

1                                    AMENDMENT TO SENATE BILL 729

2            AMENDMENT NO. \_\_\_\_\_. Amend Senate Bill 729 by replacing  
3 the title with the following:

4            "AN ACT concerning college savings."; and

5 by replacing everything after the enacting clause with the  
6 following:

7            "Section 5. The State Treasurer Act is amended by  
8 changing Section 16.5 as follows:

9            (15 ILCS 505/16.5)

10           Sec. 16.5. College Savings Pool. The State Treasurer may  
11 establish and administer a College Savings Pool to supplement  
12 and enhance the investment opportunities otherwise available  
13 to persons seeking to finance the costs of higher education.  
14 The State Treasurer, in administering the College Savings  
15 Pool, may receive moneys paid into the pool by a participant  
16 and may serve as the fiscal agent of that participant for the  
17 purpose of holding and investing those moneys.

18           "Participant", as used in this Section, means any person  
19 who makes investments in the pool. "Designated beneficiary",  
20 as used in this Section, means any person on whose behalf an  
21 account is established in the College Savings Pool by a

1 participant. Both in-state and out-of-state persons may be  
2 participants and designated beneficiaries in the College  
3 Savings Pool.

4 New accounts in the College Savings Pool shall be  
5 processed through participating financial institutions.  
6 "Participating financial institution", as used in this  
7 Section, means any financial institution insured by the  
8 Federal Deposit Insurance Corporation and lawfully doing  
9 business in the State of Illinois and any credit union  
10 approved by the State Treasurer and lawfully doing business  
11 in the State of Illinois that agrees to process new accounts  
12 in the College Savings Pool. Participating financial  
13 institutions may charge a processing fee to participants to  
14 open an account in the pool that shall not exceed \$30 until  
15 the year 2001. Beginning in 2001 and every year thereafter,  
16 the maximum fee limit shall be adjusted by the Treasurer  
17 based on the Consumer Price Index for the North Central  
18 Region as published by the United States Department of Labor,  
19 Bureau of Labor Statistics for the immediately preceding  
20 calendar year. Every contribution received by a financial  
21 institution for investment in the College Savings Pool shall  
22 be transferred from the financial institution to a location  
23 selected by the State Treasurer within one business day  
24 following the day that the funds must be made available in  
25 accordance with federal law. All communications from the  
26 State Treasurer to participants shall reference the  
27 participating financial institution at which the account was  
28 processed.

29 The Treasurer may invest the moneys in the College  
30 Savings Pool in the same manner, in the same types of  
31 investments, and subject to the same limitations provided for  
32 the investment of moneys by the Illinois State Board of  
33 Investment. To enhance the safety and liquidity of the  
34 College Savings Pool, to ensure the diversification of the

1 investment portfolio of the pool, and in an effort to keep  
2 investment dollars in the State of Illinois, the State  
3 Treasurer shall make a percentage of each account available  
4 for investment in participating financial institutions doing  
5 business in the State. The State Treasurer shall deposit  
6 with the participating financial institution at which the  
7 account was processed the following percentage of each  
8 account at a prevailing rate offered by the institution,  
9 provided that the deposit is federally insured or fully  
10 collateralized and the institution accepts the deposit: 10%  
11 of the total amount of each account for which the current age  
12 of the beneficiary is less than 7 years of age, 20% of the  
13 total amount of each account for which the beneficiary is at  
14 least 7 years of age and less than 12 years of age, and 50%  
15 of the total amount of each account for which the current age  
16 of the beneficiary is at least 12 years of age. The State  
17 Treasurer shall adjust each account at least annually to  
18 ensure compliance with this Section. The Treasurer shall  
19 develop, publish, and implement an investment policy covering  
20 the investment of the moneys in the College Savings Pool.  
21 The policy shall be published (i) at least once each year in  
22 at least one newspaper of general circulation in both  
23 Springfield and Chicago and (ii) each year as part of the  
24 audit of the College Savings Pool by the Auditor General,  
25 which shall be distributed to all participants. The  
26 Treasurer shall notify all participants in writing, and the  
27 Treasurer shall publish in a newspaper of general circulation  
28 in both Chicago and Springfield, any changes to the  
29 previously published investment policy at least 30 calendar  
30 days before implementing the policy. Any investment policy  
31 adopted by the Treasurer shall be reviewed and updated if  
32 necessary within 90 days following the date that the State  
33 Treasurer takes office.

34 Participants shall be required to use moneys distributed

1 from the College Savings Pool for qualified expenses at  
2 eligible educational institutions. "Qualified expenses", as  
3 used in this Section, means the following: (i) tuition, fees,  
4 and the costs of books, supplies, and equipment required for  
5 enrollment or attendance at an eligible educational  
6 institution and (ii) certain room and board expenses incurred  
7 while attending an eligible educational institution at least  
8 half-time. "Eligible educational institutions", as used in  
9 this Section, means public and private colleges, junior  
10 colleges, graduate schools, and certain vocational  
11 institutions that are described in Section 481 of the Higher  
12 Education Act of 1965 (20 U.S.C. 1088) and that are eligible  
13 to participate in Department of Education student aid  
14 programs. A student shall be considered to be enrolled at  
15 least half-time if the student is enrolled for at least half  
16 the full-time academic work load for the course of study the  
17 student is pursuing as determined under the standards of the  
18 institution at which the student is enrolled. Distributions  
19 made from the pool for qualified expenses shall be made  
20 directly to the eligible educational institution, directly to  
21 a vendor, or in the form of a check payable to both the  
22 beneficiary and the institution or vendor. Any moneys that  
23 are distributed in any other manner or that are used for  
24 expenses other than qualified expenses at an eligible  
25 educational institution shall be subject to a penalty of 10%  
26 of the earnings unless the beneficiary dies, becomes  
27 disabled, or receives a scholarship that equals or exceeds  
28 the distribution. Penalties shall be withheld at the time  
29 the distribution is made.

30 The Treasurer shall limit the contributions that may be  
31 made on behalf of a designated beneficiary based on an  
32 actuarial estimate of what is required to pay tuition, fees,  
33 and room and board for 5 undergraduate years at the highest  
34 cost eligible educational institution. The contributions made

1 on behalf of a beneficiary who is also a beneficiary under  
2 the Illinois Prepaid Tuition Program shall be further  
3 restricted to ensure that the contributions in both programs  
4 combined do not exceed the limit established for the College  
5 Savings Pool. The Treasurer shall provide the Illinois  
6 Student Assistance Commission each year at a time designated  
7 by the Commission, an electronic report of all participant  
8 accounts in the Treasurer's College Savings Pool, listing  
9 total contributions and disbursements from each individual  
10 account during the previous calendar year. As soon  
11 thereafter as is possible following receipt of the  
12 Treasurer's report, the Illinois Student Assistance  
13 Commission shall, in turn, provide the Treasurer with an  
14 electronic report listing those College Savings Pool  
15 participants who also participate in the State's prepaid  
16 tuition program, administered by the Commission. The  
17 Commission shall be responsible for filing any combined tax  
18 reports regarding State qualified savings programs required  
19 by the United States Internal Revenue Service. The Treasurer  
20 shall work with the Illinois Student Assistance Commission to  
21 coordinate the marketing of the College Savings Pool and the  
22 Illinois Prepaid Tuition Program when considered beneficial  
23 by the Treasurer and the Director of the Illinois Student  
24 Assistance Commission. The Treasurer's office shall not  
25 publicize or otherwise market the College Savings Pool or  
26 accept any moneys into the College Savings Pool prior to  
27 March 1, 2000. The Treasurer shall provide a separate  
28 accounting for each designated beneficiary to each  
29 participant, the Illinois Student Assistance Commission, and  
30 the participating financial institution at which the account  
31 was processed. No interest in the program may be pledged as  
32 security for a loan.

33 The assets of the College Savings Pool and its income and  
34 operation shall be exempt from all taxation by the State of

1 Illinois and any of its subdivisions. The accrued earnings  
2 on investments in the Pool once disbursed on behalf of a  
3 designated beneficiary shall be similarly exempt from all  
4 taxation by the State of Illinois and its subdivisions, so  
5 long as they are used for qualified expenses. Contributions  
6 during the taxable year to a College Savings Pool account or  
7 other qualified tuition program under Section 529 of the  
8 Internal Revenue Code (26 U.S.C. 529) ~~during-the-taxable-year~~  
9 may be deducted from adjusted gross income as provided in  
10 Section 203 of the Illinois Income Tax Act. The provisions  
11 of this paragraph are exempt from Section 250 of the Illinois  
12 Income Tax Act.

13 The Treasurer shall adopt rules he or she considers  
14 necessary for the efficient administration of the College  
15 Savings Pool. The rules shall provide whatever additional  
16 parameters and restrictions are necessary to ensure that the  
17 College Savings Pool meets all of the requirements for a  
18 qualified state tuition program under Section 529 of the  
19 Internal Revenue Code (26 U.S.C. 529). The rules shall  
20 provide for the administration expenses of the pool to be  
21 paid from its earnings and for the investment earnings in  
22 excess of the expenses and all moneys collected as penalties  
23 to be credited or paid monthly to the several participants in  
24 the pool in a manner which equitably reflects the differing  
25 amounts of their respective investments in the pool and the  
26 differing periods of time for which those amounts were in the  
27 custody of the pool. Also, the rules shall require the  
28 maintenance of records that enable the Treasurer's office to  
29 produce a report for each account in the pool at least  
30 annually that documents the account balance and investment  
31 earnings. Notice of any proposed amendments to the rules and  
32 regulations shall be provided to all participants prior to  
33 adoption. Amendments to rules and regulations shall apply  
34 only to contributions made after the adoption of the

1 amendment.

2 Upon creating the College Savings Pool, the State  
3 Treasurer shall give bond with 2 or more sufficient sureties,  
4 payable to and for the benefit of the participants in the  
5 College Savings Pool, in the penal sum of \$1,000,000,  
6 conditioned upon the faithful discharge of his or her duties  
7 in relation to the College Savings Pool.

8 No contributions to the College Savings Pool authorized  
9 by this Section shall be considered in evaluating the  
10 financial situation of the designated beneficiary or be  
11 deemed a financial resource of or a form of financial aid or  
12 assistance to the designated beneficiary, for purposes of  
13 determining eligibility for any scholarship, grant, or  
14 monetary assistance awarded by the Illinois Student  
15 Assistance Commission, the State, or any agency thereof; nor  
16 shall contributions to the College Savings Pool reduce the  
17 amount of any scholarship, grant, or monetary assistance that  
18 the designated beneficiary is eligible to be awarded by the  
19 Illinois Student Assistance Commission, the State, or any  
20 agency thereof in accordance with the provisions of any State  
21 law.

22 (Source: P.A. 91-607, eff. 1-1-00; 91-829, eff. 1-1-01;  
23 92-16, eff. 6-28-01; 92-439, eff. 8-17-01; 92-626, eff.  
24 7-11-02.)

25 Section 10. The Illinois Income Tax Act is amended by  
26 changing Section 203 as follows:

27 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

28 Sec. 203. Base income defined.

29 (a) Individuals.

30 (1) In general. In the case of an individual, base  
31 income means an amount equal to the taxpayer's adjusted  
32 gross income for the taxable year as modified by

1 paragraph (2).

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

5 (A) An amount equal to all amounts paid or  
6 accrued to the taxpayer as interest or dividends  
7 during the taxable year to the extent excluded from  
8 gross income in the computation of adjusted gross  
9 income, except stock dividends of qualified public  
10 utilities described in Section 305(e) of the  
11 Internal Revenue Code;

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

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

29 (D) An amount equal to the amount of the  
30 capital gain deduction allowable under the Internal  
31 Revenue Code, to the extent deducted from gross  
32 income in the computation of adjusted gross income;

33 (D-5) An amount, to the extent not included in  
34 adjusted gross income, equal to the amount of money



1 withdrawn by the taxpayer in the taxable year from a  
 2 medical care savings account and the interest earned  
 3 on the account in the taxable year of a withdrawal  
 4 pursuant to subsection (b) of Section 20 of the  
 5 Medical Care Savings Account Act or subsection (b)  
 6 of Section 20 of the Medical Care Savings Account  
 7 Act of 2000;

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

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

20 (D-16) If the taxpayer reports a capital gain  
 21 or loss on the taxpayer's federal income tax return  
 22 for the taxable year based on a sale or transfer of  
 23 property for which the taxpayer was required in any  
 24 taxable year to make an addition modification under  
 25 subparagraph (D-15), then an amount equal to the  
 26 aggregate amount of the deductions taken in all  
 27 taxable years under subparagraph (Z) with respect to  
 28 that property;†

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

32 (D-20) (Blank) ~~(D-15) For taxable years~~  
 33 ~~beginning on or after January 1, 2002, in the case~~  
 34 ~~of a distribution from a qualified tuition program~~

1 under Section 529 of the Internal Revenue Code,  
2 other than (i) a distribution from a College Savings  
3 Pool created under Section 16.5 of the State  
4 Treasurer Act or (ii) a distribution from the  
5 Illinois Prepaid Tuition Trust Fund, an amount equal  
6 to the amount excluded from gross income under  
7 Section 529(e)(3)(B);

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

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

1 thereafter by reason of being a member of the  
2 Illinois National Guard. The provisions of this  
3 amendatory Act of the 92nd General Assembly are  
4 exempt from the provisions of Section 250;

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

16 (G) The valuation limitation amount;

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

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

26 (J) An amount equal to those dividends  
27 included in such total which were paid by a  
28 corporation which conducts business operations in an  
29 Enterprise Zone or zones created under the Illinois  
30 Enterprise Zone Act, and conducts substantially all  
31 of its operations in an Enterprise Zone or zones;

32 (K) An amount equal to those dividends  
33 included in such total that were paid by a  
34 corporation that conducts business operations in a

1           federally designated Foreign Trade Zone or Sub-Zone  
2           and that is designated a High Impact Business  
3           located in Illinois; provided that dividends  
4           eligible for the deduction provided in subparagraph  
5           (J) of paragraph (2) of this subsection shall not be  
6           eligible for the deduction provided under this  
7           subparagraph (K);

8           (L) For taxable years ending after December  
9           31, 1983, an amount equal to all social security  
10          benefits and railroad retirement benefits included  
11          in such total pursuant to Sections 72(r) and 86 of  
12          the Internal Revenue Code;

13          (M) With the exception of any amounts  
14          subtracted under subparagraph (N), an amount equal  
15          to the sum of all amounts disallowed as deductions  
16          by (i) Sections 171(a) (2), and 265(2) of the  
17          Internal Revenue Code of 1954, as now or hereafter  
18          amended, and all amounts of expenses allocable to  
19          interest and disallowed as deductions by Section  
20          265(1) of the Internal Revenue Code of 1954, as now  
21          or hereafter amended; and (ii) for taxable years  
22          ending on or after August 13, 1999, Sections  
23          171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the  
24          Internal Revenue Code; the provisions of this  
25          subparagraph are exempt from the provisions of  
26          Section 250;

27          (N) An amount equal to all amounts included in  
28          such total which are exempt from taxation by this  
29          State either by reason of its statutes or  
30          Constitution or by reason of the Constitution,  
31          treaties or statutes of the United States; provided  
32          that, in the case of any statute of this State that  
33          exempts income derived from bonds or other  
34          obligations from the tax imposed under this Act, the

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

3 (O) An amount equal to any contribution made  
4 to a job training project established pursuant to  
5 the Tax Increment Allocation Redevelopment Act;

6 (P) An amount equal to the amount of the  
7 deduction used to compute the federal income tax  
8 credit for restoration of substantial amounts held  
9 under claim of right for the taxable year pursuant  
10 to Section 1341 of the Internal Revenue Code of  
11 1986;

12 (Q) An amount equal to any amounts included in  
13 such total, received by the taxpayer as an  
14 acceleration in the payment of life, endowment or  
15 annuity benefits in advance of the time they would  
16 otherwise be payable as an indemnity for a terminal  
17 illness;

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

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

29 (T) An amount, to the extent included in  
30 adjusted gross income, equal to the amount of  
31 interest earned in the taxable year on a medical  
32 care savings account established under the Medical  
33 Care Savings Account Act or the Medical Care Savings  
34 Account Act of 2000 on behalf of the taxpayer, other

1 than interest added pursuant to item (D-5) of this  
2 paragraph (2);

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

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

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

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

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

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

12 (Y) For taxable years beginning on or after  
13 January 1, 2002 and ending on or before December 31,  
14 2002, moneys contributed in the taxable year to a  
15 College Savings Pool account under Section 16.5 of  
16 the State Treasurer Act, except that amounts  
17 excluded from gross income under Section  
18 529(c)(3)(C)(i) of the Internal Revenue Code shall  
19 not be considered moneys contributed under this  
20 subparagraph (Y). For taxable years ending after  
21 December 31, 2002, moneys contributed to a College  
22 Savings Pool account under Section 16.5 of the State  
23 Treasurer Act, to the Illinois Prepaid Tuition Trust  
24 Fund under the Illinois Prepaid Tuition Act, or to  
25 any other qualified tuition program under Section  
26 529 of the Internal Revenue Code, except that  
27 amounts rolled over into a program under Section  
28 529(c)(3)(C)(i) of the Internal Revenue Code shall  
29 not be considered moneys contributed under this  
30 subparagraph (Y). This subparagraph (Y) is exempt  
31 from the provisions of Section 250;

32 (Z) For taxable years 2001 and thereafter, for  
33 the taxable year in which the bonus depreciation  
34 deduction (30% of the adjusted basis of the



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

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

15 (2) "x" equals "y" multiplied by 30 and  
16 then divided by 70 (or "y" multiplied by  
17 0.429).

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

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

33 The taxpayer is allowed to take the deduction  
34 under this subparagraph only once with respect to

1 any one piece of property; and

2 (BB) ~~(Z)~~ Any amount included in adjusted gross  
3 income, other than salary, received by a driver in a  
4 ridesharing arrangement using a motor vehicle.

5 (b) Corporations.

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

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

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

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

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

33 (D) The amount of any net operating loss  
34 deduction taken in arriving at taxable income, other

1 than a net operating loss carried forward from a  
2 taxable year ending prior to December 31, 1986;

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

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

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

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

1 taxable year;

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

8 (E-10) For taxable years 2001 and thereafter,  
9 an amount equal to the bonus depreciation deduction  
10 (30% of the adjusted basis of the qualified  
11 property) taken on the taxpayer's federal income tax  
12 return for the taxable year under subsection (k) of  
13 Section 168 of the Internal Revenue Code; and

14 (E-11) If the taxpayer reports a capital gain  
15 or loss on the taxpayer's federal income tax return  
16 for the taxable year based on a sale or transfer of  
17 property for which the taxpayer was required in any  
18 taxable year to make an addition modification under  
19 subparagraph (E-10), then an amount equal to the  
20 aggregate amount of the deductions taken in all  
21 taxable years under subparagraph (T) with respect to  
22 that property.†

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

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

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

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

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

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

21           (J) An amount equal to all amounts included in  
22 such total which are exempt from taxation by this  
23 State either by reason of its statutes or  
24 Constitution or by reason of the Constitution,  
25 treaties or statutes of the United States; provided  
26 that, in the case of any statute of this State that  
27 exempts income derived from bonds or other  
28 obligations from the tax imposed under this Act, the  
29 amount exempted shall be the interest net of bond  
30 premium amortization;

31           (K) An amount equal to those dividends  
32 included in such total which were paid by a  
33 corporation which conducts business operations in an  
34 Enterprise Zone or zones created under the Illinois

1 Enterprise Zone Act and conducts substantially all  
2 of its operations in an Enterprise Zone or zones;

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

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

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

28           (N) Two times any contribution made during the  
29 taxable year to a designated zone organization to  
30 the extent that the contribution (i) qualifies as a  
31 charitable contribution under subsection (c) of  
32 Section 170 of the Internal Revenue Code and (ii)  
33 must, by its terms, be used for a project approved  
34 by the Department of Commerce and Community Affairs

1 under Section 11 of the Illinois Enterprise Zone  
2 Act;

3 (O) An amount equal to: (i) 85% for taxable  
4 years ending on or before December 31, 1992, or, a  
5 percentage equal to the percentage allowable under  
6 Section 243(a)(1) of the Internal Revenue Code of  
7 1986 for taxable years ending after December 31,  
8 1992, of the amount by which dividends included in  
9 taxable income and received from a corporation that  
10 is not created or organized under the laws of the  
11 United States or any state or political subdivision  
12 thereof, including, for taxable years ending on or  
13 after December 31, 1988, dividends received or  
14 deemed received or paid or deemed paid under  
15 Sections 951 through 964 of the Internal Revenue  
16 Code, exceed the amount of the modification provided  
17 under subparagraph (G) of paragraph (2) of this  
18 subsection (b) which is related to such dividends;  
19 plus (ii) 100% of the amount by which dividends,  
20 included in taxable income and received, including,  
21 for taxable years ending on or after December 31,  
22 1988, dividends received or deemed received or paid  
23 or deemed paid under Sections 951 through 964 of the  
24 Internal Revenue Code, from any such corporation  
25 specified in clause (i) that would but for the  
26 provisions of Section 1504 (b) (3) of the Internal  
27 Revenue Code be treated as a member of the  
28 affiliated group which includes the dividend  
29 recipient, exceed the amount of the modification  
30 provided under subparagraph (G) of paragraph (2) of  
31 this subsection (b) which is related to such  
32 dividends;

33 (P) An amount equal to any contribution made  
34 to a job training project established pursuant to



1 the Tax Increment Allocation Redevelopment Act;

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

8 (R) In the case of an attorney-in-fact with  
9 respect to whom an interinsurer or a reciprocal  
10 insurer has made the election under Section 835 of  
11 the Internal Revenue Code, 26 U.S.C. 835, an amount  
12 equal to the excess, if any, of the amounts paid or  
13 incurred by that interinsurer or reciprocal insurer  
14 in the taxable year to the attorney-in-fact over the  
15 deduction allowed to that interinsurer or reciprocal  
16 insurer with respect to the attorney-in-fact under  
17 Section 835(b) of the Internal Revenue Code for the  
18 taxable year;

19 (S) For taxable years ending on or after  
20 December 31, 1997, in the case of a Subchapter S  
21 corporation, an amount equal to all amounts of  
22 income allocable to a shareholder subject to the  
23 Personal Property Tax Replacement Income Tax imposed  
24 by subsections (c) and (d) of Section 201 of this  
25 Act, including amounts allocable to organizations  
26 exempt from federal income tax by reason of Section  
27 501(a) of the Internal Revenue Code. This  
28 subparagraph (S) is exempt from the provisions of  
29 Section 250;

30 (T) For taxable years 2001 and thereafter, for  
31 the taxable year in which the bonus depreciation  
32 deduction (30% of the adjusted basis of the  
33 qualified property) is taken on the taxpayer's  
34 federal income tax return under subsection (k) of

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

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

13 (2) "x" equals "y" multiplied by 30 and  
14 then divided by 70 (or "y" multiplied by  
15 0.429).

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

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

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

34 (3) Special rule. For purposes of paragraph (2)

1 (A), "gross income" in the case of a life insurance  
2 company, for tax years ending on and after December 31,  
3 1994, shall mean the gross investment income for the  
4 taxable year.

5 (c) Trusts and estates.

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

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

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

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

24 (C) An amount equal to the amount of tax  
25 imposed by this Act to the extent deducted from  
26 gross income in the computation of taxable income  
27 for the taxable year;

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

32 (E) For taxable years in which a net operating  
33 loss carryback or carryforward from a taxable year  
34 ending prior to December 31, 1986 is an element of

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

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

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

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

31 (F) For taxable years ending on or after  
32 January 1, 1989, an amount equal to the tax deducted  
33 pursuant to Section 164 of the Internal Revenue Code  
34 if the trust or estate is claiming the same tax for

1 purposes of the Illinois foreign tax credit under  
2 Section 601 of this Act;

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

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

13 (G-10) For taxable years 2001 and thereafter,  
14 an amount equal to the bonus depreciation deduction  
15 (30% of the adjusted basis of the qualified  
16 property) taken on the taxpayer's federal income tax  
17 return for the taxable year under subsection (k) of  
18 Section 168 of the Internal Revenue Code; and

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

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

31 and by deducting from the total so obtained the sum of  
32 the following amounts:

33 (H) An amount equal to all amounts included in  
34 such total pursuant to the provisions of Sections

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

10 (I) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

31 (R) For taxable years 2001 and thereafter, for  
32 the taxable year in which the bonus depreciation  
33 deduction (30% of the adjusted basis of the  
34 qualified property) is taken on the taxpayer's



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

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

14 (2) "x" equals "y" multiplied by 30 and  
15 then divided by 70 (or "y" multiplied by  
16 0.429).

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

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

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

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

8           (d) Partnerships.

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

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

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

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

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

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

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

1 Section 168 of the Internal Revenue Code; and

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

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

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

16 (E) The valuation limitation amount;

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

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

32 (H) Any income of the partnership which  
33 constitutes personal service income as defined in  
34 Section 1348 (b) (1) of the Internal Revenue Code

1 (as in effect December 31, 1981) or a reasonable  
2 allowance for compensation paid or accrued for  
3 services rendered by partners to the partnership,  
4 whichever is greater;

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

12 (J) With the exception of any amounts  
13 subtracted under subparagraph (G), an amount equal  
14 to the sum of all amounts disallowed as deductions  
15 by (i) Sections 171(a) (2), and 265(2) of the  
16 Internal Revenue Code of 1954, as now or hereafter  
17 amended, and all amounts of expenses allocable to  
18 interest and disallowed as deductions by Section  
19 265(1) of the Internal Revenue Code, as now or  
20 hereafter amended; and (ii) for taxable years ending  
21 on or after August 13, 1999, Sections 171(a)(2),  
22 265, 280C, and 832(b)(5)(B)(i) of the Internal  
23 Revenue Code; the provisions of this subparagraph  
24 are exempt from the provisions of Section 250;

25 (K) An amount equal to those dividends  
26 included in such total which were paid by a  
27 corporation which conducts business operations in an  
28 Enterprise Zone or zones created under the Illinois  
29 Enterprise Zone Act, enacted by the 82nd General  
30 Assembly, and conducts substantially all of its  
31 operations in an Enterprise Zone or Zones;

32 (L) An amount equal to any contribution made  
33 to a job training project established pursuant to  
34 the Real Property Tax Increment Allocation

1 Redevelopment Act;

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

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

18 (O) For taxable years 2001 and thereafter, for  
19 the taxable year in which the bonus depreciation  
20 deduction (30% of the adjusted basis of the  
21 qualified property) is taken on the taxpayer's  
22 federal income tax return under subsection (k) of  
23 Section 168 of the Internal Revenue Code and for  
24 each applicable taxable year thereafter, an amount  
25 equal to "x", where:

26 (1) "y" equals the amount of the  
27 depreciation deduction taken for the taxable  
28 year on the taxpayer's federal income tax  
29 return on property for which the bonus  
30 depreciation deduction (30% of the adjusted  
31 basis of the qualified property) was taken in  
32 any year under subsection (k) of Section 168 of  
33 the Internal Revenue Code, but not including  
34 the bonus depreciation deduction; and

1                   (2) "x" equals "y" multiplied by 30 and  
2                   then divided by 70 (or "y" multiplied by  
3                   0.429).

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

12                  (P) If the taxpayer reports a capital gain or  
13                  loss on the taxpayer's federal income tax return for  
14                  the taxable year based on a sale or transfer of  
15                  property for which the taxpayer was required in any  
16                  taxable year to make an addition modification under  
17                  subparagraph (D-5), then an amount equal to that  
18                  addition modification.

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

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

23                  (1) In general. Subject to the provisions of  
24                  paragraph (2) and subsection (b) (3), for purposes of  
25                  this Section and Section 803(e), a taxpayer's gross  
26                  income, adjusted gross income, or taxable income for the  
27                  taxable year shall mean the amount of gross income,  
28                  adjusted gross income or taxable income properly  
29                  reportable for federal income tax purposes for the  
30                  taxable year under the provisions of the Internal Revenue  
31                  Code. Taxable income may be less than zero. However, for  
32                  taxable years ending on or after December 31, 1986, net  
33                  operating loss carryforwards from taxable years ending  
34                  prior to December 31, 1986, may not exceed the sum of

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

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

25 (A) Certain life insurance companies. In the  
26 case of a life insurance company subject to the tax  
27 imposed by Section 801 of the Internal Revenue Code,  
28 life insurance company taxable income, plus the  
29 amount of distribution from pre-1984 policyholder  
30 surplus accounts as calculated under Section 815a of  
31 the Internal Revenue Code;

32 (B) Certain other insurance companies. In the  
33 case of mutual insurance companies subject to the  
34 tax imposed by Section 831 of the Internal Revenue

1 Code, insurance company taxable income;

2 (C) Regulated investment companies. In the  
3 case of a regulated investment company subject to  
4 the tax imposed by Section 852 of the Internal  
5 Revenue Code, investment company taxable income;

6 (D) Real estate investment trusts. In the  
7 case of a real estate investment trust subject to  
8 the tax imposed by Section 857 of the Internal  
9 Revenue Code, real estate investment trust taxable  
10 income;

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

24 (F) Cooperatives. In the case of a  
25 cooperative corporation or association, the taxable  
26 income of such organization determined in accordance  
27 with the provisions of Section 1381 through 1388 of  
28 the Internal Revenue Code;

29 (G) Subchapter S corporations. In the case  
30 of: (i) a Subchapter S corporation for which there  
31 is in effect an election for the taxable year under  
32 Section 1362 of the Internal Revenue Code, the  
33 taxable income of such corporation determined in  
34 accordance with Section 1363(b) of the Internal



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

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

21 (f) Valuation limitation amount.

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

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

31 (B) The lesser of (i) the sum of the  
32 pre-August 1, 1969 appreciation amounts (to the  
33 extent consisting of capital gain) for all property  
34 in respect of which such gain was reported for

1 federal income tax purposes for the taxable year, or  
2 (ii) the net capital gain for the taxable year,  
3 reduced in either case by any amount of such gain  
4 included in the amount determined under subsection  
5 (a) (2) (F) or (c) (2) (H).

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

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

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

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

33 (g) Double deductions. Unless specifically provided  
34 otherwise, nothing in this Section shall permit the same item

1 to be deducted more than once.

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

11 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;  
12 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.  
13 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,  
14 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;  
15 92-603, eff. 6-28-02; 92-626, eff. 7-11-02; 92-651, eff.  
16 7-11-02; 92-846, eff. 8-23-02; revised 11-15-02.)

17 Section 99. Effective date. This Act takes effect upon  
18 becoming law."