

1 AN ACT in relation to taxation.

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

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

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)
7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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15 withdrawn by the taxpayer in the taxable year from a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

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

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

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

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

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

20 (G) The valuation limitation amount;

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

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

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

1 of its operations in an Enterprise Zone or zones;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 (Y) Beginning with taxable years ending on or
17 after December 31, 2001 and ending with taxable
18 years ending on or before December 30, 2006, an
19 amount equal to the amount expended in the taxable
20 year by the taxpayer for natural gas consumed in
21 Illinois, including all local, State, and federal
22 taxes paid with respect to that natural gas.

23 (b) Corporations.

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

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

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

1 taxable income;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 the Tax Increment Allocation Redevelopment Act;

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

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

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

30 (T) Beginning with taxable years ending on or
31 after December 31, 2001 and ending with taxable
32 years ending on or before December 30, 2006, an
33 amount equal to the amount expended in the taxable
34 year by the taxpayer for natural gas consumed in

1 Illinois, including all local, State, and federal
2 taxes paid with respect to that natural gas.

3 (3) Special rule. For purposes of paragraph (2)
4 (A), "gross income" in the case of a life insurance
5 company, for tax years ending on and after December 31,
6 1994, shall mean the gross investment income for the
7 taxable year.

8 (c) Trusts and estates.

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

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

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

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

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

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

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

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

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

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

34 (F) For taxable years ending on or after

1 January 1, 1989, an amount equal to the tax deducted
2 pursuant to Section 164 of the Internal Revenue Code
3 if the trust or estate is claiming the same tax for
4 purposes of the Illinois foreign tax credit under
5 Section 601 of this Act;

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

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

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

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

29 (I) The valuation limitation amount;

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

34 (K) An amount equal to all amounts included in

1 taxable income as modified by subparagraphs (A),
2 (B), (C), (D), (E), (F) and (G) which are exempt
3 from taxation by this State either by reason of its
4 statutes or Constitution or by reason of the
5 Constitution, treaties or statutes of the United
6 States; provided that, in the case of any statute of
7 this State that exempts income derived from bonds or
8 other obligations from the tax imposed under this
9 Act, the amount exempted shall be the interest net
10 of bond premium amortization;

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

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

30 (N) An amount equal to any contribution made
31 to a job training project established pursuant to
32 the Tax Increment Allocation Redevelopment Act;

33 (O) An amount equal to those dividends
34 included in such total that were paid by a

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

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

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

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

16 (R) Beginning with taxable years ending on or
17 after December 31, 2001 and ending with taxable
18 years ending on or before December 30, 2006, an
19 amount equal to the amount expended in the taxable
20 year by the taxpayer for natural gas consumed in
21 Illinois, including all local, State, and federal
22 taxes paid with respect to that natural gas.

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

30 (d) Partnerships.

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

34 (2) Modifications. The taxable income referred to

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

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

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

10 (C) The amount of deductions allowed to the
11 partnership pursuant to Section 707 (c) of the
12 Internal Revenue Code in calculating its taxable
13 income; and

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

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
23 taxpayer and included in such total for the taxable
24 year;

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

1 premium amortization;

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

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

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

29 (K) An amount equal to those dividends
30 included in such total which were paid by a
31 corporation which conducts business operations in an
32 Enterprise Zone or zones created under the Illinois
33 Enterprise Zone Act, enacted by the 82nd General
34 Assembly, and which does not conduct such operations

1 other than in an Enterprise Zone or Zones;

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

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

16 (N) An amount equal to the amount of the
17 deduction used to compute the federal income tax
18 credit for restoration of substantial amounts held
19 under claim of right for the taxable year pursuant
20 to Section 1341 of the Internal Revenue Code of
21 1986; and

22 (O) Beginning with taxable years ending on or
23 after December 31, 2001 and ending with taxable
24 years ending on or before December 30, 2006, an
25 amount equal to the amount expended in the taxable
26 year by the taxpayer for natural gas consumed in
27 Illinois, including all local, State, and federal
28 taxes paid with respect to that natural gas.

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

30 (1) In general. Subject to the provisions of
31 paragraph (2) and subsection (b) (3), for purposes of
32 this Section and Section 803(e), a taxpayer's gross
33 income, adjusted gross income, or taxable income for the
34 taxable year shall mean the amount of gross income,

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

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

32 (A) Certain life insurance companies. In the
33 case of a life insurance company subject to the tax
34 imposed by Section 801 of the Internal Revenue Code,

1 life insurance company taxable income, plus the
2 amount of distribution from pre-1984 policyholder
3 surplus accounts as calculated under Section 815a of
4 the Internal Revenue Code;

5 (B) Certain other insurance companies. In the
6 case of mutual insurance companies subject to the
7 tax imposed by Section 831 of the Internal Revenue
8 Code, insurance company taxable income;

9 (C) Regulated investment companies. In the
10 case of a regulated investment company subject to
11 the tax imposed by Section 852 of the Internal
12 Revenue Code, investment company taxable income;

13 (D) Real estate investment trusts. In the
14 case of a real estate investment trust subject to
15 the tax imposed by Section 857 of the Internal
16 Revenue Code, real estate investment trust taxable
17 income;

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

31 (F) Cooperatives. In the case of a
32 cooperative corporation or association, the taxable
33 income of such organization determined in accordance
34 with the provisions of Section 1381 through 1388 of

1 the Internal Revenue Code;

2 (G) Subchapter S corporations. In the case
3 of: (i) a Subchapter S corporation for which there
4 is in effect an election for the taxable year under
5 Section 1362 of the Internal Revenue Code, the
6 taxable income of such corporation determined in
7 accordance with Section 1363(b) of the Internal
8 Revenue Code, except that taxable income shall take
9 into account those items which are required by
10 Section 1363(b)(1) of the Internal Revenue Code to
11 be separately stated; and (ii) a Subchapter S
12 corporation for which there is in effect a federal
13 election to opt out of the provisions of the
14 Subchapter S Revision Act of 1982 and have applied
15 instead the prior federal Subchapter S rules as in
16 effect on July 1, 1982, the taxable income of such
17 corporation determined in accordance with the
18 federal Subchapter S rules as in effect on July 1,
19 1982; and

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

28 (f) Valuation limitation amount.

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

32 (A) The sum of the pre-August 1, 1969
33 appreciation amounts (to the extent consisting of
34 gain reportable under the provisions of Section 1245

1 or 1250 of the Internal Revenue Code) for all
2 property in respect of which such gain was reported
3 for the taxable year; plus

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

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

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

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

1 months in the taxpayer's entire holding period for
2 the property.

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

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

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

18 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;
19 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.
20 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,
21 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;
22 revised 1-15-01.)