

1 AN ACT concerning college savings.

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

4 Section 5. The State Treasurer Act is amended by
5 changing Section 16.5 as follows:

6 (15 ILCS 505/16.5)

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

15 "Participant", as used in this Section, means any person
16 who makes investments in the pool. "Designated beneficiary",
17 as used in this Section, means any person on whose behalf an
18 account is established in the College Savings Pool by a
19 participant. Both in-state and out-of-state persons may be
20 participants and designated beneficiaries in the College
21 Savings Pool.

22 New accounts in the College Savings Pool shall be
23 processed through participating financial institutions.
24 "Participating financial institution", as used in this
25 Section, means any financial institution insured by the
26 Federal Deposit Insurance Corporation and lawfully doing
27 business in the State of Illinois and any credit union
28 approved by the State Treasurer and lawfully doing business
29 in the State of Illinois that agrees to process new accounts
30 in the College Savings Pool. Participating financial
31 institutions may charge a processing fee to participants to

1 open an account in the pool that shall not exceed \$30 until
2 the year 2001. Beginning in 2001 and every year thereafter,
3 the maximum fee limit shall be adjusted by the Treasurer
4 based on the Consumer Price Index for the North Central
5 Region as published by the United States Department of Labor,
6 Bureau of Labor Statistics for the immediately preceding
7 calendar year. Every contribution received by a financial
8 institution for investment in the College Savings Pool shall
9 be transferred from the financial institution to a location
10 selected by the State Treasurer within one business day
11 following the day that the funds must be made available in
12 accordance with federal law. All communications from the
13 State Treasurer to participants shall reference the
14 participating financial institution at which the account was
15 processed.

16 The Treasurer may invest the moneys in the College
17 Savings Pool in the same manner, in the same types of
18 investments, and subject to the same limitations provided for
19 the investment of moneys by the Illinois State Board of
20 Investment. To enhance the safety and liquidity of the
21 College Savings Pool, to ensure the diversification of the
22 investment portfolio of the pool, and in an effort to keep
23 investment dollars in the State of Illinois, the State
24 Treasurer shall make a percentage of each account available
25 for investment in participating financial institutions doing
26 business in the State. The State Treasurer shall deposit
27 with the participating financial institution at which the
28 account was processed the following percentage of each
29 account at a prevailing rate offered by the institution,
30 provided that the deposit is federally insured or fully
31 collateralized and the institution accepts the deposit: 10%
32 of the total amount of each account for which the current age
33 of the beneficiary is less than 7 years of age, 20% of the
34 total amount of each account for which the beneficiary is at

1 least 7 years of age and less than 12 years of age, and 50%
2 of the total amount of each account for which the current age
3 of the beneficiary is at least 12 years of age. The State
4 Treasurer shall adjust each account at least annually to
5 ensure compliance with this Section. The Treasurer shall
6 develop, publish, and implement an investment policy covering
7 the investment of the moneys in the College Savings Pool.
8 The policy shall be published (i) at least once each year in
9 at least one newspaper of general circulation in both
10 Springfield and Chicago and (ii) each year as part of the
11 audit of the College Savings Pool by the Auditor General,
12 which shall be distributed to all participants. The
13 Treasurer shall notify all participants in writing, and the
14 Treasurer shall publish in a newspaper of general circulation
15 in both Chicago and Springfield, any changes to the
16 previously published investment policy at least 30 calendar
17 days before implementing the policy. Any investment policy
18 adopted by the Treasurer shall be reviewed and updated if
19 necessary within 90 days following the date that the State
20 Treasurer takes office.

21 Participants shall be required to use moneys distributed
22 from the College Savings Pool for qualified expenses at
23 eligible educational institutions. "Qualified expenses", as
24 used in this Section, means the following: (i) tuition, fees,
25 and the costs of books, supplies, and equipment required for
26 enrollment or attendance at an eligible educational
27 institution and (ii) certain room and board expenses incurred
28 while attending an eligible educational institution at least
29 half-time. "Eligible educational institutions", as used in
30 this Section, means public and private colleges, junior
31 colleges, graduate schools, and certain vocational
32 institutions that are described in Section 481 of the Higher
33 Education Act of 1965 (20 U.S.C. 1088) and that are eligible
34 to participate in Department of Education student aid

1 programs. A student shall be considered to be enrolled at
2 least half-time if the student is enrolled for at least half
3 the full-time academic work load for the course of study the
4 student is pursuing as determined under the standards of the
5 institution at which the student is enrolled. Distributions
6 made from the pool for qualified expenses shall be made
7 directly to the eligible educational institution, directly to
8 a vendor, or in the form of a check payable to both the
9 beneficiary and the institution or vendor. Any moneys that
10 are distributed in any other manner or that are used for
11 expenses other than qualified expenses at an eligible
12 educational institution shall be subject to a penalty of 10%
13 of the earnings unless the beneficiary dies, becomes
14 disabled, or receives a scholarship that equals or exceeds
15 the distribution. Penalties shall be withheld at the time
16 the distribution is made.

17 The Treasurer shall limit the contributions that may be
18 made on behalf of a designated beneficiary based on an
19 actuarial estimate of what is required to pay tuition, fees,
20 and room and board for 5 undergraduate years at the highest
21 cost eligible educational institution. The contributions made
22 on behalf of a beneficiary who is also a beneficiary under
23 the Illinois Prepaid Tuition Program shall be further
24 restricted to ensure that the contributions in both programs
25 combined do not exceed the limit established for the College
26 Savings Pool. The Treasurer shall provide the Illinois
27 Student Assistance Commission each year at a time designated
28 by the Commission, an electronic report of all participant
29 accounts in the Treasurer's College Savings Pool, listing
30 total contributions and disbursements from each individual
31 account during the previous calendar year. As soon
32 thereafter as is possible following receipt of the
33 Treasurer's report, the Illinois Student Assistance
34 Commission shall, in turn, provide the Treasurer with an

1 electronic report listing those College Savings Pool
2 participants who also participate in the State's prepaid
3 tuition program, administered by the Commission. The
4 Commission shall be responsible for filing any combined tax
5 reports regarding State qualified savings programs required
6 by the United States Internal Revenue Service. The Treasurer
7 shall work with the Illinois Student Assistance Commission to
8 coordinate the marketing of the College Savings Pool and the
9 Illinois Prepaid Tuition Program when considered beneficial
10 by the Treasurer and the Director of the Illinois Student
11 Assistance Commission. The Treasurer's office shall not
12 publicize or otherwise market the College Savings Pool or
13 accept any moneys into the College Savings Pool prior to
14 March 1, 2000. The Treasurer shall provide a separate
15 accounting for each designated beneficiary to each
16 participant, the Illinois Student Assistance Commission, and
17 the participating financial institution at which the account
18 was processed. No interest in the program may be pledged as
19 security for a loan.

20 The assets of the College Savings Pool and its income and
21 operation shall be exempt from all taxation by the State of
22 Illinois and any of its subdivisions. The accrued earnings
23 on investments in the Pool once disbursed on behalf of a
24 designated beneficiary shall be similarly exempt from all
25 taxation by the State of Illinois and its subdivisions, so
26 long as they are used for qualified expenses. Contributions
27 to a College Savings Pool account during the taxable year may
28 be deducted from adjusted gross income as provided in Section
29 203 of the Illinois Income Tax Act. The provisions of this
30 paragraph are exempt from Section 250 of the Illinois Income
31 Tax Act.

32 The Treasurer shall adopt rules he or she considers
33 necessary for the efficient administration of the College
34 Savings Pool. The rules shall provide whatever additional

1 parameters and restrictions are necessary to ensure that the
2 College Savings Pool meets all of the requirements for a
3 qualified state tuition program under Section 529 of the
4 Internal Revenue Code (26 U.S.C. 529). The rules shall
5 provide for the administration expenses of the pool to be
6 paid from its earnings and for the investment earnings in
7 excess of the expenses and all moneys collected as penalties
8 to be credited or paid monthly to the several participants in
9 the pool in a manner which equitably reflects the differing
10 amounts of their respective investments in the pool and the
11 differing periods of time for which those amounts were in the
12 custody of the pool. Also, the rules shall require the
13 maintenance of records that enable the Treasurer's office to
14 produce a report for each account in the pool at least
15 annually that documents the account balance and investment
16 earnings. Notice of any proposed amendments to the rules and
17 regulations shall be provided to all participants prior to
18 adoption. Amendments to rules and regulations shall apply
19 only to contributions made after the adoption of the
20 amendment.

21 Upon creating the College Savings Pool, the State
22 Treasurer shall give bond with 2 or more sufficient sureties,
23 payable to and for the benefit of the participants in the
24 College Savings Pool, in the penal sum of \$1,000,000,
25 conditioned upon the faithful discharge of his or her duties
26 in relation to the College Savings Pool.

27 No contributions to the College Savings Pool authorized
28 by this Section shall be considered in evaluating the
29 financial situation of the designated beneficiary or be
30 deemed a financial resource of or a form of financial aid or
31 assistance to the designated beneficiary, for purposes of
32 determining eligibility for any scholarship, grant, or
33 monetary assistance awarded by the Illinois Student
34 Assistance Commission, the State, or any agency thereof; nor

1 shall contributions to the College Savings Pool reduce the
 2 amount of any scholarship, grant, or monetary assistance that
 3 the designated beneficiary is eligible to be awarded by the
 4 Illinois Student Assistance Commission, the State, or any
 5 agency thereof in accordance with the provisions of any State
 6 law.

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

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

11 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

12 Sec. 203. Base income defined.

13 (a) Individuals.

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

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

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

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

32 (C) An amount equal to the amount received

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

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

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

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

32 (D-15) For taxable years beginning on or after
33 January 1, 2002, in the case of a distribution from
34 a qualified tuition program under Section 529 of the

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

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

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

1 Illinois National Guard. The provisions of this
2 amendatory Act of the 92nd General Assembly are
3 exempt from the provisions of Section 250;

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

15 (G) The valuation limitation amount;

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

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

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

31 (K) An amount equal to those dividends
32 included in such total that were paid by a
33 corporation that conducts business operations in a
34 federally designated Foreign Trade Zone or Sub-Zone

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

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

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

26 (N) An amount equal to all amounts included in
27 such total which are exempt from taxation by this
28 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 (O) An amount equal to any contribution made
3 to a job training project established pursuant to
4 the Tax Increment Allocation Redevelopment Act;

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

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

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

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

28 (T) An amount, to the extent included in
29 adjusted gross income, equal to the amount of
30 interest earned in the taxable year on a medical
31 care savings account established under the Medical
32 Care Savings Account Act or the Medical Care Savings
33 Account Act of 2000 on behalf of the taxpayer, other
34 than interest added pursuant to item (D-5) of this

1 paragraph (2);

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

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

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

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

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

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

11 (Y) For taxable years beginning on or after
 12 January 1, 2002, moneys contributed in the taxable
 13 year to a College Savings Pool account under Section
 14 16.5 of the State Treasurer Act, except that amounts
 15 excluded from gross income under Section
 16 529(c)(3)(i) of the Internal Revenue Code shall not
 17 be considered moneys contributed under this
 18 subparagraph (Y). This subparagraph (Y) is exempt
 19 from the provisions of Section 250.

20 (b) Corporations.

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

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

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

33 (B) An amount equal to the amount of tax
 34 imposed by this Act to the extent deducted from

1 gross income in the computation of taxable income
2 for the taxable year;

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

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

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

28 (i) the addition modification relating to
29 the net operating loss carried back or forward
30 to the taxable year from any taxable year
31 ending prior to December 31, 1986 shall be
32 reduced by the amount of addition modification
33 under this subparagraph (E) which related to
34 that net operating loss and which was taken

1 into account in calculating the base income of
2 an earlier taxable year, and

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

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

17 (E-5) For taxable years ending after December
18 31, 1997, an amount equal to any eligible
19 remediation costs that the corporation deducted in
20 computing adjusted gross income and for which the
21 corporation claims a credit under subsection (1) of
22 Section 201;

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

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

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

32 (H) In the case of a regulated investment
33 company, an amount equal to the amount of exempt
34 interest dividends as defined in subsection (b) (5)

1 of Section 852 of the Internal Revenue Code, paid to
2 shareholders for the taxable year;

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

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

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

34 (L) An amount equal to those dividends

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

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

32 (M-1) For any taxpayer that is a financial
33 organization within the meaning of Section 304(c) of
34 this Act, an amount included in such total as

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

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

34 (O) An amount equal to: (i) 85% for taxable

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

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

33 (Q) An amount equal to the amount of the
34 deduction used to compute the federal income tax

1 credit for restoration of substantial amounts held
2 under claim of right for the taxable year pursuant
3 to Section 1341 of the Internal Revenue Code of
4 1986;

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

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

27 (3) Special rule. For purposes of paragraph (2)
28 (A), "gross income" in the case of a life insurance
29 company, for tax years ending on and after December 31,
30 1994, shall mean the gross investment income for the
31 taxable year.

32 (c) Trusts and estates.

33 (1) In general. In the case of a trust or estate,
34 base income means an amount equal to the taxpayer's

1 taxable income for the taxable year as modified by
2 paragraph (2).

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

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

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

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

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

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

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

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

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

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

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

34 (G-5) For taxable years ending after December

1 31, 1997, an amount equal to any eligible
 2 remediation costs that the trust or estate deducted
 3 in computing adjusted gross income and for which the
 4 trust or estate claims a credit under subsection (l)
 5 of Section 201;

6 and by deducting from the total so obtained the sum of
 7 the following amounts:

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

19 (I) The valuation limitation amount;

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

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

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

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

20 (N) An amount equal to any contribution made
21 to a job training project established pursuant to
22 the Tax Increment Allocation Redevelopment Act;

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

33 (P) An amount equal to the amount of the
34 deduction used to compute the federal income tax

1 credit for restoration of substantial amounts held
2 under claim of right for the taxable year pursuant
3 to Section 1341 of the Internal Revenue Code of
4 1986; and

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

1 benefit, or similar entitlement is not affected by
2 the inclusion of items (i) and (ii) of this
3 paragraph in gross income for federal income tax
4 purposes. This paragraph is exempt from the
5 provisions of Section 250.

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

13 (d) Partnerships.

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

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

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

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

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

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

1 and by deducting from the total so obtained the following
2 amounts:

3 (E) The valuation limitation amount;

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

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

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

26 (I) An amount equal to all amounts of income
27 distributable to an entity subject to the Personal
28 Property Tax Replacement Income Tax imposed by
29 subsections (c) and (d) of Section 201 of this Act
30 including amounts distributable to organizations
31 exempt from federal income tax by reason of Section
32 501(a) of the Internal Revenue Code;

33 (J) With the exception of any amounts
34 subtracted under subparagraph (G), 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, as now or
7 hereafter amended; and (ii) for taxable years ending
8 on or after August 13, 1999, Sections 171(a)(2),
9 265, 280C, and 832(b)(5)(B)(i) of the Internal
10 Revenue Code; the provisions of this subparagraph
11 are exempt from the provisions of Section 250;

12 (K) 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, enacted by the 82nd General
17 Assembly, and which does not conduct such operations
18 other than in an Enterprise Zone or Zones;

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

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

33 (N) An amount equal to the amount of the
34 deduction used to compute the federal income tax

1 credit for restoration of substantial amounts held
2 under claim of right for the taxable year pursuant
3 to Section 1341 of the Internal Revenue Code of
4 1986.

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

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

1 applied under Section 172 of the Internal Revenue Code or
2 under subparagraph (E) of paragraph (2) of this
3 subsection (e) applied in conjunction with Section 172 of
4 the Internal Revenue Code.

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

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

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

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

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

28 (E) Consolidated corporations. In the case of
29 a corporation which is a member of an affiliated
30 group of corporations filing a consolidated income
31 tax return for the taxable year for federal income
32 tax purposes, taxable income determined as if such
33 corporation had filed a separate return for federal
34 income tax purposes for the taxable year and each

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

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

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

30 (H) Partnerships. In the case of a
31 partnership, taxable income determined in accordance
32 with Section 703 of the Internal Revenue Code,
33 except that taxable income shall take into account
34 those items which are required by Section 703(a)(1)

1 to be separately stated but which would be taken
2 into account by an individual in calculating his
3 taxable income.

4 (f) Valuation limitation amount.

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

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

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

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

24 (A) If the fair market value of property
25 referred to in paragraph (1) was readily
26 ascertainable on August 1, 1969, the pre-August 1,
27 1969 appreciation amount for such property is the
28 lesser of (i) the excess of such fair market value
29 over the taxpayer's basis (for determining gain) for
30 such property on that date (determined under the
31 Internal Revenue Code as in effect on that date), or
32 (ii) the total gain realized and reportable for
33 federal income tax purposes in respect of the sale,
34 exchange or other disposition of such property.

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

13 (C) The Department shall prescribe such
14 regulations as may be necessary to carry out the
15 purposes of this paragraph.

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

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

28 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
29 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
30 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
31 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
32 revised 9-21-01.)

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.