

1 AN ACT concerning 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15 withdrawn by the taxpayer in the taxable year from a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 (l) of
27 Section 201;

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

30 (E) For taxable years ending before December
31 31, 2001, any amount included in such total in
32 respect of any compensation (including but not
33 limited to any compensation paid or accrued to a
34 serviceman while a prisoner of war or missing in

1 action) paid to a resident by reason of being on
2 active duty in the Armed Forces of the United States
3 and in respect of any compensation paid or accrued
4 to a resident who as a governmental employee was a
5 prisoner of war or missing in action, and in respect
6 of any compensation paid to a resident in 1971 or
7 thereafter for annual training performed pursuant to
8 Sections 502 and 503, Title 32, United States Code
9 as a member of the Illinois National Guard. For
10 taxable years ending on or after December 31, 2001,
11 any amount included in such total in respect of any
12 compensation (including but not limited to any
13 compensation paid or accrued to a serviceman while a
14 prisoner of war or missing in action) paid to a
15 resident by reason of being a member of any
16 component of the Armed Forces of the United States
17 and in respect of any compensation paid or accrued
18 to a resident who as a governmental employee was a
19 prisoner of war or missing in action, and in respect
20 of any compensation paid to a resident in 2001 or
21 thereafter by reason of being a member of the
22 Illinois National Guard. The provisions of this
23 amendatory Act of the 92nd General Assembly are
24 exempt from the provisions of Section 250;

25 (F) An amount equal to all amounts included in
26 such total pursuant to the provisions of Sections
27 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and
28 408 of the Internal Revenue Code, or included in
29 such total as distributions under the provisions of
30 any retirement or disability plan for employees of
31 any governmental agency or unit, or retirement
32 payments to retired partners, which payments are
33 excluded in computing net earnings from self
34 employment by Section 1402 of the Internal Revenue

1 Code and regulations adopted pursuant thereto;

2 (G) The valuation limitation amount;

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

7 (I) An amount equal to all amounts included in
8 such total pursuant to the provisions of Section 111
9 of the Internal Revenue Code as a recovery of items
10 previously deducted from adjusted gross income in
11 the computation of taxable income;

12 (J) An amount equal to those dividends
13 included in such total which were paid by a
14 corporation which conducts business operations in an
15 Enterprise Zone or zones created under the Illinois
16 Enterprise Zone Act, and conducts substantially all
17 of its operations in an Enterprise Zone or zones;

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

28 (L) For taxable years ending after December
29 31, 1983, an amount equal to all social security
30 benefits and railroad retirement benefits included
31 in such total pursuant to Sections 72(r) and 86 of
32 the Internal Revenue Code;

33 (M) With the exception of any amounts
34 subtracted under subparagraph (N), an amount equal

1 to the sum of all amounts disallowed as deductions
2 by (i) Sections 171(a) (2), and 265(2) of the
3 Internal Revenue Code of 1954, as now or hereafter
4 amended, and all amounts of expenses allocable to
5 interest and disallowed as deductions by Section
6 265(1) of the Internal Revenue Code of 1954, as now
7 or hereafter amended; and (ii) for taxable years
8 ending on or after August 13, 1999, Sections
9 171(a)(2), 265, 280C, and 832(b)(5)(B)(i) of the
10 Internal Revenue Code; the provisions of this
11 subparagraph are exempt from the provisions of
12 Section 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
16 Constitution or by reason of the Constitution,
17 treaties or statutes of the United States; provided
18 that, in the case of any statute of this State that
19 exempts income derived from bonds or other
20 obligations from the tax imposed under this Act, the
21 amount exempted shall be the interest net of bond
22 premium amortization;

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

26 (P) An amount equal to the amount of the
27 deduction used to compute the federal income tax
28 credit for restoration of substantial amounts held
29 under claim of right for the taxable year pursuant
30 to Section 1341 of the Internal Revenue Code of
31 1986;

32 (Q) An amount equal to any amounts included in
33 such total, received by the taxpayer as an
34 acceleration in the payment of life, endowment or

1 annuity benefits in advance of the time they would
2 otherwise be payable as an indemnity for a terminal
3 illness;

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

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

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

23 (U) For one taxable year beginning on or after
24 January 1, 1994, an amount equal to the total amount
25 of tax imposed and paid under subsections (a) and
26 (b) of Section 201 of this Act on grant amounts
27 received by the taxpayer under the Nursing Home
28 Grant Assistance Act during the taxpayer's taxable
29 years 1992 and 1993;

30 (V) Beginning with tax years ending on or
31 after December 31, 1995 and ending with tax years
32 ending on or before December 31, 2004, an amount
33 equal to the amount paid by a taxpayer who is a
34 self-employed taxpayer, a partner of a partnership,

1 or a shareholder in a Subchapter S corporation for
2 health insurance or long-term care insurance for
3 that taxpayer or that taxpayer's spouse or
4 dependents, to the extent that the amount paid for
5 that health insurance or long-term care insurance
6 may be deducted under Section 213 of the Internal
7 Revenue Code of 1986, has not been deducted on the
8 federal income tax return of the taxpayer, and does
9 not exceed the taxable income attributable to that
10 taxpayer's income, self-employment income, or
11 Subchapter S corporation income; except that no
12 deduction shall be allowed under this item (V) if
13 the taxpayer is eligible to participate in any
14 health insurance or long-term care insurance plan of
15 an employer of the taxpayer or the taxpayer's
16 spouse. The amount of the health insurance and
17 long-term care insurance subtracted under this item
18 (V) shall be determined by multiplying total health
19 insurance and long-term care insurance premiums paid
20 by the taxpayer times a number that represents the
21 fractional percentage of eligible medical expenses
22 under Section 213 of the Internal Revenue Code of
23 1986 not actually deducted on the taxpayer's federal
24 income tax return;

25 (W) For taxable years beginning on or after
26 January 1, 1998, all amounts included in the
27 taxpayer's federal gross income in the taxable year
28 from amounts converted from a regular IRA to a Roth
29 IRA. This paragraph is exempt from the provisions of
30 Section 250;

31 (X) For taxable year 1999 and thereafter, an
32 amount equal to the amount of any (i) distributions,
33 to the extent includible in gross income for federal
34 income tax purposes, made to the taxpayer because of

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

32 (Y) For taxable years beginning on or after
33 January 1, 2002, moneys contributed in the taxable
34 year to a College Savings Pool account under Section

1 16.5 of the State Treasurer Act. This subparagraph
2 (Y) is exempt from the provisions of Section 250;
3 and

4 (Z) For taxable years ending on or after
5 December 31, 2001 and on or before December 31,
6 2002, moneys contributed during the taxable year,
7 but on or after September 11, 2001, to any
8 charitable organization that is a member of the
9 American Liberty Partnership or its successor
10 partnership or organization consisting of charitable
11 organizations dedicated to coordinating the relief
12 effort for victims of the September 11, 2001 attack
13 on the United States.

14 (b) Corporations.

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

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

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

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

31 (C) In the case of a regulated investment
32 company, an amount equal to the excess of (i) the
33 net long-term capital gain for the taxable year,
34 over (ii) the amount of the capital gain dividends

1 designated as such in accordance with Section
2 852(b)(3)(C) of the Internal Revenue Code and any
3 amount designated under Section 852(b)(3)(D) of the
4 Internal Revenue Code, attributable to the taxable
5 year (this amendatory Act of 1995 (Public Act 89-89)
6 is declarative of existing law and is not a new
7 enactment);

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

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

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

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

1 not exceed the amount of such carryback or
2 carryforward;

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

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

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

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

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

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

31 (I) With the exception of any amounts
32 subtracted under subparagraph (J), an amount equal
33 to the sum of all amounts disallowed as deductions
34 by (i) Sections 171(a) (2), and 265(a)(2) and

1 amounts disallowed as interest expense by Section
2 291(a)(3) of the Internal Revenue Code, as now or
3 hereafter amended, and all amounts of expenses
4 allocable to interest and disallowed as deductions
5 by Section 265(a)(1) of the Internal Revenue Code,
6 as now or hereafter amended; and (ii) for taxable
7 years ending on or after August 13, 1999, Sections
8 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)
9 of the Internal Revenue Code; the provisions of this
10 subparagraph are exempt from the provisions of
11 Section 250;

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

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

28 (L) An amount equal to those dividends
29 included in such total that were paid by a
30 corporation that conducts business operations in a
31 federally designated Foreign Trade Zone or Sub-Zone
32 and that is designated a High Impact Business
33 located in Illinois; provided that dividends
34 eligible for the deduction provided in subparagraph

1 (K) of paragraph 2 of this subsection shall not be
2 eligible for the deduction provided under this
3 subparagraph (L);

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

26 (M-1) For any taxpayer that is a financial
27 organization within the meaning of Section 304(c) of
28 this Act, an amount included in such total as
29 interest income from a loan or loans made by such
30 taxpayer to a borrower, to the extent that such a
31 loan is secured by property which is eligible for
32 the High Impact Business Investment Credit. To
33 determine the portion of a loan or loans that is
34 secured by property eligible for a Section 201(h)

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

19 (N) Two times any contribution made during the
20 taxable year to a designated zone organization to
21 the extent that the contribution (i) qualifies as a
22 charitable contribution under subsection (c) of
23 Section 170 of the Internal Revenue Code and (ii)
24 must, by its terms, be used for a project approved
25 by the Department of Commerce and Community Affairs
26 under Section 11 of the Illinois Enterprise Zone
27 Act;

28 (O) An amount equal to: (i) 85% for taxable
29 years ending on or before December 31, 1992, or, a
30 percentage equal to the percentage allowable under
31 Section 243(a)(1) of the Internal Revenue Code of
32 1986 for taxable years ending after December 31,
33 1992, of the amount by which dividends included in
34 taxable income and received from a corporation that

1 is not created or organized under the laws of the
2 United States or any state or political subdivision
3 thereof, including, for taxable years ending on or
4 after December 31, 1988, dividends received or
5 deemed received or paid or deemed paid under
6 Sections 951 through 964 of the Internal Revenue
7 Code, exceed the amount of the modification provided
8 under subparagraph (G) of paragraph (2) of this
9 subsection (b) which is related to such dividends;
10 plus (ii) 100% of the amount by which dividends,
11 included in taxable income and received, including,
12 for taxable years ending on or after December 31,
13 1988, dividends received or deemed received or paid
14 or deemed paid under Sections 951 through 964 of the
15 Internal Revenue Code, from any such corporation
16 specified in clause (i) that would but for the
17 provisions of Section 1504 (b) (3) of the Internal
18 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;

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

27 (Q) An amount equal to the amount of the
28 deduction used to compute the federal income tax
29 credit for restoration of substantial amounts held
30 under claim of right for the taxable year pursuant
31 to Section 1341 of the Internal Revenue Code of
32 1986;

33 (R) In the case of an attorney-in-fact with
34 respect to whom an interinsurer or a reciprocal

1 insurer has made the election under Section 835 of
2 the Internal Revenue Code, 26 U.S.C. 835, an amount
3 equal to the excess, if any, of the amounts paid or
4 incurred by that interinsurer or reciprocal insurer
5 in the taxable year to the attorney-in-fact over the
6 deduction allowed to that interinsurer or reciprocal
7 insurer with respect to the attorney-in-fact under
8 Section 835(b) of the Internal Revenue Code for the
9 taxable year; and

10 (S) For taxable years ending on or after
11 December 31, 1997, in the case of a Subchapter S
12 corporation, an amount equal to all amounts of
13 income allocable to a shareholder subject to the
14 Personal Property Tax Replacement Income Tax imposed
15 by subsections (c) and (d) of Section 201 of this
16 Act, including amounts allocable to organizations
17 exempt from federal income tax by reason of Section
18 501(a) of the Internal Revenue Code. This
19 subparagraph (S) is exempt from the provisions of
20 Section 250; and

21 (T) For taxable years ending on or after
22 December 31, 2001 and on or before December 31,
23 2002, moneys contributed during the taxable year,
24 but on or after September 11, 2001, to any
25 charitable organization that is a member of the
26 American Liberty Partnership or its successor
27 partnership or organization consisting of charitable
28 organizations dedicated to coordinating the relief
29 effort for victims of the September 11, 2001 attack
30 on the United States.

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

1 taxable year.

2 (c) Trusts and estates.

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

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

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

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

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

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

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

1 other than those provided by this subparagraph (E)
2 exceeded subtraction modifications in such taxable
3 year, with the following limitations applied in the
4 order that they are listed:

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

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

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

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

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

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

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

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

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

23 (I) The valuation limitation amount;

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

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

1 this State that exempts income derived from bonds or
2 other obligations from the tax imposed under this
3 Act, the amount exempted shall be the interest net
4 of bond premium amortization;

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

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

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

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

1 eligible for the deduction provided under this
2 subparagraph (O);

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

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

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

10 (R) For taxable years ending on or after
11 December 31, 2001 and on or before December 31,
12 2002, moneys contributed during the taxable year,
13 but on or after September 11, 2001, to any
14 charitable organization that is a member of the
15 American Liberty Partnership or its successor
16 partnership or organization consisting of charitable
17 organizations dedicated to coordinating the relief
18 effort for victims of the September 11, 2001 attack
19 on the United States.

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.

27 (d) Partnerships.

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

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

34 (A) An amount equal to all amounts paid or

1 accrued to the taxpayer as interest or dividends
2 during the taxable year to the extent excluded from
3 gross income in the computation of taxable income;

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

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

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

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

17 (E) The valuation limitation amount;

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

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

33 (H) Any income of the partnership which
34 constitutes personal service income as defined in

1 Section 1348 (b) (1) of the Internal Revenue Code
2 (as in effect December 31, 1981) or a reasonable
3 allowance for compensation paid or accrued for
4 services rendered by partners to the partnership,
5 whichever is greater;

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

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

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

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

1 the Real Property Tax Increment Allocation
2 Redevelopment Act;

3 (M) 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 (M); and

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

19 (O) For taxable years ending on or after
20 December 31, 2001 and on or before December 31,
21 2002, moneys contributed during the taxable year,
22 but on or after September 11, 2001, to any
23 charitable organization that is a member of the
24 American Liberty Partnership or its successor
25 partnership or organization consisting of charitable
26 organizations dedicated to coordinating the relief
27 effort for victims of the September 11, 2001 attack
28 on the United States.

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. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
19 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
20 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
21 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
22 revised 9-21-01.)

23 Section 99. Effective date. This Act takes effect upon
24 becoming law.