

1 AN ACT concerning taxes.

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

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

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

8 (a) Individuals.

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

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

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

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

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

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

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

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15 withdrawn by the taxpayer in the taxable year from a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

22 (D-10) For taxable years ending after December
23 31, 1997, an amount equal to any eligible
24 remediation costs that the individual deducted in
25 computing adjusted gross income and for which the
26 individual claims a credit under subsection (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 beginning on or after
 5 March 1, 2000 (the first day the State Treasurer was
 6 authorized to accept any moneys into the Colloge
 7 Savings Pool), an amount equal to any amount
 8 included in adjusted gross income representing (i)
 9 any amount held in, (ii) earnings on any amount held
 10 in, or (iii) any disbursements from a College
 11 Savings Pool account established under Section 16.5
 12 of the State Treasurer Act, so long as disbursed
 13 amounts are used for qualified expenses as
 14 determined under Section 16.5 of the State Treasurer
 15 Act. This subparagraph is exempt from the provisions
 16 of Section 250.

17 (b) Corporations.

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

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

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

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

34 (C) In the case of a regulated investment

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

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

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

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

34 (ii) the addition modification relating

1 to the net operating loss carried back or
2 forward to the taxable year from any taxable
3 year ending prior to December 31, 1986 shall
4 not exceed the amount of such carryback or
5 carryforward;

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

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

20 and by deducting from the total so obtained the sum of
21 the following amounts:

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

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

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

34 (I) With the exception of any amounts

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

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

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

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

29 (M-1) For any taxpayer that is a financial
30 organization within the meaning of Section 304(c) of
31 this Act, an amount included in such total as
32 interest income from a loan or loans made by such
33 taxpayer to a borrower, to the extent that such a
34 loan is secured by property which is eligible for

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

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

31 (O) An amount equal to: (i) 85% for taxable
32 years ending on or before December 31, 1992, or, a
33 percentage equal to the percentage allowable under
34 Section 243(a)(1) of the Internal Revenue Code of

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

27 (P) An amount equal to any contribution made
28 to a job training project established pursuant to
29 the Tax Increment Allocation Redevelopment Act;

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

1 1986;

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

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

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

29 (c) Trusts and estates.

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

34 (2) Modifications. Subject to the provisions of

1 paragraph (3), the taxable income referred to in
2 paragraph (1) shall be modified by adding thereto the sum
3 of the following amounts:

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

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

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

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

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

32 (i) the addition modification relating to
33 the net operating loss carried back or forward
34 to the taxable year from any taxable year

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

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

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

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

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

31 (G-5) For taxable years ending after December
32 31, 1997, an amount equal to any eligible
33 remediation costs that the trust or estate deducted
34 in computing adjusted gross income and for which the

1 trust or estate claims a credit under subsection (l)
2 of Section 201;
3 and by deducting from the total so obtained the sum of
4 the following amounts:

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

16 (I) The valuation limitation amount;

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

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

32 (L) With the exception of any amounts
33 subtracted under subparagraph (K), an amount equal
34 to the sum of all amounts disallowed as deductions

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

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

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

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

30 (P) An amount equal to the amount of the
31 deduction used to compute the federal income tax
32 credit for restoration of substantial amounts held
33 under claim of right for the taxable year pursuant
34 to Section 1341 of the Internal Revenue Code of

1 1986; and

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

1 purposes. This paragraph is exempt from the
2 provisions of Section 250.

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

10 (d) Partnerships.

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

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

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

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

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

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

32 and by deducting from the total so obtained the following
33 amounts:

34 (E) The valuation limitation amount;

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

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

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

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

30 (J) With the exception of any amounts
31 subtracted under subparagraph (G), an amount equal
32 to the sum of all amounts disallowed as deductions
33 by (i) Sections 171(a) (2), and 265(2) of the
34 Internal Revenue Code of 1954, as now or hereafter

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

9 (K) An amount equal to those dividends
10 included in such total which were paid by a
11 corporation which conducts business operations in an
12 Enterprise Zone or zones created under the Illinois
13 Enterprise Zone Act, enacted by the 82nd General
14 Assembly, and which does not conduct such operations
15 other than in an Enterprise Zone or Zones;

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

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

30 (N) An amount equal to the amount of the
31 deduction used to compute the federal income tax
32 credit for restoration of substantial amounts held
33 under claim of right for the taxable year pursuant
34 to Section 1341 of the Internal Revenue Code of

1 1986.

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

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

1 the Internal Revenue Code.

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

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

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

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

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

25 (E) Consolidated corporations. In the case of
26 a corporation which is a member of an affiliated
27 group of corporations filing a consolidated income
28 tax return for the taxable year for federal income
29 tax purposes, taxable income determined as if such
30 corporation had filed a separate return for federal
31 income tax purposes for the taxable year and each
32 preceding taxable year for which it was a member of
33 an affiliated group. For purposes of this
34 subparagraph, the taxpayer's separate taxable income

1 shall be determined as if the election provided by
2 Section 243(b) (2) of the Internal Revenue Code had
3 been in effect for all such years;

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

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

27 (H) Partnerships. In the case of a
28 partnership, taxable income determined in accordance
29 with Section 703 of the Internal Revenue Code,
30 except that taxable income shall take into account
31 those items which are required by Section 703(a)(1)
32 to be separately stated but which would be taken
33 into account by an individual in calculating his
34 taxable income.

1 (f) Valuation limitation amount.

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

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

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

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

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

32 (B) If the fair market value of property
33 referred to in paragraph (1) was not readily
34 ascertainable on August 1, 1969, the pre-August 1,

1 1969 appreciation amount for such property is that
2 amount which bears the same ratio to the total gain
3 reported in respect of the property for federal
4 income tax purposes for the taxable year, as the
5 number of full calendar months in that part of the
6 taxpayer's holding period for the property ending
7 July 31, 1969 bears to the number of full calendar
8 months in the taxpayer's entire holding period for
9 the property.

10 (C) The Department shall prescribe such
11 regulations as may be necessary to carry out the
12 purposes of this paragraph.

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

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

25 (Source: P.A. 91-192, eff. 7-20-99; 91-205, eff. 7-20-99;
26 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676, eff.
27 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01; 92-16,
28 eff. 6-28-01; 92-244, eff. 8-3-01; 92-439, eff. 8-17-01;
29 revised 9-21-01.)

30 Section 99. Effective date. This Act takes effect upon
31 becoming law.