were paid, accrued, or

1 incurred, directly or indirectly, (i) for taxable  
2 years ending on or after December 31, 2004, to a  
3 foreign person who would be a member of the same  
4 unitary business group but for the fact that the  
5 foreign person's business activity outside the United  
6 States is 80% or more of that person's total business  
7 activity and (ii) for taxable years ending on or after  
8 December 31, 2008, to a person who would be a member of  
9 the same unitary business group but for the fact that  
10 the person is prohibited under Section 1501(a)(27)  
11 from being included in the unitary business group  
12 because he or she is ordinarily required to apportion  
13 business income under different subsections of Section  
14 304. The addition modification required by this  
15 subparagraph shall be reduced to the extent that  
16 dividends were included in base income of the unitary  
17 group for the same taxable year and received by the  
18 taxpayer or by a member of the taxpayer's unitary  
19 business group (including amounts included in gross  
20 income pursuant to Sections 951 through 964 of the  
21 Internal Revenue Code and amounts included in gross  
22 income under Section 78 of the Internal Revenue Code)  
23 with respect to the stock of the same person to whom  
24 the intangible expenses and costs were directly or  
25 indirectly paid, incurred, or accrued. The preceding  
26 sentence shall not apply to the extent that the same

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

17 This paragraph shall not apply to the following:

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

25 (ii) any item of intangible expense or cost  
26 paid, accrued, or incurred, directly or

1 indirectly, if the taxpayer can establish, based  
2 on a preponderance of the evidence, both of the  
3 following:

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

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

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

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

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

6           (E-14) For taxable years ending on or after  
7           December 31, 2008, an amount equal to the amount of  
8           insurance premium expenses and costs otherwise allowed  
9           as a deduction in computing base income, and that were  
10          paid, accrued, or incurred, directly or indirectly, to  
11          a person who would be a member of the same unitary  
12          business group but for the fact that the person is  
13          prohibited under Section 1501(a)(27) from being  
14          included in the unitary business group because he or  
15          she is ordinarily required to apportion business  
16          income under different subsections of Section 304. The  
17          addition modification required by this subparagraph  
18          shall be reduced to the extent that dividends were  
19          included in base income of the unitary group for the  
20          same taxable year and received by the taxpayer or by a  
21          member of the taxpayer's unitary business group  
22          (including amounts included in gross income under  
23          Sections 951 through 964 of the Internal Revenue Code  
24          and amounts included in gross income under Section 78  
25          of the Internal Revenue Code) with respect to the stock  
26          of the same person to whom the premiums and costs were

1 directly or indirectly paid, incurred, or accrued. The  
2 preceding sentence does not apply to the extent that  
3 the same dividends caused a reduction to the addition  
4 modification required under Section 203(b) (2) (E-12) or  
5 Section 203(b) (2) (E-13) of this Act;

6 (E-15) For taxable years beginning after December  
7 31, 2008, any deduction for dividends paid by a captive  
8 real estate investment trust that is allowed to a real  
9 estate investment trust under Section 857(b) (2) (B) of  
10 the Internal Revenue Code for dividends paid;

11 (E-16) 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 (E-17) For taxable years ending on or after  
16 December 31, 2014, an amount equal to the deduction  
17 allowed under Section 199 of the Internal Revenue Code  
18 for the taxable year;

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

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

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

26 (H) In the case of a regulated investment company,

1 an amount equal to the amount of exempt interest  
2 dividends as defined in subsection (b) (5) of Section  
3 852 of the Internal Revenue Code, paid to shareholders  
4 for the taxable year;

5 (I) With the exception of any amounts subtracted  
6 under subparagraph (J), an amount equal to the sum of  
7 all amounts disallowed as deductions by (i) Sections  
8 171(a) (2), and 265(a)(2) and amounts disallowed as  
9 interest expense by Section 291(a)(3) of the Internal  
10 Revenue Code, and all amounts of expenses allocable to  
11 interest and disallowed as deductions by Section  
12 265(a)(1) of the Internal Revenue Code; and (ii) for  
13 taxable years ending on or after August 13, 1999,  
14 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
15 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
16 for tax years ending on or after December 31, 2011,  
17 amounts disallowed as deductions by Section 45G(e)(3)  
18 of the Internal Revenue Code and, for taxable years  
19 ending on or after December 31, 2008, any amount  
20 included in gross income under Section 87 of the  
21 Internal Revenue Code and the policyholders' share of  
22 tax-exempt interest of a life insurance company under  
23 Section 807(a)(2)(B) of the Internal Revenue Code (in  
24 the case of a life insurance company with gross income  
25 from a decrease in reserves for the tax year) or  
26 Section 807(b)(1)(B) of the Internal Revenue Code (in

1           the case of a life insurance company allowed a  
2           deduction for an increase in reserves for the tax  
3           year); the provisions of this subparagraph are exempt  
4           from the provisions of Section 250;

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

14          (K) An amount equal to those dividends included in  
15          such total which were paid by a corporation which  
16          conducts business operations in a River Edge  
17          Redevelopment Zone or zones created under the River  
18          Edge Redevelopment Zone Act and conducts substantially  
19          all of its operations in a River Edge Redevelopment  
20          Zone or zones. This subparagraph (K) is exempt from the  
21          provisions of Section 250;

22          (L) An amount equal to those dividends included in  
23          such total that were paid by a corporation that  
24          conducts business operations in a federally designated  
25          Foreign Trade Zone or Sub-Zone and that is designated a  
26          High Impact Business located in Illinois; provided



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

5           (M) For any taxpayer that is a financial  
6           organization within the meaning of Section 304(c) of  
7           this Act, an amount included in such total as interest  
8           income from a loan or loans made by such taxpayer to a  
9           borrower, to the extent that such a loan is secured by  
10          property which is eligible for the River Edge  
11          Redevelopment Zone Investment Credit. To determine the  
12          portion of a loan or loans that is secured by property  
13          eligible for a Section 201(f) investment credit to the  
14          borrower, the entire principal amount of the loan or  
15          loans between the taxpayer and the borrower should be  
16          divided into the basis of the Section 201(f) investment  
17          credit property which secures the loan or loans, using  
18          for this purpose the original basis of such property on  
19          the date that it was placed in service in the River  
20          Edge Redevelopment Zone. The subtraction modification  
21          available to taxpayer in any year under this subsection  
22          shall be that portion of the total interest paid by the  
23          borrower with respect to such loan attributable to the  
24          eligible property as calculated under the previous  
25          sentence. This subparagraph (M) is exempt from the  
26          provisions of Section 250;

1           (M-1) For any taxpayer that is a financial  
2 organization within the meaning of Section 304(c) of  
3 this Act, an amount included in such total as interest  
4 income from a loan or loans made by such taxpayer to a  
5 borrower, to the extent that such a loan is secured by  
6 property which is eligible for the High Impact Business  
7 Investment Credit. To determine the portion of a loan  
8 or loans that is secured by property eligible for a  
9 Section 201(h) investment credit to the borrower, the  
10 entire principal amount of the loan or loans between  
11 the taxpayer and the borrower should be divided into  
12 the basis of the Section 201(h) investment credit  
13 property which secures the loan or loans, using for  
14 this purpose the original basis of such property on the  
15 date that it was placed in service in a federally  
16 designated Foreign Trade Zone or Sub-Zone located in  
17 Illinois. No taxpayer that is eligible for the  
18 deduction provided in subparagraph (M) of paragraph  
19 (2) of this subsection shall be eligible for the  
20 deduction provided under this subparagraph (M-1). The  
21 subtraction modification available to taxpayers in any  
22 year under this subsection shall be that portion of the  
23 total interest paid by the borrower with respect to  
24 such loan attributable to the eligible property as  
25 calculated under the previous sentence;

26           (N) Two times any contribution made during the

1 taxable year to a designated zone organization to the  
2 extent that the contribution (i) qualifies as a  
3 charitable contribution under subsection (c) of  
4 Section 170 of the Internal Revenue Code and (ii) must,  
5 by its terms, be used for a project approved by the  
6 Department of Commerce and Economic Opportunity under  
7 Section 11 of the Illinois Enterprise Zone Act or under  
8 Section 10-10 of the River Edge Redevelopment Zone Act.  
9 This subparagraph (N) is exempt from the provisions of  
10 Section 250;

11 (O) An amount equal to: (i) 85% for taxable years  
12 ending on or before December 31, 1992, or, a percentage  
13 equal to the percentage allowable under Section  
14 243(a)(1) of the Internal Revenue Code of 1986 for  
15 taxable years ending after December 31, 1992, of the  
16 amount by which dividends included in taxable income  
17 and received from a corporation that is not created or  
18 organized under the laws of the United States or any  
19 state or political subdivision thereof, including, for  
20 taxable years ending on or after December 31, 1988,  
21 dividends received or deemed received or paid or deemed  
22 paid under Sections 951 through 965 of the Internal  
23 Revenue Code, exceed the amount of the modification  
24 provided under subparagraph (G) of paragraph (2) of  
25 this subsection (b) which is related to such dividends,  
26 and including, for taxable years ending on or after

1 December 31, 2008, dividends received from a captive  
2 real estate investment trust; plus (ii) 100% of the  
3 amount by which dividends, included in taxable income  
4 and received, including, for taxable years ending on or  
5 after December 31, 1988, dividends received or deemed  
6 received or paid or deemed paid under Sections 951  
7 through 964 of the Internal Revenue Code and including,  
8 for taxable years ending on or after December 31, 2008,  
9 dividends received from a captive real estate  
10 investment trust, from any such corporation specified  
11 in clause (i) that would but for the provisions of  
12 Section 1504 (b) (3) of the Internal Revenue Code be  
13 treated as a member of the affiliated group which  
14 includes the dividend recipient, exceed the amount of  
15 the modification provided under subparagraph (G) of  
16 paragraph (2) of this subsection (b) which is related  
17 to such dividends. This subparagraph (O) is exempt from  
18 the provisions of Section 250 of this Act;

19 (P) An amount equal to any contribution made to a  
20 job training project established pursuant to the Tax  
21 Increment Allocation Redevelopment Act;

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

1           (R) On and after July 20, 1999, in the case of an  
2 attorney-in-fact with respect to whom an interinsurer  
3 or a reciprocal insurer has made the election under  
4 Section 835 of the Internal Revenue Code, 26 U.S.C.  
5 835, an amount equal to the excess, if any, of the  
6 amounts paid or incurred by that interinsurer or  
7 reciprocal insurer in the taxable year to the  
8 attorney-in-fact over the deduction allowed to that  
9 interinsurer or reciprocal insurer with respect to the  
10 attorney-in-fact under Section 835(b) of the Internal  
11 Revenue Code for the taxable year; the provisions of  
12 this subparagraph are exempt from the provisions of  
13 Section 250;

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

24           (T) For taxable years 2001 and thereafter, for the  
25 taxable year in which the bonus depreciation deduction  
26 is taken on the taxpayer's federal income tax return

1 under subsection (k) of Section 168 of the Internal  
2 Revenue Code and for each applicable taxable year  
3 thereafter, an amount equal to "x", where:

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

11 (2) for taxable years ending on or before  
12 December 31, 2005, "x" equals "y" multiplied by 30  
13 and then divided by 70 (or "y" multiplied by  
14 0.429); and

15 (3) for taxable years ending after December  
16 31, 2005:

17 (i) for property on which a bonus  
18 depreciation deduction of 30% of the adjusted  
19 basis was taken, "x" equals "y" multiplied by  
20 30 and then divided by 70 (or "y" multiplied by  
21 0.429); and

22 (ii) for property on which a bonus  
23 depreciation deduction of 50% of the adjusted  
24 basis was taken, "x" equals "y" multiplied by  
25 1.0.

26 The aggregate amount deducted under this

1           subparagraph in all taxable years for any one piece of  
2           property may not exceed the amount of the bonus  
3           depreciation deduction taken on that property on the  
4           taxpayer's federal income tax return under subsection  
5           (k) of Section 168 of the Internal Revenue Code. This  
6           subparagraph (T) is exempt from the provisions of  
7           Section 250;

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

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

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

23          This subparagraph (U) is exempt from the  
24          provisions of Section 250;

25          (V) The amount of: (i) any interest income (net of  
26          the deductions allocable thereto) taken into account

1 for the taxable year with respect to a transaction with  
2 a taxpayer that is required to make an addition  
3 modification with respect to such transaction under  
4 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
5 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
6 the amount of such addition modification, (ii) any  
7 income from intangible property (net of the deductions  
8 allocable thereto) taken into account for the taxable  
9 year with respect to a transaction with a taxpayer that  
10 is required to make an addition modification with  
11 respect to such transaction under Section  
12 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
13 203(d)(2)(D-8), but not to exceed the amount of such  
14 addition modification, and (iii) any insurance premium  
15 income (net of deductions allocable thereto) taken  
16 into account for the taxable year with respect to a  
17 transaction with a taxpayer that is required to make an  
18 addition modification with respect to such transaction  
19 under Section 203(a)(2)(D-19), Section  
20 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section  
21 203(d)(2)(D-9), but not to exceed the amount of that  
22 addition modification. This subparagraph (V) is exempt  
23 from the provisions of Section 250;

24 (W) 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(b)(2)(E-12) for  
15 interest paid, accrued, or incurred, directly or  
16 indirectly, to the same person. This subparagraph (W)  
17 is exempt from the provisions of Section 250;

18 (X) 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(b)(2)(E-13) for  
9           intangible expenses and costs paid, accrued, or  
10          incurred, directly or indirectly, to the same foreign  
11          person. This subparagraph (X) is exempt from the  
12          provisions of Section 250;

13           (Y) For taxable years ending on or after December  
14          31, 2011, in the case of a taxpayer who was required to  
15          add back any insurance premiums under Section  
16          203(b)(2)(E-14), such taxpayer may elect to subtract  
17          that part of a reimbursement received from the  
18          insurance company equal to the amount of the expense or  
19          loss (including expenses incurred by the insurance  
20          company) that would have been taken into account as a  
21          deduction for federal income tax purposes if the  
22          expense or loss had been uninsured. If a taxpayer makes  
23          the election provided for by this subparagraph (Y), the  
24          insurer to which the premiums were paid must add back  
25          to income the amount subtracted by the taxpayer  
26          pursuant to this subparagraph (Y). This subparagraph

1 (Y) is exempt from the provisions of Section 250; and

2 (Z) The difference between the nondeductible  
3 controlled foreign corporation dividends under Section  
4 965(e) (3) of the Internal Revenue Code over the taxable  
5 income of the taxpayer, computed without regard to  
6 Section 965(e) (2) (A) of the Internal Revenue Code, and  
7 without regard to any net operating loss deduction.  
8 This subparagraph (Z) is exempt from the provisions of  
9 Section 250.

10 (3) Special rule. For purposes of paragraph (2) (A),  
11 "gross income" in the case of a life insurance company, for  
12 tax years ending on and after December 31, 1994, and prior  
13 to December 31, 2011, shall mean the gross investment  
14 income for the taxable year and, for tax years ending on or  
15 after December 31, 2011, shall mean all amounts included in  
16 life insurance gross income under Section 803(a) (3) of the  
17 Internal Revenue Code.

18 (c) Trusts and estates.

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

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

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

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

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

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

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

1           they are listed:

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

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

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

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

1 Act;

2 (G) An amount equal to the amount of the capital  
3 gain deduction allowable under the Internal Revenue  
4 Code, to the extent deducted from gross income in the  
5 computation of taxable income;

6 (G-5) For taxable years ending after December 31,  
7 1997, an amount equal to any eligible remediation costs  
8 that the trust or estate deducted in computing adjusted  
9 gross income and for which the trust or estate claims a  
10 credit under subsection (l) of Section 201;

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

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

23 If the taxpayer continues to own property through  
24 the last day of the last tax year for which the  
25 taxpayer may claim a depreciation deduction for  
26 federal income tax purposes and for which the taxpayer

1 was allowed in any taxable year to make a subtraction  
2 modification under subparagraph (R), then an amount  
3 equal to that subtraction modification.

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

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

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

8 This paragraph shall not apply to the following:

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

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

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

23 (b) the transaction giving rise to the  
24 interest expense between the taxpayer and the  
25 person did not have as a principal purpose the  
26 avoidance of Illinois income tax, and is paid



1           pursuant to a contract or agreement that  
2           reflects an arm's-length interest rate and  
3           terms; or

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

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

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

26          (G-13) An amount equal to the amount of intangible

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

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

19 This paragraph shall not apply to the following:

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

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

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

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

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

25          Nothing in this subsection shall preclude the  
26          Director from making any other adjustment

1 otherwise allowed under Section 404 of this Act for  
2 any tax year beginning after the effective date of  
3 this amendment provided such adjustment is made  
4 pursuant to regulation adopted by the Department  
5 and such regulations provide methods and standards  
6 by which the Department will utilize its authority  
7 under Section 404 of this Act;

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

1 of the Internal Revenue Code) with respect to the stock  
2 of the same person to whom the premiums and costs were  
3 directly or indirectly paid, incurred, or accrued. The  
4 preceding sentence does not apply to the extent that  
5 the same dividends caused a reduction to the addition  
6 modification required under Section 203(c) (2) (G-12) or  
7 Section 203(c) (2) (G-13) of this Act;

8 (G-15) An amount equal to the credit allowable to  
9 the taxpayer under Section 218(a) of this Act,  
10 determined without regard to Section 218(c) of this  
11 Act;

12 (G-16) For taxable years ending on or after  
13 December 31, 2014, an amount equal to the deduction  
14 allowed under Section 199 of the Internal Revenue Code  
15 for the taxable year;

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

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

1 Internal Revenue Code and regulations adopted pursuant  
2 thereto;

3 (I) The valuation limitation amount;

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

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

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

1 Code, plus, (iii) for taxable years ending on or after  
2 December 31, 2011, Section 45G(e)(3) of the Internal  
3 Revenue Code and, for taxable years ending on or after  
4 December 31, 2008, any amount included in gross income  
5 under Section 87 of the Internal Revenue Code; the  
6 provisions of this subparagraph are exempt from the  
7 provisions of Section 250;

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

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

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



1           this subparagraph (O);

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

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

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

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

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

1           (2) for taxable years ending on or before  
2           December 31, 2005, "x" equals "y" multiplied by 30  
3           and then divided by 70 (or "y" multiplied by  
4           0.429); and

5           (3) for taxable years ending after December  
6           31, 2005:

7           (i) for property on which a bonus  
8           depreciation deduction of 30% of the adjusted  
9           basis was taken, "x" equals "y" multiplied by  
10          30 and then divided by 70 (or "y" multiplied by  
11          0.429); and

12          (ii) for property on which a bonus  
13          depreciation deduction of 50% of the adjusted  
14          basis was taken, "x" equals "y" multiplied by  
15          1.0.

16          The aggregate amount deducted under this  
17          subparagraph in all taxable years for any one piece of  
18          property may not exceed the amount of the bonus  
19          depreciation deduction taken on that property on the  
20          taxpayer's federal income tax return under subsection  
21          (k) of Section 168 of the Internal Revenue Code. This  
22          subparagraph (R) is exempt from the provisions of  
23          Section 250;

24          (S) If the taxpayer sells, transfers, abandons, or  
25          otherwise disposes of property for which the taxpayer  
26          was required in any taxable year to make an addition

1           modification under subparagraph (G-10), then an amount  
2           equal to that addition modification.

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

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

13          This subparagraph (S) is exempt from the  
14          provisions of Section 250;

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

1           respect to such transaction under Section  
2           203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
3           203(d)(2)(D-8), but not to exceed the amount of such  
4           addition modification. This subparagraph (T) is exempt  
5           from the provisions of Section 250;

6           (U) An amount equal to the interest income taken  
7           into account for the taxable year (net of the  
8           deductions allocable thereto) with respect to  
9           transactions with (i) a foreign person who would be a  
10          member of the taxpayer's unitary business group but for  
11          the fact the foreign person's business activity  
12          outside the United States is 80% or more of that  
13          person's total business activity and (ii) for taxable  
14          years ending on or after December 31, 2008, to a person  
15          who would be a member of the same unitary business  
16          group but for the fact that the person is prohibited  
17          under Section 1501(a)(27) from being included in the  
18          unitary business group because he or she is ordinarily  
19          required to apportion business income under different  
20          subsections of Section 304, but not to exceed the  
21          addition modification required to be made for the same  
22          taxable year under Section 203(c)(2)(G-12) for  
23          interest paid, accrued, or incurred, directly or  
24          indirectly, to the same person. This subparagraph (U)  
25          is exempt from the provisions of Section 250;

26          (V) An amount equal to the income from intangible

1 property taken into account for the taxable year (net  
2 of the deductions allocable thereto) with respect to  
3 transactions with (i) a foreign person who would be a  
4 member of the taxpayer's unitary business group but for  
5 the fact that the foreign person's business activity  
6 outside the United States is 80% or more of that  
7 person's total business activity and (ii) for taxable  
8 years ending on or after December 31, 2008, to a person  
9 who would be a member of the same unitary business  
10 group but for the fact that the person is prohibited  
11 under Section 1501(a)(27) from being included in the  
12 unitary business group because he or she is ordinarily  
13 required to apportion business income under different  
14 subsections of Section 304, but not to exceed the  
15 addition modification required to be made for the same  
16 taxable year under Section 203(c)(2)(G-13) for  
17 intangible expenses and costs paid, accrued, or  
18 incurred, directly or indirectly, to the same foreign  
19 person. This subparagraph (V) is exempt from the  
20 provisions of Section 250;

21 (W) in the case of an estate, an amount equal to  
22 all amounts included in such total pursuant to the  
23 provisions of Section 111 of the Internal Revenue Code  
24 as a recovery of items previously deducted by the  
25 decedent from adjusted gross income in the computation  
26 of taxable income. This subparagraph (W) is exempt from

1 Section 250;

2 (X) an amount equal to the refund included in such  
3 total of any tax deducted for federal income tax  
4 purposes, to the extent that deduction was added back  
5 under subparagraph (F). This subparagraph (X) is  
6 exempt from the provisions of Section 250; and

7 (Y) For taxable years ending on or after December  
8 31, 2011, in the case of a taxpayer who was required to  
9 add back any insurance premiums under Section  
10 203(c)(2)(G-14), such taxpayer may elect to subtract  
11 that part of a reimbursement received from the  
12 insurance company equal to the amount of the expense or  
13 loss (including expenses incurred by the insurance  
14 company) that would have been taken into account as a  
15 deduction for federal income tax purposes if the  
16 expense or loss had been uninsured. If a taxpayer makes  
17 the election provided for by this subparagraph (Y), the  
18 insurer to which the premiums were paid must add back  
19 to income the amount subtracted by the taxpayer  
20 pursuant to this subparagraph (Y). This subparagraph  
21 (Y) is exempt from the provisions of Section 250.

22 (3) Limitation. The amount of any modification  
23 otherwise required under this subsection shall, under  
24 regulations prescribed by the Department, be adjusted by  
25 any amounts included therein which were properly paid,  
26 credited, or required to be distributed, or permanently set

1           aside for charitable purposes pursuant to Internal Revenue  
2           Code Section 642(c) during the taxable year.

3           (d) Partnerships.

4           (1) In general. In the case of a partnership, 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 or dividends during the  
12           taxable year to the extent excluded from gross income  
13           in the computation of taxable income;

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

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

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

24           (D-5) For taxable years 2001 and thereafter, an  
25           amount equal to the bonus depreciation deduction taken



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

4 (D-6) If the taxpayer sells, transfers, abandons,  
5 or otherwise disposes of property for which the  
6 taxpayer was required in any taxable year to make an  
7 addition modification under subparagraph (D-5), then  
8 an amount equal to the aggregate amount of the  
9 deductions taken in all taxable years under  
10 subparagraph (O) with respect to that property.

11 If the taxpayer continues to own property through  
12 the last day of the last tax year for which the  
13 taxpayer may claim a depreciation deduction for  
14 federal income tax purposes and for which the taxpayer  
15 was allowed in any taxable year to make a subtraction  
16 modification under subparagraph (O), then an amount  
17 equal to that subtraction modification.

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

21 (D-7) An amount equal to the amount otherwise  
22 allowed as a deduction in computing base income for  
23 interest paid, accrued, or incurred, directly or  
24 indirectly, (i) for taxable years ending on or after  
25 December 31, 2004, to a foreign person who would be a  
26 member of the same unitary business group but for the

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

22 This paragraph shall not apply to the following:

23 (i) an item of interest paid, accrued, or  
24 incurred, directly or indirectly, to a person who  
25 is subject in a foreign country or state, other  
26 than a state which requires mandatory unitary

1 reporting, to a tax on or measured by net income  
2 with respect to such interest; or

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

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

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

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

24 (iv) an item of interest paid, accrued, or  
25 incurred, directly or indirectly, to a person if  
26 the taxpayer establishes by clear and convincing

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

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

14 (D-8) An amount equal to the amount of intangible  
15 expenses and costs otherwise allowed as a deduction in  
16 computing base income, and that were paid, accrued, or  
17 incurred, directly or indirectly, (i) for taxable  
18 years ending on or after December 31, 2004, to a  
19 foreign person who would be a member of the same  
20 unitary business group but for the fact that the  
21 foreign person's business activity outside the United  
22 States is 80% or more of that person's total business  
23 activity and (ii) for taxable years ending on or after  
24 December 31, 2008, to a person who would be a member of  
25 the same unitary business group but for the fact that  
26 the person is prohibited under Section 1501(a)(27)

1 from being included in the unitary business group  
2 because he or she is ordinarily required to apportion  
3 business income under different subsections of Section  
4 304. The addition modification required by this  
5 subparagraph shall be reduced to the extent that  
6 dividends were included in base income of the unitary  
7 group for the same taxable year and received by the  
8 taxpayer or by a member of the taxpayer's unitary  
9 business group (including amounts included in gross  
10 income pursuant to Sections 951 through 964 of the  
11 Internal Revenue Code and amounts included in gross  
12 income under Section 78 of the Internal Revenue Code)  
13 with respect to the stock of the same person to whom  
14 the intangible expenses and costs were directly or  
15 indirectly paid, incurred or accrued. The preceding  
16 sentence shall not apply to the extent that the same  
17 dividends caused a reduction to the addition  
18 modification required under Section 203(d)(2)(D-7) of  
19 this Act. As used in this subparagraph, the term  
20 "intangible expenses and costs" includes (1) expenses,  
21 losses, and costs for, or related to, the direct or  
22 indirect acquisition, use, maintenance or management,  
23 ownership, sale, exchange, or any other disposition of  
24 intangible property; (2) losses incurred, directly or  
25 indirectly, from factoring transactions or discounting  
26 transactions; (3) royalty, patent, technical, and

1 copyright fees; (4) licensing fees; and (5) other  
2 similar expenses and costs. For purposes of this  
3 subparagraph, "intangible property" includes patents,  
4 patent applications, trade names, trademarks, service  
5 marks, copyrights, mask works, trade secrets, and  
6 similar types of intangible assets;

7 This paragraph shall not apply to the following:

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

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

20 (a) the person during the same taxable  
21 year paid, accrued, or incurred, the  
22 intangible expense or cost to a person that is  
23 not a related member, and

24 (b) the transaction giving rise to the  
25 intangible expense or cost between the  
26 taxpayer and the person did not have as a

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

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

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

22 (D-9) For taxable years ending on or after December  
23 31, 2008, an amount equal to the amount of insurance  
24 premium expenses and costs otherwise allowed as a  
25 deduction in computing base income, and that were paid,  
26 accrued, or incurred, directly or indirectly, to a

1 person who would be a member of the same unitary  
2 business group but for the fact that the person is  
3 prohibited under Section 1501(a)(27) from being  
4 included in the unitary business group because he or  
5 she is ordinarily required to apportion business  
6 income under different subsections of Section 304. The  
7 addition modification required by this subparagraph  
8 shall be reduced to the extent that dividends were  
9 included in base income of the unitary group for the  
10 same taxable year and received by the taxpayer or by a  
11 member of the taxpayer's unitary business group  
12 (including amounts included in gross income under  
13 Sections 951 through 964 of the Internal Revenue Code  
14 and amounts included in gross income under Section 78  
15 of the Internal Revenue Code) with respect to the stock  
16 of the same person to whom the premiums and costs were  
17 directly or indirectly paid, incurred, or accrued. The  
18 preceding sentence does not apply to the extent that  
19 the same dividends caused a reduction to the addition  
20 modification required under Section 203(d)(2)(D-7) or  
21 Section 203(d)(2)(D-8) of this Act;

22 (D-10) An amount equal to the credit allowable to  
23 the taxpayer under Section 218(a) of this Act,  
24 determined without regard to Section 218(c) of this  
25 Act;

26 (D-11) For taxable years ending on or after



1           December 31, 2014, an amount equal to the deduction  
2           allowed under Section 199 of the Internal Revenue Code  
3           for the taxable year;

4           and by deducting from the total so obtained the following  
5           amounts:

6                     (E) The valuation limitation amount;

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

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

20                    (H) Any income of the partnership which  
21                    constitutes personal service income as defined in  
22                    Section 1348 (b) (1) of the Internal Revenue Code (as  
23                    in effect December 31, 1981) or a reasonable allowance  
24                    for compensation paid or accrued for services rendered  
25                    by partners to the partnership, whichever is greater;  
26                    this subparagraph (H) is exempt from the provisions of

1 Section 250;

2 (I) An amount equal to all amounts of income  
3 distributable to an entity subject to the Personal  
4 Property Tax Replacement Income Tax imposed by  
5 subsections (c) and (d) of Section 201 of this Act  
6 including amounts distributable to organizations  
7 exempt from federal income tax by reason of Section  
8 501(a) of the Internal Revenue Code; this subparagraph  
9 (I) is exempt from the provisions of Section 250;

10 (J) With the exception of any amounts subtracted  
11 under subparagraph (G), an amount equal to the sum of  
12 all amounts disallowed as deductions by (i) Sections  
13 171(a) (2), and 265(2) of the Internal Revenue Code,  
14 and all amounts of expenses allocable to interest and  
15 disallowed as deductions by Section 265(1) of the  
16 Internal Revenue Code; and (ii) for taxable years  
17 ending on or after August 13, 1999, Sections 171(a) (2),  
18 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
19 Code, plus, (iii) for taxable years ending on or after  
20 December 31, 2011, Section 45G(e) (3) of the Internal  
21 Revenue Code and, for taxable years ending on or after  
22 December 31, 2008, any amount included in gross income  
23 under Section 87 of the Internal Revenue Code; the  
24 provisions of this subparagraph are exempt from the  
25 provisions of Section 250;

26 (K) An amount equal to those dividends included in

1           such total which were paid by a corporation which  
2           conducts business operations in a River Edge  
3           Redevelopment Zone or zones created under the River  
4           Edge Redevelopment Zone Act and conducts substantially  
5           all of its operations from a River Edge Redevelopment  
6           Zone or zones. This subparagraph (K) is exempt from the  
7           provisions of Section 250;

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

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

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

25          (O) For taxable years 2001 and thereafter, for the  
26          taxable year in which the bonus depreciation deduction

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

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

12 (2) for taxable years ending on or before  
13 December 31, 2005, "x" equals "y" multiplied by 30  
14 and then divided by 70 (or "y" multiplied by  
15 0.429); and

16 (3) for taxable years ending after December  
17 31, 2005:

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

23 (ii) for property on which a bonus  
24 depreciation deduction of 50% of the adjusted  
25 basis was taken, "x" equals "y" multiplied by  
26 1.0.

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

9           (P) If the taxpayer sells, transfers, abandons, or  
10          otherwise disposes of property for which the taxpayer  
11          was required in any taxable year to make an addition  
12          modification under subparagraph (D-5), then an amount  
13          equal to that addition modification.

14          If the taxpayer continues to own property through  
15          the last day of the last tax year for which the  
16          taxpayer may claim a depreciation deduction for  
17          federal income tax purposes and 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          The taxpayer is allowed to take the deduction under  
22          this subparagraph only once with respect to any one  
23          piece of property.

24          This subparagraph (P) is exempt from the  
25          provisions of Section 250;

26          (Q) The amount of (i) any interest income (net of

1 the deductions allocable thereto) taken into account  
2 for the taxable year with respect to a transaction with  
3 a taxpayer that is required to make an addition  
4 modification with respect to such transaction under  
5 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
6 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
7 the amount of such addition modification and (ii) any  
8 income from intangible property (net of the deductions  
9 allocable thereto) taken into account for the taxable  
10 year with respect to a transaction with a taxpayer that  
11 is required to make an addition modification with  
12 respect to such transaction under Section  
13 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
14 203(d)(2)(D-8), but not to exceed the amount of such  
15 addition modification. This subparagraph (Q) is exempt  
16 from Section 250;

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

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

11 (S) An amount equal to the income from intangible  
12 property taken into account for the taxable year (net  
13 of the deductions allocable thereto) with respect to  
14 transactions with (i) a foreign person who would be a  
15 member of the taxpayer's unitary business group but for  
16 the fact that the foreign person's business activity  
17 outside the United States is 80% or more of that  
18 person's total business activity and (ii) for taxable  
19 years ending on or after December 31, 2008, to a person  
20 who would be a member of the same unitary business  
21 group but for the fact that the person is prohibited  
22 under Section 1501(a)(27) from being included in the  
23 unitary business group because he or she is ordinarily  
24 required to apportion business income under different  
25 subsections of Section 304, but not to exceed the  
26 addition modification required to be made for the same

1 taxable year under Section 203(d)(2)(D-8) for  
2 intangible expenses and costs paid, accrued, or  
3 incurred, directly or indirectly, to the same person.  
4 This subparagraph (S) is exempt from Section 250; and

5 (T) For taxable years ending on or after December  
6 31, 2011, in the case of a taxpayer who was required to  
7 add back any insurance premiums under Section  
8 203(d)(2)(D-9), such taxpayer may elect to subtract  
9 that part of a reimbursement received from the  
10 insurance company equal to the amount of the expense or  
11 loss (including expenses incurred by the insurance  
12 company) that would have been taken into account as a  
13 deduction for federal income tax purposes if the  
14 expense or loss had been uninsured. If a taxpayer makes  
15 the election provided for by this subparagraph (T), the  
16 insurer to which the premiums were paid must add back  
17 to income the amount subtracted by the taxpayer  
18 pursuant to this subparagraph (T). This subparagraph  
19 (T) is exempt from the provisions of Section 250.

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

21 (1) In general. Subject to the provisions of paragraph  
22 (2) and subsection (b) (3), for purposes of this Section  
23 and Section 803(e), a taxpayer's gross income, adjusted  
24 gross income, or taxable income for the taxable year shall  
25 mean the amount of gross income, adjusted gross income or



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

1 Revenue Code.

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

5 (A) Certain life insurance companies. In the case  
6 of a life insurance company subject to the tax imposed  
7 by Section 801 of the Internal Revenue Code, life  
8 insurance company taxable income, plus the amount of  
9 distribution from pre-1984 policyholder surplus  
10 accounts as calculated under Section 815a of the  
11 Internal Revenue Code;

12 (B) Certain other insurance companies. In the case  
13 of mutual insurance companies subject to the tax  
14 imposed by Section 831 of the Internal Revenue Code,  
15 insurance company taxable income;

16 (C) Regulated investment companies. In the case of  
17 a regulated investment company subject to the tax  
18 imposed by Section 852 of the Internal Revenue Code,  
19 investment company taxable income;

20 (D) Real estate investment trusts. In the case of a  
21 real estate investment trust subject to the tax imposed  
22 by Section 857 of the Internal Revenue Code, real  
23 estate investment trust taxable income;

24 (E) Consolidated corporations. In the case of a  
25 corporation which is a member of an affiliated group of  
26 corporations filing a consolidated income tax return

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

10           (F) Cooperatives. In the case of a cooperative  
11           corporation or association, the taxable income of such  
12           organization determined in accordance with the  
13           provisions of Section 1381 through 1388 of the Internal  
14           Revenue Code, but without regard to the prohibition  
15           against offsetting losses from patronage activities  
16           against income from nonpatronage activities; except  
17           that a cooperative corporation or association may make  
18           an election to follow its federal income tax treatment  
19           of patronage losses and nonpatronage losses. In the  
20           event such election is made, such losses shall be  
21           computed and carried over in a manner consistent with  
22           subsection (a) of Section 207 of this Act and  
23           apportioned by the apportionment factor reported by  
24           the cooperative on its Illinois income tax return filed  
25           for the taxable year in which the losses are incurred.  
26           The election shall be effective for all taxable years

1 with original returns due on or after the date of the  
2 election. In addition, the cooperative may file an  
3 amended return or returns, as allowed under this Act,  
4 to provide that the election shall be effective for  
5 losses incurred or carried forward for taxable years  
6 occurring prior to the date of the election. Once made,  
7 the election may only be revoked upon approval of the  
8 Director. The Department shall adopt rules setting  
9 forth requirements for documenting the elections and  
10 any resulting Illinois net loss and the standards to be  
11 used by the Director in evaluating requests to revoke  
12 elections. Public Act 96-932 is declaratory of  
13 existing law;

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

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

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

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

1 taxable years.

2 (f) Valuation limitation amount.

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

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

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

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

20 (A) If the fair market value of property referred  
21 to in paragraph (1) was readily ascertainable on August  
22 1, 1969, the pre-August 1, 1969 appreciation amount for  
23 such property is the lesser of (i) the excess of such  
24 fair market value over the taxpayer's basis (for  
25 determining gain) for such property on that date

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

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

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

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

23 (h) Legislative intention. Except as expressly provided by  
24 this Section there shall be no modifications or limitations on

1 the amounts of income, gain, loss or deduction taken into  
2 account in determining gross income, adjusted gross income or  
3 taxable income for federal income tax purposes for the taxable  
4 year, or in the amount of such items entering into the  
5 computation of base income and net income under this Act for  
6 such taxable year, whether in respect of property values as of  
7 August 1, 1969 or otherwise.

8 (Source: P.A. 96-45, eff. 7-15-09; 96-120, eff. 8-4-09; 96-198,  
9 eff. 8-10-09; 96-328, eff. 8-11-09; 96-520, eff. 8-14-09;  
10 96-835, eff. 12-16-09; 96-932, eff. 1-1-11; 96-935, eff.  
11 6-21-10; 96-1214, eff. 7-22-10; 97-333, eff. 8-12-11; 97-507,  
12 eff. 8-23-11; 97-905, eff. 8-7-12.)

13 Section 99. Effective date. This Act takes effect upon  
14 becoming law."