

1 AN ACT concerning taxation.

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

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

6 (35 ILCS 5/203) (from Ch. 120, par. 2-203)

7 Sec. 203. Base income defined.

8 (a) Individuals.

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

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

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

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

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

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

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

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15 withdrawn by the taxpayer in the taxable year from a  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

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

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

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

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

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

1 Code and regulations adopted pursuant thereto;

2 (G) The valuation limitation amount;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

32 (b) Corporations.

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



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

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

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

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

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

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

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

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

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

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

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

29 (E-5) For taxable years ending after December  
30 31, 1997, an amount equal to any eligible  
31 remediation costs that the corporation deducted in  
32 computing adjusted gross income and for which the  
33 corporation claims a credit under subsection (l) of  
34 Section 201;

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

3 (F) 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 (G) An amount equal to any amount included in  
8 such total under Section 78 of the Internal Revenue  
9 Code;

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

15 (I) With the exception of any amounts  
16 subtracted under subparagraph (J), an amount equal  
17 to the sum of all amounts disallowed as deductions  
18 by (i) Sections 171(a) (2), and 265(a)(2) and  
19 amounts disallowed as interest expense by Section  
20 291(a)(3) of the Internal Revenue Code, as now or  
21 hereafter amended, and all amounts of expenses  
22 allocable to interest and disallowed as deductions  
23 by Section 265(a)(1) of the Internal Revenue Code,  
24 as now or hereafter amended; and (ii) for taxable  
25 years ending on or after August 13, 1999, Sections  
26 171(a)(2), 265, 280C, 291(a)(3), and 832(b)(5)(B)(i)  
27 of the Internal Revenue Code; the provisions of this  
28 subparagraph are exempt from the provisions of  
29 Section 250;

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

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

6 (K) An amount equal to those dividends  
7 included in such total which were paid by a  
8 corporation which conducts business operations in an  
9 Enterprise Zone or zones created under the Illinois  
10 Enterprise Zone Act and conducts substantially all  
11 of its operations in an Enterprise Zone or zones;

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

22 (M) For any taxpayer that is a financial  
23 organization within the meaning of Section 304(c) of  
24 this Act, an amount included in such total as  
25 interest income from a loan or loans made by such  
26 taxpayer to a borrower, to the extent that such a  
27 loan is secured by property which is eligible for  
28 the Enterprise Zone Investment Credit. To determine  
29 the portion of a loan or loans that is secured by  
30 property eligible for a Section 201(f) ~~201(h)~~  
31 investment credit to the borrower, the entire  
32 principal amount of the loan or loans between the  
33 taxpayer and the borrower should be divided into the  
34 basis of the Section 201(f) ~~201(h)~~ investment credit

1 property which secures the loan or loans, using for  
2 this purpose the original basis of such property on  
3 the date that it was placed in service in the  
4 Enterprise Zone. The subtraction modification  
5 available to taxpayer in any year under this  
6 subsection shall be that portion of the total  
7 interest paid by the borrower with respect to such  
8 loan attributable to the eligible property as  
9 calculated under the previous sentence;

10 (M-1) 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 High Impact Business Investment Credit. To  
17 determine the portion of a loan or loans that is  
18 secured by property eligible for a Section 201(h)  
19 ~~201(i)~~ investment credit to the borrower, the entire  
20 principal amount of the loan or loans between the  
21 taxpayer and the borrower should be divided into the  
22 basis of the Section 201(h) ~~201(i)~~ investment credit  
23 property which secures the loan or loans, using for  
24 this purpose the original basis of such property on  
25 the date that it was placed in service in a  
26 federally designated Foreign Trade Zone or Sub-Zone  
27 located in Illinois. No taxpayer that is eligible  
28 for the deduction provided in subparagraph (M) of  
29 paragraph (2) of this subsection shall be eligible  
30 for the deduction provided under this subparagraph  
31 (M-1). The subtraction modification available to  
32 taxpayers in any year under this subsection shall be  
33 that portion of the total interest paid by the  
34 borrower with respect to such loan attributable to

1 the eligible property as calculated under the  
2 previous sentence;

3 (N) Two times any contribution made during the  
4 taxable year to a designated zone organization to  
5 the extent that the contribution (i) qualifies as a  
6 charitable contribution under subsection (c) of  
7 Section 170 of the Internal Revenue Code and (ii)  
8 must, by its terms, be used for a project approved  
9 by the Department of Commerce and Community Affairs  
10 under Section 11 of the Illinois Enterprise Zone  
11 Act;

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

1 provisions of Section 1504 (b) (3) of the Internal  
2 Revenue Code be treated as a member of the  
3 affiliated group which includes the dividend  
4 recipient, exceed the amount of the modification  
5 provided under subparagraph (G) of paragraph (2) of  
6 this subsection (b) which is related to such  
7 dividends;

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

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

17 (R) In the case of an attorney-in-fact with  
18 respect to whom an interinsurer or a reciprocal  
19 insurer has made the election under Section 835 of  
20 the Internal Revenue Code, 26 U.S.C. 835, an amount  
21 equal to the excess, if any, of the amounts paid or  
22 incurred by that interinsurer or reciprocal insurer  
23 in the taxable year to the attorney-in-fact over the  
24 deduction allowed to that interinsurer or reciprocal  
25 insurer with respect to the attorney-in-fact under  
26 Section 835(b) of the Internal Revenue Code for the  
27 taxable year; and

28 (S) For taxable years ending on or after  
29 December 31, 1997, in the case of a Subchapter S  
30 corporation, an amount equal to all amounts of  
31 income allocable to a shareholder subject to the  
32 Personal Property Tax Replacement Income Tax imposed  
33 by subsections (c) and (d) of Section 201 of this  
34 Act, including amounts allocable to organizations

1 exempt from federal income tax by reason of Section  
2 501(a) of the Internal Revenue Code. This  
3 subparagraph (S) is exempt from the provisions of  
4 Section 250.

5 (3) Special rule. For purposes of paragraph (2)  
6 (A), "gross income" in the case of a life insurance  
7 company, for tax years ending on and after December 31,  
8 1994, shall mean the gross investment income for the  
9 taxable year.

10 (c) Trusts and estates.

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

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

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

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

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

33 (D) The amount of any net operating loss  
34 deduction taken in arriving at taxable income, other



1 than a net operating loss carried forward from a  
2 taxable year ending prior to December 31, 1986;

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

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

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

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

1 taxable year;

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

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

12 (G-5) For taxable years ending after December  
13 31, 1997, an amount equal to any eligible  
14 remediation costs that the trust or estate deducted  
15 in computing adjusted gross income and for which the  
16 trust or estate claims a credit under subsection (1)  
17 of Section 201;

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

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

31 (I) The valuation limitation amount;

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

1 year;

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

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

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

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

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

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

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

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

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

25 (d) Partnerships.

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

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

32 (A) An amount equal to all amounts paid or  
33 accrued to the taxpayer as interest or dividends  
34 during the taxable year to the extent excluded from

1 gross income in the computation of taxable income;

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

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

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 taxable income;

13 and by deducting from the total so obtained the following  
14 amounts:

15 (E) The valuation limitation amount;

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

31 (H) Any income of the partnership which  
32 constitutes personal service income as defined in  
33 Section 1348 (b) (1) of the Internal Revenue Code  
34 (as in effect December 31, 1981) or a reasonable

1 allowance for compensation paid or accrued for  
2 services rendered by partners to the partnership,  
3 whichever is greater;

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

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

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

31 (L) An amount equal to any contribution made  
32 to a job training project established pursuant to  
33 the Real Property Tax Increment Allocation  
34 Redevelopment Act;

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

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

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

18           (1) In general. Subject to the provisions of  
19 paragraph (2) and subsection (b) (3), for purposes of  
20 this Section and Section 803(e), a taxpayer's gross  
21 income, adjusted gross income, or taxable income for the  
22 taxable year shall mean the amount of gross income,  
23 adjusted gross income or taxable income properly  
24 reportable for federal income tax purposes for the  
25 taxable year under the provisions of the Internal Revenue  
26 Code. Taxable income may be less than zero. However, for  
27 taxable years ending on or after December 31, 1986, net  
28 operating loss carryforwards from taxable years ending  
29 prior to December 31, 1986, may not exceed the sum of  
30 federal taxable income for the taxable year before net  
31 operating loss deduction, plus the excess of addition  
32 modifications over subtraction modifications for the  
33 taxable year. For taxable years ending prior to December  
34 31, 1986, taxable income may never be an amount in excess



1 of the net operating loss for the taxable year as defined  
2 in subsections (c) and (d) of Section 172 of the Internal  
3 Revenue Code, provided that when taxable income of a  
4 corporation (other than a Subchapter S corporation),  
5 trust, or estate is less than zero and addition  
6 modifications, other than those provided by subparagraph  
7 (E) of paragraph (2) of subsection (b) for corporations  
8 or subparagraph (E) of paragraph (2) of subsection (c)  
9 for trusts and estates, exceed subtraction modifications,  
10 an addition modification must be made under those  
11 subparagraphs for any other taxable year to which the  
12 taxable income less than zero (net operating loss) is  
13 applied under Section 172 of the Internal Revenue Code or  
14 under subparagraph (E) of paragraph (2) of this  
15 subsection (e) applied in conjunction with Section 172 of  
16 the Internal Revenue Code.

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

20 (A) Certain life insurance companies. In the  
21 case of a life insurance company subject to the tax  
22 imposed by Section 801 of the Internal Revenue Code,  
23 life insurance company taxable income, plus the  
24 amount of distribution from pre-1984 policyholder  
25 surplus accounts as calculated under Section 815a of  
26 the Internal Revenue Code;

27 (B) Certain other insurance companies. In the  
28 case of mutual insurance companies subject to the  
29 tax imposed by Section 831 of the Internal Revenue  
30 Code, insurance company taxable income;

31 (C) Regulated investment companies. In the  
32 case of a regulated investment company subject to  
33 the tax imposed by Section 852 of the Internal  
34 Revenue Code, investment company taxable income;

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

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

19           (F) Cooperatives. In the case of a  
20 cooperative corporation or association, the taxable  
21 income of such organization determined in accordance  
22 with the provisions of Section 1381 through 1388 of  
23 the Internal Revenue Code;

24           (G) Subchapter S corporations. In the case  
25 of: (i) a Subchapter S corporation for which there  
26 is in effect an election for the taxable year under  
27 Section 1362 of the Internal Revenue Code, the  
28 taxable income of such corporation determined in  
29 accordance with Section 1363(b) of the Internal  
30 Revenue Code, except that taxable income shall take  
31 into account those items which are required by  
32 Section 1363(b)(1) of the Internal Revenue Code to  
33 be separately stated; and (ii) a Subchapter S  
34 corporation for which there is in effect a federal

1 election to opt out of the provisions of the  
2 Subchapter S Revision Act of 1982 and have applied  
3 instead the prior federal Subchapter S rules as in  
4 effect on July 1, 1982, the taxable income of such  
5 corporation determined in accordance with the  
6 federal Subchapter S rules as in effect on July 1,  
7 1982; and

8 (H) Partnerships. In the case of a  
9 partnership, taxable income determined in accordance  
10 with Section 703 of the Internal Revenue Code,  
11 except that taxable income shall take into account  
12 those items which are required by Section 703(a)(1)  
13 to be separately stated but which would be taken  
14 into account by an individual in calculating his  
15 taxable income.

16 (f) Valuation limitation amount.

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

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

26 (B) The lesser of (i) the sum of the  
27 pre-August 1, 1969 appreciation amounts (to the  
28 extent consisting of capital gain) for all property  
29 in respect of which such gain was reported for  
30 federal income tax purposes for the taxable year, or  
31 (ii) the net capital gain for the taxable year,  
32 reduced in either case by any amount of such gain  
33 included in the amount determined under subsection  
34 (a) (2) (F) or (c) (2) (H).

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

2 (A) If the fair market value of property  
3 referred to in paragraph (1) was readily  
4 ascertainable on August 1, 1969, the pre-August 1,  
5 1969 appreciation amount for such property is the  
6 lesser of (i) the excess of such fair market value  
7 over the taxpayer's basis (for determining gain) for  
8 such property on that date (determined under the  
9 Internal Revenue Code as in effect on that date), or  
10 (ii) the total gain realized and reportable for  
11 federal income tax purposes in respect of the sale,  
12 exchange or other disposition of such property.

13 (B) If the fair market value of property  
14 referred to in paragraph (1) was not readily  
15 ascertainable on August 1, 1969, the pre-August 1,  
16 1969 appreciation amount for such property is that  
17 amount which bears the same ratio to the total gain  
18 reported in respect of the property for federal  
19 income tax purposes for the taxable year, as the  
20 number of full calendar months in that part of the  
21 taxpayer's holding period for the property ending  
22 July 31, 1969 bears to the number of full calendar  
23 months in the taxpayer's entire holding period for  
24 the property.

25 (C) The Department shall prescribe such  
26 regulations as may be necessary to carry out the  
27 purposes of this paragraph.

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

31 (h) Legislative intention. Except as expressly provided  
32 by this Section there shall be no modifications or  
33 limitations on the amounts of income, gain, loss or deduction

1 taken into account in determining gross income, adjusted  
2 gross income or taxable income for federal income tax  
3 purposes for the taxable year, or in the amount of such items  
4 entering into the computation of base income and net income  
5 under this Act for such taxable year, whether in respect of  
6 property values as of August 1, 1969 or otherwise.

7 (Source: P.A. 90-491, eff. 1-1-98; 90-717, eff. 8-7-98;  
8 90-770, eff. 8-14-98; 91-192, eff. 7-20-99; 91-205, eff.  
9 7-20-99; 91-357, eff. 7-29-99; 91-541, eff. 8-13-99; 91-676,  
10 eff. 12-23-99; 91-845, eff. 6-22-00; 91-913, eff. 1-1-01;  
11 revised 10-24-00)

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