

**SB3008**



**98TH GENERAL ASSEMBLY**

**State of Illinois**

**2013 and 2014**

**SB3008**

Introduced 2/7/2014, by Sen. John M. Sullivan

**SYNOPSIS AS INTRODUCED:**

35 ILCS 5/203

from Ch. 120, par. 2-203

Amends the Illinois Income Tax Act. Provides that individual taxpayers are entitled to a deduction in an amount equal to compensation paid to that taxpayer by reason of employment as a National Guard dual status military technician.

LRB098 16919 HLH 51994 b

FISCAL NOTE ACT  
MAY APPLY

**A BILL FOR**

1 AN ACT concerning revenue.

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

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

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

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

23 (B) An amount equal to the amount of tax imposed by

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

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

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

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

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

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

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

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

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

26 The taxpayer is required to make the addition

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

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

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

3 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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



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

14 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 resident in 1971 or thereafter for annual training  
2 performed pursuant to Sections 502 and 503, Title 32,  
3 United States Code as a member of the Illinois National  
4 Guard or, beginning with taxable years ending on or  
5 after December 31, 2007, the National Guard of any  
6 other state. For taxable years ending on or after  
7 December 31, 2001, any amount included in such total in  
8 respect of any compensation (including but not limited  
9 to any compensation paid or accrued to a serviceman  
10 while a prisoner of war or missing in action) paid to a  
11 resident by reason of being a member of any component  
12 of the Armed Forces of the United States and in respect  
13 of any compensation paid or accrued to a resident who  
14 as a governmental employee was a prisoner of war or  
15 missing in action, and in respect of any compensation  
16 paid to a resident in 2001 or thereafter by reason of  
17 being a member of the Illinois National Guard or,  
18 beginning with taxable years ending on or after  
19 December 31, 2007, the National Guard of any other  
20 state, or, beginning with taxable years ending on or  
21 after December 31, 2015, by reason of employment as a  
22 National Guard dual status military technician under  
23 the provisions of Section 709, Title 32, of the United  
24 States Code. The provisions of this subparagraph (E)  
25 are exempt from the provisions of Section 250;

26 (F) An amount equal to all amounts included in such

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

11 (G) The valuation limitation amount;

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

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

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



1 exempt from the provisions of Section 250;

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

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

16 (M) With the exception of any amounts subtracted  
17 under subparagraph (N), an amount equal to the sum of  
18 all amounts disallowed as deductions by (i) Sections  
19 171(a) (2), and 265(2) of the Internal Revenue Code,  
20 and all amounts of expenses allocable to interest and  
21 disallowed as deductions by Section 265(1) of the  
22 Internal Revenue Code; and (ii) for taxable years  
23 ending on or after August 13, 1999, Sections 171(a) (2),  
24 265, 280C, and 832(b) (5) (B) (i) of the Internal Revenue  
25 Code, plus, for taxable years ending on or after  
26 December 31, 2011, Section 45G(e) (3) of the Internal

1 Revenue Code and, for taxable years ending on or after  
2 December 31, 2008, any amount included in gross income  
3 under Section 87 of the Internal Revenue Code; the  
4 provisions of this subparagraph are exempt from the  
5 provisions of Section 250;

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

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

18 (P) An amount equal to the amount of the deduction  
19 used to compute the federal income tax credit for  
20 restoration of substantial amounts held under claim of  
21 right for the taxable year pursuant to Section 1341 of  
22 the Internal Revenue Code or of any itemized deduction  
23 taken from adjusted gross income in the computation of  
24 taxable income for restoration of substantial amounts  
25 held under claim of right for the taxable year;

26 (Q) An amount equal to any amounts included in such

1 total, received by the taxpayer as an acceleration in  
2 the payment of life, endowment or annuity benefits in  
3 advance of the time they would otherwise be payable as  
4 an indemnity for a terminal illness;

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

7 (S) An amount, to the extent included in adjusted  
8 gross income, equal to the amount of a contribution  
9 made in the taxable year on behalf of the taxpayer to a  
10 medical care savings account established under the  
11 Medical Care Savings Account Act or the Medical Care  
12 Savings Account Act of 2000 to the extent the  
13 contribution is accepted by the account administrator  
14 as provided in that Act;

15 (T) An amount, to the extent included in adjusted  
16 gross income, equal to the amount of interest earned in  
17 the taxable year on a medical care savings account  
18 established under the Medical Care Savings Account Act  
19 or the Medical Care Savings Account Act of 2000 on  
20 behalf of the taxpayer, other than interest added  
21 pursuant to item (D-5) of this paragraph (2);

22 (U) For one taxable year beginning on or after  
23 January 1, 1994, an amount equal to the total amount of  
24 tax imposed and paid under subsections (a) and (b) of  
25 Section 201 of this Act on grant amounts received by  
26 the taxpayer under the Nursing Home Grant Assistance

1 Act during the taxpayer's taxable years 1992 and 1993;

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

1 213 of the Internal Revenue Code of 1986 not actually  
2 deducted on the taxpayer's federal income tax return;

3 (W) For taxable years beginning on or after January  
4 1, 1998, all amounts included in the taxpayer's federal  
5 gross income in the taxable year from amounts converted  
6 from a regular IRA to a Roth IRA. This paragraph is  
7 exempt from the provisions of Section 250;

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

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

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

1 Tuition Trust Fund, except that amounts excluded from  
2 gross income under Section 529(c)(3)(C)(i) of the  
3 Internal Revenue Code shall not be considered moneys  
4 contributed under this subparagraph (Y). For purposes  
5 of this subparagraph, contributions made by an  
6 employer on behalf of an employee, or matching  
7 contributions made by an employee, shall be treated as  
8 made by the employee. This subparagraph (Y) is exempt  
9 from the provisions of Section 250;

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

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

23 (2) for taxable years ending on or before  
24 December 31, 2005, "x" equals "y" multiplied by 30  
25 and then divided by 70 (or "y" multiplied by  
26 0.429); and

1                   (3) for taxable years ending after December  
2                   31, 2005:

3                   (i) for property on which a bonus  
4                   depreciation deduction of 30% of the adjusted  
5                   basis was taken, "x" equals "y" multiplied by  
6                   30 and then divided by 70 (or "y" multiplied by  
7                   0.429); and

8                   (ii) for property on which a bonus  
9                   depreciation deduction of 50% of the adjusted  
10                  basis was taken, "x" equals "y" multiplied by  
11                  1.0.

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

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

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



1 taxpayer may claim a depreciation deduction for  
2 federal income tax purposes and for which the taxpayer  
3 was required in any taxable year to make an addition  
4 modification under subparagraph (D-15), then an amount  
5 equal to that addition modification.

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

9 This subparagraph (AA) is exempt from the  
10 provisions of Section 250;

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

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

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

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

25          (EF) An amount equal to the income from intangible  
26          property taken into account for the taxable year (net

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

20 (FF) An amount equal to any amount awarded to the  
21 taxpayer during the taxable year by the Court of Claims  
22 under subsection (c) of Section 8 of the Court of  
23 Claims Act for time unjustly served in a State prison.  
24 This subparagraph (FF) is exempt from the provisions of  
25 Section 250; and

26 (GG) For taxable years ending on or after December

1           31, 2011, in the case of a taxpayer who was required to  
2           add back any insurance premiums under Section  
3           203(a)(2)(D-19), such taxpayer may elect to subtract  
4           that part of a reimbursement received from the  
5           insurance company equal to the amount of the expense or  
6           loss (including expenses incurred by the insurance  
7           company) that would have been taken into account as a  
8           deduction for federal income tax purposes if the  
9           expense or loss had been uninsured. If a taxpayer makes  
10          the election provided for by this subparagraph (GG),  
11          the insurer to which the premiums were paid must add  
12          back to income the amount subtracted by the taxpayer  
13          pursuant to this subparagraph (GG). This subparagraph  
14          (GG) is exempt from the provisions of Section 250.

15          (b) Corporations.

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

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

22           (A) An amount equal to all amounts paid or accrued  
23          to the taxpayer as interest and all distributions  
24          received from regulated investment companies during  
25          the taxable year to the extent excluded from gross

1 income in the computation of taxable income;

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

5 (C) In the case of a regulated investment company,  
6 an amount equal to the excess of (i) the net long-term  
7 capital gain for the taxable year, over (ii) the amount  
8 of the capital gain dividends designated as such in  
9 accordance with Section 852(b)(3)(C) of the Internal  
10 Revenue Code and any amount designated under Section  
11 852(b)(3)(D) of the Internal Revenue Code,  
12 attributable to the taxable year (this amendatory Act  
13 of 1995 (Public Act 89-89) is declarative of existing  
14 law and is not a new enactment);

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

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

1 year, with the following limitations applied in the  
2 order that they are listed:

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

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

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

23 (E-5) For taxable years ending after December 31,  
24 1997, an amount equal to any eligible remediation costs  
25 that the corporation deducted in computing adjusted  
26 gross income and for which the corporation claims a

1 credit under subsection (l) of Section 201;

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

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

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 allowed in any taxable year to make a subtraction  
19 modification under subparagraph (T), then an amount  
20 equal to that subtraction modification.

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

24 (E-12) An amount equal to the amount otherwise  
25 allowed as a deduction in computing base income for  
26 interest paid, accrued, or incurred, directly or

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

25 This paragraph shall not apply to the following:

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



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

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

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

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

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

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

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

17           (E-13) An amount equal to the amount of intangible  
18 expenses and costs otherwise allowed as a deduction in  
19 computing base income, and that were paid, accrued, or  
20 incurred, directly or indirectly, (i) for taxable  
21 years ending on or after December 31, 2004, to a  
22 foreign person who would be a member of the same  
23 unitary business group but for the fact that the  
24 foreign person's business activity outside the United  
25 States is 80% or more of that person's total business  
26 activity and (ii) for taxable years ending on or after

1 December 31, 2008, to a person who would be a member of  
2 the same unitary business group but for the fact that  
3 the person is prohibited under Section 1501(a)(27)  
4 from being included in the unitary business group  
5 because he or she is ordinarily required to apportion  
6 business income under different subsections of Section  
7 304. The addition modification required by this  
8 subparagraph shall be reduced to the extent that  
9 dividends were included in base income of the unitary  
10 group for the same taxable year and received by the  
11 taxpayer or by a member of the taxpayer's unitary  
12 business group (including amounts included in gross  
13 income pursuant to Sections 951 through 964 of the  
14 Internal Revenue Code and amounts included in gross  
15 income under Section 78 of the Internal Revenue Code)  
16 with respect to the stock of the same person to whom  
17 the intangible expenses and costs were directly or  
18 indirectly paid, incurred, or accrued. The preceding  
19 sentence shall not apply to the extent that the same  
20 dividends caused a reduction to the addition  
21 modification required under Section 203(b)(2)(E-12) of  
22 this Act. As used in this subparagraph, the term  
23 "intangible expenses and costs" includes (1) expenses,  
24 losses, and costs for, or related to, the direct or  
25 indirect acquisition, use, maintenance or management,  
26 ownership, sale, exchange, or any other disposition of

1 intangible property; (2) losses incurred, directly or  
2 indirectly, from factoring transactions or discounting  
3 transactions; (3) royalty, patent, technical, and  
4 copyright fees; (4) licensing fees; and (5) other  
5 similar expenses and costs. For purposes of this  
6 subparagraph, "intangible property" includes patents,  
7 patent applications, trade names, trademarks, service  
8 marks, copyrights, mask works, trade secrets, and  
9 similar types of intangible assets.

10 This paragraph shall not apply to the following:

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

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

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

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

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

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

25 (E-14) For taxable years ending on or after  
26 December 31, 2008, an amount equal to the amount of

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

25 (E-15) For taxable years beginning after December  
26 31, 2008, any deduction for dividends paid by a captive

1 real estate investment trust that is allowed to a real  
2 estate investment trust under Section 857(b)(2)(B) of  
3 the Internal Revenue Code for dividends paid;

4 (E-16) An amount equal to the credit allowable to  
5 the taxpayer under Section 218(a) of this Act,  
6 determined without regard to Section 218(c) of this  
7 Act;

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

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

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

15 (H) In the case of a regulated investment company,  
16 an amount equal to the amount of exempt interest  
17 dividends as defined in subsection (b) (5) of Section  
18 852 of the Internal Revenue Code, paid to shareholders  
19 for the taxable year;

20 (I) With the exception of any amounts subtracted  
21 under subparagraph (J), an amount equal to the sum of  
22 all amounts disallowed as deductions by (i) Sections  
23 171(a) (2), and 265(a)(2) and amounts disallowed as  
24 interest expense by Section 291(a)(3) of the Internal  
25 Revenue Code, and all amounts of expenses allocable to  
26 interest and disallowed as deductions by Section

1 265(a)(1) of the Internal Revenue Code; and (ii) for  
2 taxable years ending on or after August 13, 1999,  
3 Sections 171(a)(2), 265, 280C, 291(a)(3), and  
4 832(b)(5)(B)(i) of the Internal Revenue Code, plus,  
5 for tax years ending on or after December 31, 2011,  
6 amounts disallowed as deductions by Section 45G(e)(3)  
7 of the Internal Revenue Code and, for taxable years  
8 ending on or after December 31, 2008, any amount  
9 included in gross income under Section 87 of the  
10 Internal Revenue Code and the policyholders' share of  
11 tax-exempt interest of a life insurance company under  
12 Section 807(a)(2)(B) of the Internal Revenue Code (in  
13 the case of a life insurance company with gross income  
14 from a decrease in reserves for the tax year) or  
15 Section 807(b)(1)(B) of the Internal Revenue Code (in  
16 the case of a life insurance company allowed a  
17 deduction for an increase in reserves for the tax  
18 year); the provisions of this subparagraph are exempt  
19 from the provisions of Section 250;

20 (J) An amount equal to all amounts included in such  
21 total which are exempt from taxation by this State  
22 either by reason of its statutes or Constitution or by  
23 reason of the Constitution, treaties or statutes of the  
24 United States; provided that, in the case of any  
25 statute of this State that exempts income derived from  
26 bonds or other obligations from the tax imposed under



1           this Act, the amount exempted shall be the interest net  
2           of bond premium amortization;

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

11          (L) 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 (L);

20          (M) For any taxpayer that is a financial  
21          organization within the meaning of Section 304(c) of  
22          this Act, an amount included in such total as interest  
23          income from a loan or loans made by such taxpayer to a  
24          borrower, to the extent that such a loan is secured by  
25          property which is eligible for the River Edge  
26          Redevelopment Zone Investment Credit. To determine the

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

16 (M-1) For any taxpayer that is a financial  
17 organization within the meaning of Section 304(c) of  
18 this Act, an amount included in such total as interest  
19 income from a loan or loans made by such taxpayer to a  
20 borrower, to the extent that such a loan is secured by  
21 property which is eligible for the High Impact Business  
22 Investment Credit. To determine the portion of a loan  
23 or loans that is secured by property eligible for a  
24 Section 201(h) investment credit to the borrower, the  
25 entire principal amount of the loan or loans between  
26 the taxpayer and the borrower should be divided into

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

15 (N) Two times any contribution made during the  
16 taxable year to a designated zone organization to the  
17 extent that the contribution (i) qualifies as a  
18 charitable contribution under subsection (c) of  
19 Section 170 of the Internal Revenue Code and (ii) must,  
20 by its terms, be used for a project approved by the  
21 Department of Commerce and Economic Opportunity under  
22 Section 11 of the Illinois Enterprise Zone Act or under  
23 Section 10-10 of the River Edge Redevelopment Zone Act.  
24 This subparagraph (N) is exempt from the provisions of  
25 Section 250;

26 (O) An amount equal to: (i) 85% for taxable years

1 ending on or before December 31, 1992, or, a percentage  
2 equal to the percentage allowable under Section  
3 243(a)(1) of the Internal Revenue Code of 1986 for  
4 taxable years ending after December 31, 1992, of the  
5 amount by which dividends included in taxable income  
6 and received from a corporation that is not created or  
7 organized under the laws of the United States or any  
8 state or political subdivision thereof, including, for  
9 taxable years ending on or after December 31, 1988,  
10 dividends received or deemed received or paid or deemed  
11 paid under Sections 951 through 965 of the Internal  
12 Revenue Code, exceed the amount of the modification  
13 provided under subparagraph (G) of paragraph (2) of  
14 this subsection (b) which is related to such dividends,  
15 and including, for taxable years ending on or after  
16 December 31, 2008, dividends received from a captive  
17 real estate investment trust; plus (ii) 100% of the  
18 amount by which dividends, included in taxable income  
19 and received, including, for taxable years ending on or  
20 after December 31, 1988, dividends received or deemed  
21 received or paid or deemed paid under Sections 951  
22 through 964 of the Internal Revenue Code and including,  
23 for taxable years ending on or after December 31, 2008,  
24 dividends received from a captive real estate  
25 investment trust, from any such corporation specified  
26 in clause (i) that would but for the provisions of

1 Section 1504 (b) (3) of the Internal Revenue Code be  
2 treated as a member of the affiliated group which  
3 includes the dividend recipient, exceed the amount of  
4 the modification provided under subparagraph (G) of  
5 paragraph (2) of this subsection (b) which is related  
6 to such dividends. This subparagraph (O) is exempt from  
7 the provisions of Section 250 of this Act;

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

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

16 (R) On and after July 20, 1999, in the case of an  
17 attorney-in-fact with respect to whom an interinsurer  
18 or a reciprocal insurer has made the election under  
19 Section 835 of the Internal Revenue Code, 26 U.S.C.  
20 835, an amount equal to the excess, if any, of the  
21 amounts paid or incurred by that interinsurer or  
22 reciprocal insurer in the taxable year to the  
23 attorney-in-fact over the deduction allowed to that  
24 interinsurer or reciprocal insurer with respect to the  
25 attorney-in-fact under Section 835(b) of the Internal  
26 Revenue Code for the taxable year; the provisions of

1           this subparagraph are exempt from the provisions of  
2           Section 250;

3           (S) For taxable years ending on or after December  
4           31, 1997, in the case of a Subchapter S corporation, an  
5           amount equal to all amounts of income allocable to a  
6           shareholder subject to the Personal Property Tax  
7           Replacement Income Tax imposed by subsections (c) and  
8           (d) of Section 201 of this Act, including amounts  
9           allocable to organizations exempt from federal income  
10          tax by reason of Section 501(a) of the Internal Revenue  
11          Code. This subparagraph (S) is exempt from the  
12          provisions of Section 250;

13          (T) For taxable years 2001 and thereafter, for the  
14          taxable year in which the bonus depreciation deduction  
15          is taken on the taxpayer's federal income tax return  
16          under subsection (k) of Section 168 of the Internal  
17          Revenue Code and for each applicable taxable year  
18          thereafter, an amount equal to "x", where:

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

26               (2) for taxable years ending on or before

1 December 31, 2005, "x" equals "y" multiplied by 30  
2 and then divided by 70 (or "y" multiplied by  
3 0.429); and

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

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

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

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

23 (U) If the taxpayer sells, transfers, abandons, or  
24 otherwise disposes of property for which the taxpayer  
25 was required in any taxable year to make an addition  
26 modification under subparagraph (E-10), then an amount

1 equal to that addition modification.

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

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

12 This subparagraph (U) is exempt from the  
13 provisions of Section 250;

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



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

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

1 subsections of Section 304, but not to exceed the  
2 addition modification required to be made for the same  
3 taxable year under Section 203(b)(2)(E-12) for  
4 interest paid, accrued, or incurred, directly or  
5 indirectly, to the same person. This subparagraph (W)  
6 is exempt from the provisions of Section 250;

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

1 provisions of Section 250;

2 (Y) For taxable years ending on or after December  
3 31, 2011, in the case of a taxpayer who was required to  
4 add back any insurance premiums under Section  
5 203(b)(2)(E-14), such taxpayer may elect to subtract  
6 that part of a reimbursement received from the  
7 insurance company equal to the amount of the expense or  
8 loss (including expenses incurred by the insurance  
9 company) that would have been taken into account as a  
10 deduction for federal income tax purposes if the  
11 expense or loss had been uninsured. If a taxpayer makes  
12 the election provided for by this subparagraph (Y), the  
13 insurer to which the premiums were paid must add back  
14 to income the amount subtracted by the taxpayer  
15 pursuant to this subparagraph (Y). This subparagraph  
16 (Y) is exempt from the provisions of Section 250; and

17 (Z) The difference between the nondeductible  
18 controlled foreign corporation dividends under Section  
19 965(e)(3) of the Internal Revenue Code over the taxable  
20 income of the taxpayer, computed without regard to  
21 Section 965(e)(2)(A) of the Internal Revenue Code, and  
22 without regard to any net operating loss deduction.  
23 This subparagraph (Z) is exempt from the provisions of  
24 Section 250.

25 (3) Special rule. For purposes of paragraph (2) (A),  
26 "gross income" in the case of a life insurance company, for

1 tax years ending on and after December 31, 1994, and prior  
2 to December 31, 2011, shall mean the gross investment  
3 income for the taxable year and, for tax years ending on or  
4 after December 31, 2011, shall mean all amounts included in  
5 life insurance gross income under Section 803(a)(3) of the  
6 Internal Revenue Code.

7 (c) Trusts and estates.

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

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

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

19 (B) In the case of (i) an estate, \$600; (ii) a  
20 trust which, under its governing instrument, is  
21 required to distribute all of its income currently,  
22 \$300; and (iii) any other trust, \$100, but in each such  
23 case, only to the extent such amount was deducted in  
24 the computation of taxable income;

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

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

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

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

17                 (i) the addition modification relating to the  
18                 net operating loss carried back or forward to the  
19                 taxable year from any taxable year ending prior to  
20                 December 31, 1986 shall be reduced by the amount of  
21                 addition modification under this subparagraph (E)  
22                 which related to that net operating loss and which  
23                 was taken into account in calculating the base  
24                 income of an earlier taxable year, and

25                 (ii) the addition modification relating to the  
26                 net operating loss carried back or forward to the

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

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

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

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

21 (G-5) For taxable years ending after December 31,  
22 1997, an amount equal to any eligible remediation costs  
23 that the trust or estate deducted in computing adjusted  
24 gross income and for which the trust or estate claims a  
25 credit under subsection (1) of Section 201;

26 (G-10) For taxable years 2001 and thereafter, an

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

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

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

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

22 (G-12) An amount equal to the amount otherwise  
23 allowed as a deduction in computing base income for  
24 interest paid, accrued, or incurred, directly or  
25 indirectly, (i) for taxable years ending on or after  
26 December 31, 2004, to a foreign person who would be a

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

23 This paragraph shall not apply to the following:

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



1 than a state which requires mandatory unitary  
2 reporting, to a tax on or measured by net income  
3 with respect to such interest; or

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

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

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

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

25 (iv) an item of interest paid, accrued, or  
26 incurred, directly or indirectly, to a person if

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

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

15          (G-13) An amount equal to the amount of intangible  
16          expenses and costs otherwise allowed as a deduction in  
17          computing base income, and that were paid, accrued, or  
18          incurred, directly or indirectly, (i) for taxable  
19          years ending on or after December 31, 2004, to a  
20          foreign person who would be a member of the same  
21          unitary business group but for the fact that the  
22          foreign person's business activity outside the United  
23          States is 80% or more of that person's total business  
24          activity and (ii) for taxable years ending on or after  
25          December 31, 2008, to a person who would be a member of  
26          the same unitary business group but for the fact that

1 the person is prohibited under Section 1501(a)(27)  
2 from being included in the unitary business group  
3 because he or she is ordinarily required to apportion  
4 business income under different subsections of Section  
5 304. The addition modification required by this  
6 subparagraph shall be reduced to the extent that  
7 dividends were included in base income of the unitary  
8 group for the same taxable year and received by the  
9 taxpayer or by a member of the taxpayer's unitary  
10 business group (including amounts included in gross  
11 income pursuant to Sections 951 through 964 of the  
12 Internal Revenue Code and amounts included in gross  
13 income under Section 78 of the Internal Revenue Code)  
14 with respect to the stock of the same person to whom  
15 the intangible expenses and costs were directly or  
16 indirectly paid, incurred, or accrued. The preceding  
17 sentence shall not apply to the extent that the same  
18 dividends caused a reduction to the addition  
19 modification required under Section 203(c)(2)(G-12) of  
20 this Act. As used in this subparagraph, the term  
21 "intangible expenses and costs" includes: (1)  
22 expenses, losses, and costs for or related to the  
23 direct or indirect acquisition, use, maintenance or  
24 management, ownership, sale, exchange, or any other  
25 disposition of intangible property; (2) losses  
26 incurred, directly or indirectly, from factoring

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

8 This paragraph shall not apply to the following:

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

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

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

25 (b) the transaction giving rise to the  
26 intangible expense or cost between the

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

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

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

23 (G-14) For taxable years ending on or after  
24 December 31, 2008, an amount equal to the amount of  
25 insurance premium expenses and costs otherwise allowed  
26 as a deduction in computing base income, and that were

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

23                 (G-15) An amount equal to the credit allowable to  
24                 the taxpayer under Section 218(a) of this Act,  
25                 determined without regard to Section 218(c) of this  
26                 Act;

1 and by deducting from the total so obtained the sum of the  
2 following amounts:

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

14 (I) The valuation limitation amount;

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

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

1 exempted shall be the interest net of bond premium  
2 amortization;

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

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



1           (N) An amount equal to any contribution made to a  
2 job training project established pursuant to the Tax  
3 Increment Allocation Redevelopment Act;

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

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

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

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

25 (R) 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 (R) is exempt from the provisions of  
8           Section 250;

9           (S) 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 (G-10), 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 (G-10), 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 (S) is exempt from the  
25          provisions of Section 250;

26          (T) 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 (T) is exempt  
16 from the provisions of Section 250;

17 (U) 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 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(c)(2)(G-12) for  
8 interest paid, accrued, or incurred, directly or  
9 indirectly, to the same person. This subparagraph (U)  
10 is exempt from the provisions of Section 250;

11 (V) 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(c)(2)(G-13) for  
2 intangible expenses and costs paid, accrued, or  
3 incurred, directly or indirectly, to the same foreign  
4 person. This subparagraph (V) is exempt from the  
5 provisions of Section 250;

6 (W) in the case of an estate, an amount equal to  
7 all amounts included in such total pursuant to the  
8 provisions of Section 111 of the Internal Revenue Code  
9 as a recovery of items previously deducted by the  
10 decedent from adjusted gross income in the computation  
11 of taxable income. This subparagraph (W) is exempt from  
12 Section 250;

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

18 (Y) For taxable years ending on or after December  
19 31, 2011, in the case of a taxpayer who was required to  
20 add back any insurance premiums under Section  
21 203(c)(2)(G-14), such taxpayer may elect to subtract  
22 that part of a reimbursement received from the  
23 insurance company equal to the amount of the expense or  
24 loss (including expenses incurred by the insurance  
25 company) that would have been taken into account as a  
26 deduction for federal income tax purposes if the

1 expense or loss had been uninsured. If a taxpayer makes  
2 the election provided for by this subparagraph (Y), the  
3 insurer to which the premiums were paid must add back  
4 to income the amount subtracted by the taxpayer  
5 pursuant to this subparagraph (Y). This subparagraph  
6 (Y) is exempt from the provisions of Section 250.

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

14 (d) Partnerships.

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

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

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

25 (B) An amount equal to the amount of tax imposed by



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

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

6           (D) An amount equal to the amount of the capital  
7           gain deduction allowable under the Internal Revenue  
8           Code, to the extent deducted from gross income in the  
9           computation of taxable income;

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

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

22          If the taxpayer continues to own property through  
23          the last day of the last tax year for which the  
24          taxpayer may claim a depreciation deduction for  
25          federal income tax purposes and for which the taxpayer  
26          was allowed in any taxable year to make a subtraction

1 modification under subparagraph (O), then an amount  
2 equal to that subtraction modification.

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

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

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

7 This paragraph shall not apply to the following:

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

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

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

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

1 reflects an arm's-length interest rate and  
2 terms; or

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

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

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

25 (D-8) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in

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

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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

1           paid, accrued, or incurred, directly or  
2           indirectly, if the taxpayer can establish, based  
3           on a preponderance of the evidence, both of the  
4           following:

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

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

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

24                  Nothing in this subsection shall preclude the  
25                  Director from making any other adjustment  
26                  otherwise allowed under Section 404 of this Act for

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

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



1 of the same person to whom the premiums and costs were  
2 directly or indirectly paid, incurred, or accrued. The  
3 preceding sentence does not apply to the extent that  
4 the same dividends caused a reduction to the addition  
5 modification required under Section 203(d)(2)(D-7) or  
6 Section 203(d)(2)(D-8) of this Act;

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

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

13 (E) The valuation limitation amount;

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

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

1           (H) Any income of the partnership which  
2 constitutes personal service income as defined in  
3 Section 1348 (b) (1) of the Internal Revenue Code (as  
4 in effect December 31, 1981) or a reasonable allowance  
5 for compensation paid or accrued for services rendered  
6 by partners to the partnership, whichever is greater;  
7 this subparagraph (H) is exempt from the provisions of  
8 Section 250;

9           (I) An amount equal to all amounts of income  
10 distributable to an entity subject to the Personal  
11 Property Tax Replacement Income Tax imposed by  
12 subsections (c) and (d) of Section 201 of this Act  
13 including amounts distributable to organizations  
14 exempt from federal income tax by reason of Section  
15 501(a) of the Internal Revenue Code; this subparagraph  
16 (I) is exempt from the provisions of Section 250;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 equal to that addition modification.

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

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

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

24 (R) An amount equal to the interest income taken  
25 into account for the taxable year (net of the  
26 deductions allocable thereto) with respect to

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

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

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

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



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

2 (1) In general. Subject to the provisions of paragraph  
3 (2) and subsection (b) (3), for purposes of this Section  
4 and Section 803(e), a taxpayer's gross income, adjusted  
5 gross income, or taxable income for the taxable year shall  
6 mean the amount of gross income, adjusted gross income or  
7 taxable income properly reportable for federal income tax  
8 purposes for the taxable year under the provisions of the  
9 Internal Revenue Code. Taxable income may be less than  
10 zero. However, for taxable years ending on or after  
11 December 31, 1986, net operating loss carryforwards from  
12 taxable years ending prior to December 31, 1986, may not  
13 exceed the sum of federal taxable income for the taxable  
14 year before net operating loss deduction, plus the excess  
15 of addition modifications over subtraction modifications  
16 for the taxable year. For taxable years ending prior to  
17 December 31, 1986, taxable income may never be an amount in  
18 excess of the net operating loss for the taxable year as  
19 defined in subsections (c) and (d) of Section 172 of the  
20 Internal Revenue Code, provided that when taxable income of  
21 a corporation (other than a Subchapter S corporation),  
22 trust, or estate is less than zero and addition  
23 modifications, other than those provided by subparagraph  
24 (E) of paragraph (2) of subsection (b) for corporations or  
25 subparagraph (E) of paragraph (2) of subsection (c) for

1 trusts and estates, exceed subtraction modifications, an  
2 addition modification must be made under those  
3 subparagraphs for any other taxable year to which the  
4 taxable income less than zero (net operating loss) is  
5 applied under Section 172 of the Internal Revenue Code or  
6 under subparagraph (E) of paragraph (2) of this subsection  
7 (e) applied in conjunction with Section 172 of the Internal  
8 Revenue Code.

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

12 (A) Certain life insurance companies. In the case  
13 of a life insurance company subject to the tax imposed  
14 by Section 801 of the Internal Revenue Code, life  
15 insurance company taxable income, plus the amount of  
16 distribution from pre-1984 policyholder surplus  
17 accounts as calculated under Section 815a of the  
18 Internal Revenue Code;

19 (B) Certain other insurance companies. In the case  
20 of mutual insurance companies subject to the tax  
21 imposed by Section 831 of the Internal Revenue Code,  
22 insurance company taxable income;

23 (C) Regulated investment companies. In the case of  
24 a regulated investment company subject to the tax  
25 imposed by Section 852 of the Internal Revenue Code,  
26 investment company taxable income;

1           (D) Real estate investment trusts. In the case of a  
2 real estate investment trust subject to the tax imposed  
3 by Section 857 of the Internal Revenue Code, real  
4 estate investment trust taxable income;

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

17           (F) Cooperatives. In the case of a cooperative  
18 corporation or association, the taxable income of such  
19 organization determined in accordance with the  
20 provisions of Section 1381 through 1388 of the Internal  
21 Revenue Code, but without regard to the prohibition  
22 against offsetting losses from patronage activities  
23 against income from nonpatronage activities; except  
24 that a cooperative corporation or association may make  
25 an election to follow its federal income tax treatment  
26 of patronage losses and nonpatronage losses. In the

1 event such election is made, such losses shall be  
2 computed and carried over in a manner consistent with  
3 subsection (a) of Section 207 of this Act and  
4 apportioned by the apportionment factor reported by  
5 the cooperative on its Illinois income tax return filed  
6 for the taxable year in which the losses are incurred.  
7 The election shall be effective for all taxable years  
8 with original returns due on or after the date of the  
9 election. In addition, the cooperative may file an  
10 amended return or returns, as allowed under this Act,  
11 to provide that the election shall be effective for  
12 losses incurred or carried forward for taxable years  
13 occurring prior to the date of the election. Once made,  
14 the election may only be revoked upon approval of the  
15 Director. The Department shall adopt rules setting  
16 forth requirements for documenting the elections and  
17 any resulting Illinois net loss and the standards to be  
18 used by the Director in evaluating requests to revoke  
19 elections. Public Act 96-932 is declaratory of  
20 existing law;

21 (G) Subchapter S corporations. In the case of: (i)  
22 a Subchapter S corporation for which there is in effect  
23 an election for the taxable year under Section 1362 of  
24 the Internal Revenue Code, the taxable income of such  
25 corporation determined in accordance with Section  
26 1363(b) of the Internal Revenue Code, except that

1 taxable income shall take into account those items  
2 which are required by Section 1363(b)(1) of the  
3 Internal Revenue Code to be separately stated; and (ii)  
4 a Subchapter S corporation for which there is in effect  
5 a federal election to opt out of the provisions of the  
6 Subchapter S Revision Act of 1982 and have applied  
7 instead the prior federal Subchapter S rules as in  
8 effect on July 1, 1982, the taxable income of such  
9 corporation determined in accordance with the federal  
10 Subchapter S rules as in effect on July 1, 1982; and

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

18 (3) Recapture of business expenses on disposition of  
19 asset or business. Notwithstanding any other law to the  
20 contrary, if in prior years income from an asset or  
21 business has been classified as business income and in a  
22 later year is demonstrated to be non-business income, then  
23 all expenses, without limitation, deducted in such later  
24 year and in the 2 immediately preceding taxable years  
25 related to that asset or business that generated the  
26 non-business income shall be added back and recaptured as

1 business income in the year of the disposition of the asset  
2 or business. Such amount shall be apportioned to Illinois  
3 using the greater of the apportionment fraction computed  
4 for the business under Section 304 of this Act for the  
5 taxable year or the average of the apportionment fractions  
6 computed for the business under Section 304 of this Act for  
7 the taxable year and for the 2 immediately preceding  
8 taxable years.

9 (f) Valuation limitation amount.

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

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

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

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

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

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

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

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

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

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