

1 AN ACT concerning taxes.

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  
12 paragraph (2).

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

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

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

27 (C) An amount equal to the amount received  
28 during the taxable year as a recovery or refund of  
29 real property taxes paid with respect to the  
30 taxpayer's principal residence under the Revenue Act  
31 of 1939 and for which a deduction was previously

1 taken under subparagraph (L) of this paragraph (2)  
2 prior to July 1, 1991, the retrospective application  
3 date of Article 4 of Public Act 87-17. In the case  
4 of multi-unit or multi-use structures and farm  
5 dwellings, the taxes on the taxpayer's principal  
6 residence shall be that portion of the total taxes  
7 for the entire property which is attributable to  
8 such principal residence;

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

13 (D-5) An amount, to the extent not included in  
14 adjusted gross income, equal to the amount of money  
15 withdrawn by the taxpayer in the taxable year from a  
16 medical care savings account and the interest earned  
17 on the account in the taxable year of a withdrawal  
18 pursuant to subsection (b) of Section 20 of the  
19 Medical Care Savings Account Act or subsection (b)  
20 of Section 20 of the Medical Care Savings Account  
21 Act of 2000; and

22 (D-10) For taxable years ending after December  
23 31, 1997, an amount equal to any eligible  
24 remediation costs that the individual deducted in  
25 computing adjusted gross income and for which the  
26 individual claims a credit under subsection (1) of  
27 Section 201;

28 and by deducting from the total so obtained the sum of  
29 the following amounts:

30 (E) Any amount included in such total in  
31 respect of any compensation (including but not  
32 limited to any compensation paid or accrued to a  
33 serviceman while a prisoner of war or missing in  
34 action) paid to a resident by reason of being on

1 active duty in the Armed Forces of the United States  
2 and in respect of any compensation paid or accrued  
3 to a resident who as a governmental employee was a  
4 prisoner of war or missing in action, and in respect  
5 of any compensation paid to a resident in 1971 or  
6 thereafter for annual training performed pursuant to  
7 Sections 502 and 503, Title 32, United States Code  
8 as a member of the Illinois National Guard;

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

20 (G) The valuation limitation amount;

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

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

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

1 of its operations in an Enterprise Zone or zones;

2 (K) 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 (J) of paragraph (2) of this subsection shall not be  
10 eligible for the deduction provided under this  
11 subparagraph (K);

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

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

31 (N) An amount equal to all amounts included in  
32 such total which are exempt from taxation by this  
33 State either by reason of its statutes or  
34 Constitution or by reason of the Constitution,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (Y) Beginning with taxable years ending on or  
17 after December 31, 2001 and ending with taxable  
18 years ending on or before December 30, 2006, an  
19 amount equal to the amount spent during the taxable  
20 year for care at a long term care facility, as  
21 defined in Section 1-113 of the Nursing Home Care  
22 Act.

23 (b) Corporations.

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

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

30 (A) An amount equal to all amounts paid or  
31 accrued to the taxpayer as interest and all  
32 distributions received from regulated investment  
33 companies during the taxable year to the extent  
34 excluded from gross income in the computation of



1 taxable income;

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

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

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

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

31 (i) the addition modification relating to  
32 the net operating loss carried back or forward  
33 to the taxable year from any taxable year  
34 ending prior to December 31, 1986 shall be

1 reduced by the amount of addition modification  
2 under this subparagraph (E) which related to  
3 that net operating loss and which was taken  
4 into account in calculating the base income of  
5 an earlier taxable year, and

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

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

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

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) ~~201(h)~~  
22 investment credit to the borrower, the entire  
23 principal amount of the loan or loans between the  
24 taxpayer and the borrower should be divided into the  
25 basis of the Section 201(f) ~~201(h)~~ investment credit  
26 property which secures the loan or loans, using for  
27 this purpose the original basis of such property on  
28 the date that it was placed in service in the  
29 Enterprise Zone. The subtraction modification  
30 available to taxpayer in any year under this  
31 subsection shall be that portion of the total  
32 interest paid by the borrower with respect to such  
33 loan attributable to the eligible property as  
34 calculated under the previous 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 ~~201(i)~~ 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) ~~201(i)~~ 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; and

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 (3) Special rule. For purposes of paragraph (2)  
31 (A), "gross income" in the case of a life insurance  
32 company, for tax years ending on and after December 31,  
33 1994, shall mean the gross investment income for the  
34 taxable year.

1 (c) Trusts and estates.

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

6 (2) Modifications. Subject to the provisions of  
7 paragraph (3), the taxable income referred to in  
8 paragraph (1) shall be modified by adding thereto the sum  
9 of the following amounts:

10 (A) An amount equal to all amounts paid or  
11 accrued to the taxpayer as interest or dividends  
12 during the taxable year to the extent excluded from  
13 gross income in the computation of taxable income;

14 (B) In the case of (i) an estate, \$600; (ii) a  
15 trust which, under its governing instrument, is  
16 required to distribute all of its income currently,  
17 \$300; and (iii) any other trust, \$100, but in each  
18 such case, only to the extent such amount was  
19 deducted in the computation of taxable income;

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

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

28 (E) For taxable years in which a net operating  
29 loss carryback or carryforward from a taxable year  
30 ending prior to December 31, 1986 is an element of  
31 taxable income under paragraph (1) of subsection (e)  
32 or subparagraph (E) of paragraph (2) of subsection  
33 (e), the amount by which addition modifications  
34 other than those provided by this subparagraph (E)



1 exceeded subtraction modifications in such taxable  
2 year, with the following limitations applied in the  
3 order that they are listed:

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

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

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

27 (F) For taxable years ending on or after  
28 January 1, 1989, an amount equal to the tax deducted  
29 pursuant to Section 164 of the Internal Revenue Code  
30 if the trust or estate is claiming the same tax for  
31 purposes of the Illinois foreign tax credit under  
32 Section 601 of this Act;

33 (G) An amount equal to the amount of the  
34 capital gain deduction allowable under the Internal

1 Revenue Code, to the extent deducted from gross  
2 income in the computation of taxable income; and

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

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

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

22 (I) The valuation limitation amount;

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

27 (K) An amount equal to all amounts included in  
28 taxable income as modified by subparagraphs (A),  
29 (B), (C), (D), (E), (F) and (G) which are exempt  
30 from taxation by this State either by reason of its  
31 statutes or Constitution or by reason of the  
32 Constitution, treaties or statutes of the United  
33 States; provided that, in the case of any statute of  
34 this State that exempts income derived from bonds or

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

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

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

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

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

1           subparagraph (O);

2           (P) 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; and

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

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

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

16 (d) Partnerships.

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

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

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

27 (B) An amount equal to the amount of tax  
28 imposed by this Act to the extent deducted from  
29 gross income for the taxable year;

30 (C) The amount of deductions allowed to the  
31 partnership pursuant to Section 707 (c) of the  
32 Internal Revenue Code in calculating its taxable  
33 income; and

34 (D) An amount equal to the amount of the

1 capital gain deduction allowable under the Internal  
2 Revenue Code, to the extent deducted from gross  
3 income in the computation of taxable income;

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

6 (E) The valuation limitation amount;

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

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

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

29 (I) An amount equal to all amounts of income  
30 distributable to an entity subject to the Personal  
31 Property Tax Replacement Income Tax imposed by  
32 subsections (c) and (d) of Section 201 of this Act  
33 including amounts distributable to organizations  
34 exempt from federal income tax by reason of Section

1 501(a) of the Internal Revenue Code;

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

15 (K) An amount equal to those dividends  
16 included in such total which were paid by a  
17 corporation which conducts business operations in an  
18 Enterprise Zone or zones created under the Illinois  
19 Enterprise Zone Act, enacted by the 82nd General  
20 Assembly, and which does not conduct such operations  
21 other than in an Enterprise Zone or Zones;

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

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

1           subparagraph (M); and

2                   (N) 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           (e) Gross income; adjusted gross income; taxable income.

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



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

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

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

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

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

26 (D) Real estate investment trusts. In the  
27 case of a real estate investment trust subject to  
28 the tax imposed by Section 857 of the Internal  
29 Revenue Code, real estate investment trust taxable  
30 income;

31 (E) Consolidated corporations. In the case of  
32 a corporation which is a member of an affiliated  
33 group of corporations filing a consolidated income  
34 tax return for the taxable year for federal income

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

10 (F) Cooperatives. In the case of a  
11 cooperative corporation or association, the taxable  
12 income of such organization determined in accordance  
13 with the provisions of Section 1381 through 1388 of  
14 the Internal Revenue Code;

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

33 (H) Partnerships. In the case of a  
34 partnership, taxable income determined in accordance

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

7 (f) Valuation limitation amount.

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

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

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

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

27 (A) If the fair market value of property  
28 referred to in paragraph (1) was readily  
29 ascertainable on August 1, 1969, the pre-August 1,  
30 1969 appreciation amount for such property is the  
31 lesser of (i) the excess of such fair market value  
32 over the taxpayer's basis (for determining gain) for  
33 such property on that date (determined under the  
34 Internal Revenue Code as in effect on that date), or

1 (ii) the total gain realized and reportable for  
2 federal income tax purposes in respect of the sale,  
3 exchange or other disposition of such property.

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

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

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

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

31 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;  
32 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.  
33 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,

1 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;  
2 revised 1-15-01.)

3 Section 99. Effective date. This Act takes effect upon  
4 becoming law.