



## 103RD GENERAL ASSEMBLY

### State of Illinois

2023 and 2024

SB3152

Introduced 2/6/2024, by Sen. Win Stoller

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/203  
35 ILCS 735/3-3.5 new

Amends the Illinois Income Tax Act. Creates an income tax deduction for an amount of up to \$50,000 per tax year contributed to a small business asset purchase account and all interest earned on such accounts during the tax year. Provides that a "small business asset purchase account" means an account established by a taxpayer, the proceeds of which are used to purchase property used primarily in Illinois for which a federal income tax deduction is claimed under Section 179 of the Internal Revenue Code. Provides an addition modification for amounts withdrawn from a small business asset purchase account that are not used for qualified purchases. Amends the Uniform Penalty and Interest Act to establish a penalty for improper use of moneys in a small business asset purchase account. Effective immediately.

LRB103 38040 HLH 68172 b

1 AN ACT concerning revenue.

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

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

6 (35 ILCS 5/203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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

1 Section 20 of the Medical Care Savings Account Act of  
2 2000;

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

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

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

20 If the taxpayer continues to own property through  
21 the last day of the last tax year for which a  
22 subtraction is allowed with respect to that property  
23 under subparagraph (Z) and for which the taxpayer was  
24 allowed in any taxable year to make a subtraction  
25 modification under subparagraph (Z), then an amount  
26 equal to that subtraction modification.

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

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

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

5 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

24 (D-18) An amount equal to the amount of intangible  
25 expenses and costs otherwise allowed as a deduction in  
26 computing base income, and that were paid, accrued, or

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



1 dividends caused a reduction to the addition  
2 modification required under Section 203(a)(2)(D-17) of  
3 this Act. As used in this subparagraph, the term  
4 "intangible expenses and costs" includes (1) expenses,  
5 losses, and costs for, or related to, the direct or  
6 indirect acquisition, use, maintenance or management,  
7 ownership, sale, exchange, or any other disposition of  
8 intangible property; (2) losses incurred, directly or  
9 indirectly, from factoring transactions or discounting  
10 transactions; (3) royalty, patent, technical, and  
11 copyright fees; (4) licensing fees; and (5) other  
12 similar expenses and costs. For purposes of this  
13 subparagraph, "intangible property" includes patents,  
14 patent applications, trade names, trademarks, service  
15 marks, copyrights, mask works, trade secrets, and  
16 similar types of intangible assets.

17 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

1 stock of the same person to whom the premiums and costs  
2 were directly or indirectly paid, incurred, or  
3 accrued. The preceding sentence does not apply to the  
4 extent that the same dividends caused a reduction to  
5 the addition modification required under Section  
6 203(a)(2)(D-17) or Section 203(a)(2)(D-18) of this  
7 Act;

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

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

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

23           (D-20.5) For taxable years beginning on or after  
24          January 1, 2018, in the case of a distribution from a  
25          qualified ABLE program under Section 529A of the  
26          Internal Revenue Code, other than a distribution from

1 a qualified ABLE program created under Section 16.6 of  
2 the State Treasurer Act, an amount equal to the amount  
3 excluded from gross income under Section 529A(c) (1) (B)  
4 of the Internal Revenue Code;

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

12 (D-21.5) For taxable years beginning on or after  
13 January 1, 2018, in the case of the transfer of moneys  
14 from a qualified tuition program under Section 529 or  
15 a qualified ABLE program under Section 529A of the  
16 Internal Revenue Code that is administered by this  
17 State to an ABLE account established under an  
18 out-of-state ABLE account program, an amount equal to  
19 the contribution component of the transferred amount  
20 that was previously deducted from base income under  
21 subsection (a) (2) (Y) or subsection (a) (2) (HH) of this  
22 Section;

23 (D-22) For taxable years beginning on or after  
24 January 1, 2009, and prior to January 1, 2018, in the  
25 case of a nonqualified withdrawal or refund of moneys  
26 from a qualified tuition program under Section 529 of

1 the Internal Revenue Code administered by the State  
2 that is not used for qualified expenses at an eligible  
3 education institution, an amount equal to the  
4 contribution component of the nonqualified withdrawal  
5 or refund that was previously deducted from base  
6 income under subsection (a)(2)(y) of this Section,  
7 provided that the withdrawal or refund did not result  
8 from the beneficiary's death or disability. For  
9 taxable years beginning on or after January 1, 2018:  
10 (1) in the case of a nonqualified withdrawal or  
11 refund, as defined under Section 16.5 of the State  
12 Treasurer Act, of moneys from a qualified tuition  
13 program under Section 529 of the Internal Revenue Code  
14 administered by the State, an amount equal to the  
15 contribution component of the nonqualified withdrawal  
16 or refund that was previously deducted from base  
17 income under subsection (a)(2)(Y) of this Section, and  
18 (2) in the case of a nonqualified withdrawal or refund  
19 from a qualified ABLE program under Section 529A of  
20 the Internal Revenue Code administered by the State  
21 that is not used for qualified disability expenses, an  
22 amount equal to the contribution component of the  
23 nonqualified withdrawal or refund that was previously  
24 deducted from base income under subsection (a)(2)(HH)  
25 of this Section;

26 (D-23) An amount equal to the credit allowable to

1 the taxpayer under Section 218(a) of this Act,  
2 determined without regard to Section 218(c) of this  
3 Act;

4 (D-24) For taxable years ending on or after  
5 December 31, 2017, an amount equal to the deduction  
6 allowed under Section 199 of the Internal Revenue Code  
7 for the taxable year;

8 (D-25) In the case of a resident, an amount equal  
9 to the amount of tax for which a credit is allowed  
10 pursuant to Section 201(p) (7) of this Act;

11 (D-26) An amount that is withdrawn by the taxpayer  
12 from a small business asset purchase account during  
13 the taxable year and that is not used for the purchase  
14 of qualified property; as used in this subparagraph  
15 (D-26), "qualified property" means property that is  
16 used predominantly in Illinois and for which a  
17 deduction under Section 179 of the Internal Revenue  
18 Code is claimed for the tax year in which the amount is  
19 withdrawn from the small business asset purchase  
20 account; amounts that are subject to the addition  
21 modification under this subparagraph (D-26) are also  
22 subject to the 10% penalty for ineligible use under  
23 Section 3-3.5 of the Uniform Penalty and Interest Act;

24 and by deducting from the total so obtained the sum of the  
25 following amounts:

26 (E) For taxable years ending before December 31,



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

1 Illinois National Guard or, beginning with taxable  
2 years ending on or after December 31, 2007, the  
3 National Guard of any other state. The provisions of  
4 this subparagraph (E) are exempt from the provisions  
5 of Section 250;

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

17 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 or the Medical Care Savings Account Act of 2000 on  
2 behalf of the taxpayer, other than interest added  
3 pursuant to item (D-5) of this paragraph (2);

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

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

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

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

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

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

24 (Y) For taxable years beginning on or after  
25 January 1, 2002 and ending on or before December 31,  
26 2004, moneys contributed in the taxable year to a



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

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

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

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

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

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

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

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

21 (iii) for property on which a bonus  
22 depreciation deduction of 100% of the adjusted  
23 basis was taken in a taxable year ending on or  
24 after December 31, 2021, "x" equals the  
25 depreciation deduction that would be allowed  
26 on that property if the taxpayer had made the

1 election under Section 168(k)(7) of the  
2 Internal Revenue Code to not claim bonus  
3 depreciation on that property; and

4 (iv) for property on which a bonus  
5 depreciation deduction of a percentage other  
6 than 30%, 50% or 100% of the adjusted basis  
7 was taken in a taxable year ending on or after  
8 December 31, 2021, "x" equals "y" multiplied  
9 by 100 times the percentage bonus depreciation  
10 on the property (that is,  $100(\text{bonus}\%)$ ) and  
11 then divided by 100 times 1 minus the  
12 percentage bonus depreciation on the property  
13 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

1           If the taxpayer continues to own property through  
2           the last day of the last tax year for which a  
3           subtraction is allowed with respect to that property  
4           under subparagraph (Z) and for which the taxpayer was  
5           required in any taxable year to make an addition  
6           modification under subparagraph (D-15), then an amount  
7           equal to that addition modification.

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

11          This subparagraph (AA) is exempt from the  
12          provisions of Section 250;

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

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

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

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

1 of Section 250;

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

23 (FF) An amount equal to any amount awarded to the  
24 taxpayer during the taxable year by the Court of  
25 Claims under subsection (c) of Section 8 of the Court  
26 of Claims Act for time unjustly served in a State

1           prison. This subparagraph (FF) is exempt from the  
2           provisions of Section 250;

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

19          (HH) For taxable years beginning on or after  
20          January 1, 2018 and prior to January 1, 2028, a maximum  
21          of \$10,000 contributed in the taxable year to a  
22          qualified ABLE account under Section 16.6 of the State  
23          Treasurer Act, except that amounts excluded from gross  
24          income under Section 529(c)(3)(C)(i) or Section  
25          529A(c)(1)(C) of the Internal Revenue Code shall not  
26          be considered moneys contributed under this

1           subparagraph (HH). For purposes of this subparagraph  
2           (HH), contributions made by an employer on behalf of  
3           an employee, or matching contributions made by an  
4           employee, shall be treated as made by the employee;

5           (II) For taxable years that begin on or after  
6           January 1, 2021 and begin before January 1, 2026, the  
7           amount that is included in the taxpayer's federal  
8           adjusted gross income pursuant to Section 61 of the  
9           Internal Revenue Code as discharge of indebtedness  
10          attributable to student loan forgiveness and that is  
11          not excluded from the taxpayer's federal adjusted  
12          gross income pursuant to paragraph (5) of subsection  
13          (f) of Section 108 of the Internal Revenue Code; ~~and~~

14          (JJ) For taxable years beginning on or after  
15          January 1, 2023, for any cannabis establishment  
16          operating in this State and licensed under the  
17          Cannabis Regulation and Tax Act or any cannabis  
18          cultivation center or medical cannabis dispensing  
19          organization operating in this State and licensed  
20          under the Compassionate Use of Medical Cannabis  
21          Program Act, an amount equal to the deductions that  
22          were disallowed under Section 280E of the Internal  
23          Revenue Code for the taxable year and that would not be  
24          added back under this subsection. The provisions of  
25          this subparagraph (JJ) are exempt from the provisions  
26          of Section 250~~;~~



1            (KK) ~~(JJ)~~ To the extent includible in gross income  
2            for federal income tax purposes, any amount awarded or  
3            paid to the taxpayer as a result of a judgment or  
4            settlement for fertility fraud as provided in Section  
5            15 of the Illinois Fertility Fraud Act, donor  
6            fertility fraud as provided in Section 20 of the  
7            Illinois Fertility Fraud Act, or similar action in  
8            another state; and ~~—~~

9            (LL) For taxable years beginning on or after  
10           January 1, 2025, an amount of up to \$50,000 per tax  
11           year contributed by the taxpayer to a small business  
12           asset purchase account during the tax year, plus all  
13           interest earned on those accounts during the tax year;  
14           as used in this subparagraph (LL), "small business  
15           asset purchase account" means an account established  
16           by a taxpayer, the proceeds of which are used to  
17           purchase property that is used primarily in Illinois  
18           and for which a federal income tax deduction is  
19           claimed under Section 179 of the Internal Revenue  
20           Code.

21           (b) Corporations.

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

25           (2) Modifications. The taxable income referred to in

1 paragraph (1) shall be modified by adding thereto the sum  
2 of the following amounts:

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

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

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

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

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

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

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

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

23 For taxable years in which there is a net  
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

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

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

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

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

21          If the taxpayer continues to own property through  
22          the last day of the last tax year for which a  
23          subtraction is allowed with respect to that property  
24          under subparagraph (T) and for which the taxpayer was  
25          allowed in any taxable year to make a subtraction  
26          modification under subparagraph (T), then an amount

1 equal to that subtraction modification.

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

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

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

6 This paragraph shall not apply to the following:

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

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

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

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

1 terms; or

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

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

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

25 (E-13) An amount equal to the amount of intangible  
26 expenses and costs otherwise allowed as a deduction in

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



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

18 This paragraph shall not apply to the following:

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

26 (ii) any item of intangible expense or cost

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

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

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

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

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

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

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

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

9 (E-15) For taxable years beginning after December  
10 31, 2008, any deduction for dividends paid by a  
11 captive real estate investment trust that is allowed  
12 to a real estate investment trust under Section  
13 857(b)(2)(B) of the Internal Revenue Code for  
14 dividends paid;

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

19 (E-17) For taxable years ending on or after  
20 December 31, 2017, an amount equal to the deduction  
21 allowed under Section 199 of the Internal Revenue Code  
22 for the taxable year;

23 (E-18) for taxable years beginning after December  
24 31, 2018, an amount equal to the deduction allowed  
25 under Section 250(a)(1)(A) of the Internal Revenue  
26 Code for the taxable year;

1 (E-19) for taxable years ending on or after June  
2 30, 2021, an amount equal to the deduction allowed  
3 under Section 250(a)(1)(B)(i) of the Internal Revenue  
4 Code for the taxable year;

5 (E-20) for taxable years ending on or after June  
6 30, 2021, an amount equal to the deduction allowed  
7 under Sections 243(e) and 245A(a) of the Internal  
8 Revenue Code for the taxable year; and -

9 (E-21) An amount that is withdrawn by the taxpayer  
10 from a small business asset purchase account during  
11 the taxable year and that is not used for the purchase  
12 of qualified property; as used in this subparagraph  
13 (E-21), "qualified property" means property that is  
14 used predominantly in Illinois and for which a  
15 deduction under Section 179 of the Internal Revenue  
16 Code is claimed for the tax year in which the amount is  
17 withdrawn from the small business asset purchase  
18 account; amounts that are subject to the addition  
19 modification under this subparagraph (E-21) are also  
20 subject to the 10% penalty for ineligible use under  
21 Section 3-3.5 of the Uniform Penalty and Interest Act;

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

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

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

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

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

1 the case of a life insurance company with gross income  
2 from a decrease in reserves for the tax year) or  
3 Section 807(b)(1)(B) of the Internal Revenue Code (in  
4 the case of a life insurance company allowed a  
5 deduction for an increase in reserves for the tax  
6 year); the provisions of this subparagraph are exempt  
7 from the provisions of Section 250;

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

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

25 (L) An amount equal to those dividends included in  
26 such total that were paid by a corporation that

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

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



1 such loan attributable to the eligible property as  
2 calculated under the previous sentence. This  
3 subparagraph (M) is exempt from the provisions of  
4 Section 250;

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

1 subsection shall be that portion of the total interest  
2 paid by the borrower with respect to such loan  
3 attributable to the eligible property as calculated  
4 under the previous sentence;

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

16 (O) An amount equal to: (i) 85% for taxable years  
17 ending on or before December 31, 1992, or, a  
18 percentage equal to the percentage allowable under  
19 Section 243(a)(1) of the Internal Revenue Code of 1986  
20 for taxable years ending after December 31, 1992, of  
21 the amount by which dividends included in taxable  
22 income and received from a corporation that is not  
23 created or organized under the laws of the United  
24 States or any state or political subdivision thereof,  
25 including, for taxable years ending on or after  
26 December 31, 1988, dividends received or deemed

1 received or paid or deemed paid under Sections 951  
2 through 965 of the Internal Revenue Code, exceed the  
3 amount of the modification provided under subparagraph  
4 (G) of paragraph (2) of this subsection (b) which is  
5 related to such dividends, and including, for taxable  
6 years ending on or after December 31, 2008, dividends  
7 received from a captive real estate investment trust;  
8 plus (ii) 100% of the amount by which dividends,  
9 included in taxable income and received, including,  
10 for taxable years ending on or after December 31,  
11 1988, dividends received or deemed received or paid or  
12 deemed paid under Sections 951 through 964 of the  
13 Internal Revenue Code and including, for taxable years  
14 ending on or after December 31, 2008, dividends  
15 received from a captive real estate investment trust,  
16 from any such corporation specified in clause (i) that  
17 would but for the provisions of Section 1504(b)(3) of  
18 the Internal Revenue Code be treated as a member of the  
19 affiliated group which includes the dividend  
20 recipient, exceed the amount of the modification  
21 provided under subparagraph (G) of paragraph (2) of  
22 this subsection (b) which is related to such  
23 dividends. For taxable years ending on or after June  
24 30, 2021, (i) for purposes of this subparagraph, the  
25 term "dividend" does not include any amount treated as  
26 a dividend under Section 1248 of the Internal Revenue

1 Code, and (ii) this subparagraph shall not apply to  
2 dividends for which a deduction is allowed under  
3 Section 245(a) of the Internal Revenue Code. This  
4 subparagraph (O) is exempt from the provisions of  
5 Section 250 of this Act;

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

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

14 (R) On and after July 20, 1999, in the case of an  
15 attorney-in-fact with respect to whom an interinsurer  
16 or a reciprocal insurer has made the election under  
17 Section 835 of the Internal Revenue Code, 26 U.S.C.  
18 835, an amount equal to the excess, if any, of the  
19 amounts paid or incurred by that interinsurer or  
20 reciprocal insurer in the taxable year to the  
21 attorney-in-fact over the deduction allowed to that  
22 interinsurer or reciprocal insurer with respect to the  
23 attorney-in-fact under Section 835(b) of the Internal  
24 Revenue Code for the taxable year; the provisions of  
25 this subparagraph are exempt from the provisions of  
26 Section 250;

1           (S) For taxable years ending on or after December  
2           31, 1997, in the case of a Subchapter S corporation, an  
3           amount equal to all amounts of income allocable to a  
4           shareholder subject to the Personal Property Tax  
5           Replacement Income Tax imposed by subsections (c) and  
6           (d) of Section 201 of this Act, including amounts  
7           allocable to organizations exempt from federal income  
8           tax by reason of Section 501(a) of the Internal  
9           Revenue Code. This subparagraph (S) is exempt from the  
10          provisions of Section 250;

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

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

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

1 0.429); and

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

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

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

13 (iii) for property on which a bonus  
14 depreciation deduction of 100% of the adjusted  
15 basis was taken in a taxable year ending on or  
16 after December 31, 2021, "x" equals the  
17 depreciation deduction that would be allowed  
18 on that property if the taxpayer had made the  
19 election under Section 168(k)(7) of the  
20 Internal Revenue Code to not claim bonus  
21 depreciation on that property; and

22 (iv) for property on which a bonus  
23 depreciation deduction of a percentage other  
24 than 30%, 50% or 100% of the adjusted basis  
25 was taken in a taxable year ending on or after  
26 December 31, 2021, "x" equals "y" multiplied

1           by 100 times the percentage bonus depreciation  
2           on the property (that is,  $100(\text{bonus}\%)$ ) and  
3           then divided by 100 times 1 minus the  
4           percentage bonus depreciation on the property  
5           (that is,  $100(1-\text{bonus}\%)$ ).

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

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

19          If the taxpayer continues to own property through  
20          the last day of the last tax year for which a  
21          subtraction is allowed with respect to that property  
22          under subparagraph (T) and for which the taxpayer was  
23          required in any taxable year to make an addition  
24          modification under subparagraph (E-10), then an amount  
25          equal to that addition modification.

26          The taxpayer is allowed to take the deduction

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

3 This subparagraph (U) is exempt from the  
4 provisions of Section 250;

5 (V) The amount of: (i) any interest income (net of  
6 the deductions allocable thereto) taken into account  
7 for the taxable year with respect to a transaction  
8 with a taxpayer that is required to make an addition  
9 modification with respect to such transaction under  
10 Section 203(a)(2)(D-17), 203(b)(2)(E-12),  
11 203(c)(2)(G-12), or 203(d)(2)(D-7), but not to exceed  
12 the amount of such addition modification, (ii) any  
13 income from intangible property (net of the deductions  
14 allocable thereto) taken into account for the taxable  
15 year with respect to a transaction with a taxpayer  
16 that is required to make an addition modification with  
17 respect to such transaction under Section  
18 203(a)(2)(D-18), 203(b)(2)(E-13), 203(c)(2)(G-13), or  
19 203(d)(2)(D-8), but not to exceed the amount of such  
20 addition modification, and (iii) any insurance premium  
21 income (net of deductions allocable thereto) taken  
22 into account for the taxable year with respect to a  
23 transaction with a taxpayer that is required to make  
24 an addition modification with respect to such  
25 transaction under Section 203(a)(2)(D-19), Section  
26 203(b)(2)(E-14), Section 203(c)(2)(G-14), or Section



1           203(d)(2)(D-9), but not to exceed the amount of that  
2           addition modification. This subparagraph (V) is exempt  
3           from the provisions of Section 250;

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

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

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

20 (Y) For taxable years ending on or after December  
21 31, 2011, in the case of a taxpayer who was required to  
22 add back any insurance premiums under Section  
23 203(b)(2)(E-14), such taxpayer may elect to subtract  
24 that part of a reimbursement received from the  
25 insurance company equal to the amount of the expense  
26 or loss (including expenses incurred by the insurance

1 company) that would have been taken into account as a  
2 deduction for federal income tax purposes if the  
3 expense or loss had been uninsured. If a taxpayer  
4 makes the election provided for by this subparagraph  
5 (Y), the insurer to which the premiums were paid must  
6 add back to income the amount subtracted by the  
7 taxpayer pursuant to this subparagraph (Y). This  
8 subparagraph (Y) is exempt from the provisions of  
9 Section 250;

10 (Z) The difference between the nondeductible  
11 controlled foreign corporation dividends under Section  
12 965(e)(3) of the Internal Revenue Code over the  
13 taxable income of the taxpayer, computed without  
14 regard to Section 965(e)(2)(A) of the Internal Revenue  
15 Code, and without regard to any net operating loss  
16 deduction. This subparagraph (Z) is exempt from the  
17 provisions of Section 250; ~~and~~

18 (AA) For taxable years beginning on or after  
19 January 1, 2023, for any cannabis establishment  
20 operating in this State and licensed under the  
21 Cannabis Regulation and Tax Act or any cannabis  
22 cultivation center or medical cannabis dispensing  
23 organization operating in this State and licensed  
24 under the Compassionate Use of Medical Cannabis  
25 Program Act, an amount equal to the deductions that  
26 were disallowed under Section 280E of the Internal

1 Revenue Code for the taxable year and that would not be  
2 added back under this subsection. The provisions of  
3 this subparagraph (AA) are exempt from the provisions  
4 of Section 250; and -

5 (BB) For taxable years beginning on or after  
6 January 1, 2025, an amount of up to \$50,000 per tax  
7 year contributed by the taxpayer to a small business  
8 asset purchase account during the tax year, plus all  
9 interest earned on those accounts during the tax year;  
10 as used in this subparagraph (BB), "small business  
11 asset purchase account" means an account established  
12 by a taxpayer, the proceeds of which are used to  
13 purchase property that is used primarily in Illinois  
14 and for which a federal income tax deduction is  
15 claimed under Section 179 of the Internal Revenue  
16 Code.

17 (3) Special rule. For purposes of paragraph (2)(A),  
18 "gross income" in the case of a life insurance company,  
19 for tax years ending on and after December 31, 1994, and  
20 prior to December 31, 2011, shall mean the gross  
21 investment income for the taxable year and, for tax years  
22 ending on or after December 31, 2011, shall mean all  
23 amounts included in life insurance gross income under  
24 Section 803(a)(3) of the Internal Revenue Code.

25 (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

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

23 For taxable years in which there is a net  
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

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

4           (F) For taxable years ending on or after January  
5           1, 1989, an amount equal to the tax deducted pursuant  
6           to Section 164 of the Internal Revenue Code if the  
7           trust or estate is claiming the same tax for purposes  
8           of the Illinois foreign tax credit under Section 601  
9           of this Act;

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

14          (G-5) For taxable years ending after December 31,  
15          1997, an amount equal to any eligible remediation  
16          costs that the trust or estate deducted in computing  
17          adjusted gross income and for which the trust or  
18          estate claims a credit under subsection (l) of Section  
19          201;

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

25          (G-11) If the taxpayer sells, transfers, abandons,  
26          or otherwise disposes of property for which the

1 taxpayer was required in any taxable year to make an  
2 addition modification under subparagraph (G-10), then  
3 an amount equal to the aggregate amount of the  
4 deductions taken in all taxable years under  
5 subparagraph (R) with respect to that property.

6 If the taxpayer continues to own property through  
7 the last day of the last tax year for which a  
8 subtraction is allowed with respect to that property  
9 under subparagraph (R) and for which the taxpayer was  
10 allowed in any taxable year to make a subtraction  
11 modification under subparagraph (R), then an amount  
12 equal to that subtraction modification.

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

16 (G-12) An amount equal to the amount otherwise  
17 allowed as a deduction in computing base income for  
18 interest paid, accrued, or incurred, directly or  
19 indirectly, (i) for taxable years ending on or after  
20 December 31, 2004, to a foreign person who would be a  
21 member of the same unitary business group but for the  
22 fact that the foreign person's business activity  
23 outside the United States is 80% or more of the foreign  
24 person's total business activity and (ii) for taxable  
25 years ending on or after December 31, 2008, to a person  
26 who would be a member of the same unitary business



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

17 This paragraph shall not apply to the following:

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

24 (ii) an item of interest paid, accrued, or  
25 incurred, directly or indirectly, to a person if  
26 the taxpayer can establish, based on a

1 preponderance of the evidence, both of the  
2 following:

3 (a) the person, during the same taxable  
4 year, paid, accrued, or incurred, the interest  
5 to a person that is not a related member, and

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

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

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

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

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

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

1 trademarks, service marks, copyrights, mask works,  
2 trade secrets, and similar types of intangible assets.

3 This paragraph shall not apply to the following:

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

11 (ii) any item of intangible expense or cost  
12 paid, accrued, or incurred, directly or  
13 indirectly, if the taxpayer can establish, based  
14 on a preponderance of the evidence, both of the  
15 following:

16 (a) the person during the same taxable  
17 year paid, accrued, or incurred, the  
18 intangible expense or cost to a person that is  
19 not a related member, and

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

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

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

19 (G-14) For taxable years ending on or after  
20 December 31, 2008, an amount equal to the amount of  
21 insurance premium expenses and costs otherwise allowed  
22 as a deduction in computing base income, and that were  
23 paid, accrued, or incurred, directly or indirectly, to  
24 a person who would be a member of the same unitary  
25 business group but for the fact that the person is  
26 prohibited under Section 1501(a)(27) from being

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

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

24 (G-16) For taxable years ending on or after  
25 December 31, 2017, an amount equal to the deduction  
26 allowed under Section 199 of the Internal Revenue Code

1 for the taxable year;

2 (G-17) An amount that is withdrawn by the taxpayer  
3 from a small business asset purchase account during  
4 the taxable year and that is not used for the purchase  
5 of qualified property; as used in this subparagraph  
6 (G-17), "qualified property" means property that is  
7 used predominantly in Illinois and for which a  
8 deduction under Section 179 of the Internal Revenue  
9 Code is claimed for the tax year in which the amount is  
10 withdrawn from the small business asset purchase  
11 account; amounts that are subject to the addition  
12 modification under this subparagraph (G-17) are also  
13 subject to the 10% penalty for ineligible use under  
14 Section 3-3.5 of the Uniform Penalty and Interest Act;

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

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



1           adopted pursuant thereto;

2                   (I) The valuation limitation amount;

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

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

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

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

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

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

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

1           this subparagraph (O);

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

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

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

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

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

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

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

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

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

16          (iii) for property on which a bonus  
17          depreciation deduction of 100% of the adjusted  
18          basis was taken in a taxable year ending on or  
19          after December 31, 2021, "x" equals the  
20          depreciation deduction that would be allowed  
21          on that property if the taxpayer had made the  
22          election under Section 168(k)(7) of the  
23          Internal Revenue Code to not claim bonus  
24          depreciation on that property; and

25          (iv) for property on which a bonus  
26          depreciation deduction of a percentage other

1 than 30%, 50% or 100% of the adjusted basis  
2 was taken in a taxable year ending on or after  
3 December 31, 2021, "x" equals "y" multiplied  
4 by 100 times the percentage bonus depreciation  
5 on the property (that is,  $100(\text{bonus}\%)$ ) and  
6 then divided by 100 times 1 minus the  
7 percentage bonus depreciation on the property  
8 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

22 If the taxpayer continues to own property through  
23 the last day of the last tax year for which a  
24 subtraction is allowed with respect to that property  
25 under subparagraph (R) and for which the taxpayer was  
26 required in any taxable year to make an addition

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

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

6 This subparagraph (S) is exempt from the  
7 provisions of Section 250;

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

25 (U) An amount equal to the interest income taken  
26 into account for the taxable year (net of the

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

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



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

14 (W) in the case of an estate, an amount equal to  
15 all amounts included in such total pursuant to the  
16 provisions of Section 111 of the Internal Revenue Code  
17 as a recovery of items previously deducted by the  
18 decedent from adjusted gross income in the computation  
19 of taxable income. This subparagraph (W) is exempt  
20 from Section 250;

21 (X) an amount equal to the refund included in such  
22 total of any tax deducted for federal income tax  
23 purposes, to the extent that deduction was added back  
24 under subparagraph (F). This subparagraph (X) is  
25 exempt from the provisions of Section 250;

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

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

16 (Z) For taxable years beginning after December 31,  
17 2018 and before January 1, 2026, the amount of excess  
18 business loss of the taxpayer disallowed as a  
19 deduction by Section 461(l)(1)(B) of the Internal  
20 Revenue Code; ~~and~~

21 (AA) For taxable years beginning on or after  
22 January 1, 2023, for any cannabis establishment  
23 operating in this State and licensed under the  
24 Cannabis Regulation and Tax Act or any cannabis  
25 cultivation center or medical cannabis dispensing  
26 organization operating in this State and licensed

1 under the Compassionate Use of Medical Cannabis  
2 Program Act, an amount equal to the deductions that  
3 were disallowed under Section 280E of the Internal  
4 Revenue Code for the taxable year and that would not be  
5 added back under this subsection. The provisions of  
6 this subparagraph (AA) are exempt from the provisions  
7 of Section 250; and -

8 (BB) For taxable years beginning on or after  
9 January 1, 2025, an amount of up to \$50,000 per tax  
10 year contributed by the taxpayer to a small business  
11 asset purchase account during the tax year, plus all  
12 interest earned on those accounts during the tax year;  
13 as used in this subparagraph (BB), "small business  
14 asset purchase account" means an account established  
15 by a taxpayer, the proceeds of which are used to  
16 purchase property that is used primarily in Illinois  
17 and for which a federal income tax deduction is  
18 claimed under Section 179 of the Internal Revenue  
19 Code.

20 (3) Limitation. The amount of any modification  
21 otherwise required under this subsection shall, under  
22 regulations prescribed by the Department, be adjusted by  
23 any amounts included therein which were properly paid,  
24 credited, or required to be distributed, or permanently  
25 set aside for charitable purposes pursuant to Internal  
26 Revenue Code Section 642(c) during the taxable year.

1 (d) Partnerships.

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

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

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

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

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

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

23 (D-5) For taxable years 2001 and thereafter, an  
24 amount equal to the bonus depreciation deduction taken  
25 on the taxpayer's federal income tax return for the

1 taxable year under subsection (k) of Section 168 of  
2 the Internal Revenue Code;

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

10 If the taxpayer continues to own property through  
11 the last day of the last tax year for which a  
12 subtraction is allowed with respect to that property  
13 under subparagraph (O) and for which the taxpayer was  
14 allowed in any taxable year to make a subtraction  
15 modification under subparagraph (O), then an amount  
16 equal to that subtraction modification.

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

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

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

21 This paragraph shall not apply to the following:

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

1 with respect to such interest; or

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

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

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

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

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

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

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

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



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

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

7 This paragraph shall not apply to the following:

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

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

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

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

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

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

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

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

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

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

1 (D-11) For taxable years ending on or after  
2 December 31, 2017, an amount equal to the deduction  
3 allowed under Section 199 of the Internal Revenue Code  
4 for the taxable year;

5 (D-12) An amount that is withdrawn by the taxpayer  
6 during the taxable year from a small business asset  
7 purchase account and that is not used for the purchase  
8 of qualified property; as used in this subparagraph  
9 (D-12), "qualified property" means property that is  
10 used predominantly in Illinois and for which a  
11 deduction under Section 179 of the Internal Revenue  
12 Code is claimed for the tax year in which the amount is  
13 withdrawn from the small business asset purchase  
14 account; amounts that are subject to the addition  
15 modification under this subparagraph (D-12) are also  
16 subject to the 10% penalty for ineligible use under  
17 Section 3-3.5 of the Uniform Penalty and Interest Act;

18 and by deducting from the total so obtained the following  
19 amounts:

20 (E) The valuation limitation amount;

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

24 (G) An amount equal to all amounts included in  
25 taxable income as modified by subparagraphs (A), (B),  
26 (C) and (D) which are exempt from taxation by this

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

8 (H) Any income of the partnership which  
9 constitutes personal service income as defined in  
10 Section 1348(b)(1) of the Internal Revenue Code (as in  
11 effect December 31, 1981) or a reasonable allowance  
12 for compensation paid or accrued for services rendered  
13 by partners to the partnership, whichever is greater;  
14 this subparagraph (H) is exempt from the provisions of  
15 Section 250;

16 (I) An amount equal to all amounts of income  
17 distributable to an entity subject to the Personal  
18 Property Tax Replacement Income Tax imposed by  
19 subsections (c) and (d) of Section 201 of this Act  
20 including amounts distributable to organizations  
21 exempt from federal income tax by reason of Section  
22 501(a) of the Internal Revenue Code; this subparagraph  
23 (I) is exempt from the provisions of Section 250;

24 (J) With the exception of any amounts subtracted  
25 under subparagraph (G), an amount equal to the sum of  
26 all amounts disallowed as deductions by (i) Sections

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

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

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

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

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

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

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

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



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

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

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

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

16          (iii) for property on which a bonus  
17          depreciation deduction of 100% of the adjusted  
18          basis was taken in a taxable year ending on or  
19          after December 31, 2021, "x" equals the  
20          depreciation deduction that would be allowed  
21          on that property if the taxpayer had made the  
22          election under Section 168(k)(7) of the  
23          Internal Revenue Code to not claim bonus  
24          depreciation on that property; and

25          (iv) for property on which a bonus  
26          depreciation deduction of a percentage other

1 than 30%, 50% or 100% of the adjusted basis  
2 was taken in a taxable year ending on or after  
3 December 31, 2021, "x" equals "y" multiplied  
4 by 100 times the percentage bonus depreciation  
5 on the property (that is,  $100(\text{bonus}\%)$ ) and  
6 then divided by 100 times 1 minus the  
7 percentage bonus depreciation on the property  
8 (that is,  $100(1-\text{bonus}\%)$ ).

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

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

22 If the taxpayer continues to own property through  
23 the last day of the last tax year for which a  
24 subtraction is allowed with respect to that property  
25 under subparagraph (O) and for which the taxpayer was  
26 required in any taxable year to make an addition

1 modification under subparagraph (D-5), then an amount  
2 equal to that addition modification.

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

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

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

25 (R) An amount equal to the interest income taken  
26 into account for the taxable year (net of the

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

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

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

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

1 taxpayer pursuant to this subparagraph (T). This  
2 subparagraph (T) is exempt from the provisions of  
3 Section 250; ~~and~~

4 (U) For taxable years beginning on or after  
5 January 1, 2023, for any cannabis establishment  
6 operating in this State and licensed under the  
7 Cannabis Regulation and Tax Act or any cannabis  
8 cultivation center or medical cannabis dispensing  
9 organization operating in this State and licensed  
10 under the Compassionate Use of Medical Cannabis  
11 Program Act, an amount equal to the deductions that  
12 were disallowed under Section 280E of the Internal  
13 Revenue Code for the taxable year and that would not be  
14 added back under this subsection. The provisions of  
15 this subparagraph (U) are exempt from the provisions  
16 of Section 250; and -

17 (V) For taxable years beginning on or after  
18 January 1, 2025, an amount of up to \$50,000 per tax  
19 year contributed by the taxpayer to a small business  
20 asset purchase account during the tax year, plus all  
21 interest earned on those accounts during the tax year;  
22 as used in this subparagraph (V), "small business  
23 asset purchase account" means an account established  
24 by a taxpayer, the proceeds of which are used to  
25 purchase property that is used primarily in Illinois  
26 and for which a federal income tax deduction is

1           claimed under Section 179 of the Internal Revenue  
2           Code.

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

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

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

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

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

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

25 (C) Regulated investment companies. In the case of  
26 a regulated investment company subject to the tax



1 imposed by Section 852 of the Internal Revenue Code,  
2 investment company taxable income;

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

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

20 (F) Cooperatives. In the case of a cooperative  
21 corporation or association, the taxable income of such  
22 organization determined in accordance with the  
23 provisions of Section 1381 through 1388 of the  
24 Internal Revenue Code, but without regard to the  
25 prohibition against offsetting losses from patronage  
26 activities against income from nonpatronage

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

25 (G) Subchapter S corporations. In the case of: (i)  
26 a Subchapter S corporation for which there is in

1 effect an election for the taxable year under Section  
2 1362 of the Internal Revenue Code, the taxable income  
3 of such corporation determined in accordance with  
4 Section 1363(b) of the Internal Revenue Code, except  
5 that taxable income shall take into account those  
6 items which are required by Section 1363(b)(1) of the  
7 Internal Revenue Code to be separately stated; and  
8 (ii) a Subchapter S corporation for which there is in  
9 effect a federal election to opt out of the provisions  
10 of the Subchapter S Revision Act of 1982 and have  
11 applied instead the prior federal Subchapter S rules  
12 as in effect on July 1, 1982, the taxable income of  
13 such corporation determined in accordance with the  
14 federal Subchapter S rules as in effect on July 1,  
15 1982; and

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

23 (3) Recapture of business expenses on disposition of  
24 asset or business. Notwithstanding any other law to the  
25 contrary, if in prior years income from an asset or  
26 business has been classified as business income and in a

1 later year is demonstrated to be non-business income, then  
2 all expenses, without limitation, deducted in such later  
3 year and in the 2 immediately preceding taxable years  
4 related to that asset or business that generated the  
5 non-business income shall be added back and recaptured as  
6 business income in the year of the disposition of the  
7 asset or business. Such amount shall be apportioned to  
8 Illinois using the greater of the apportionment fraction  
9 computed for the business under Section 304 of this Act  
10 for the taxable year or the average of the apportionment  
11 fractions computed for the business under Section 304 of  
12 this Act for the taxable year and for the 2 immediately  
13 preceding taxable years.

14 (f) Valuation limitation amount.

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

18 (A) The sum of the pre-August 1, 1969 appreciation  
19 amounts (to the extent consisting of gain reportable  
20 under the provisions of Section 1245 or 1250 of the  
21 Internal Revenue Code) for all property in respect of  
22 which such gain was reported for the taxable year;  
23 plus

24 (B) The lesser of (i) the sum of the pre-August 1,  
25 1969 appreciation amounts (to the extent consisting of

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

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

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

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

1 property ending July 31, 1969 bears to the number of  
2 full calendar months in the taxpayer's entire holding  
3 period for the property.

4 (C) The Department shall prescribe such  
5 regulations as may be necessary to carry out the  
6 purposes of this paragraph.

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

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

19 (Source: P.A. 102-16, eff. 6-17-21; 102-558, eff. 8-20-21;  
20 102-658, eff. 8-27-21; 102-813, eff. 5-13-22; 102-1112, eff.  
21 12-21-22; 103-8, eff. 6-7-23; 103-478, eff. 1-1-24; revised  
22 9-26-23.)

23 Section 10. The Uniform Penalty and Interest Act is

1 amended by adding Section 3-3.5 as follows:

2 (35 ILCS 735/3-3.5 new)

3 Sec. 3-3.5. Penalty for improper use of proceeds of Small  
4 Business Asset Purchase Account. A penalty of 10% of the  
5 amount withdrawn from a small business asset purchase account,  
6 as defined in Section 203 of the Illinois Income Tax Act,  
7 during a tax year that is used for purchases of property for  
8 which a deduction under Section 179 of the Internal Revenue  
9 Code is not claimed for the tax year in which the amount is  
10 withdrawn, or purchases of property for which the deduction  
11 under Section 179 of the Internal Revenue Code is claimed that  
12 is not used predominantly in Illinois.

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