

# 2014 Workbook

## 2014 Illinois Update & Reference Material

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# 2014 Workbook

## 2014 Illinois Update

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Corrections were made to this workbook through January of 2015. No subsequent modifications were made.

### FILING STATUS FOR ILLINOIS RETURNS

Taxpayers may file Illinois income tax returns using one of the following filing statuses.

- Single or head of household (HoH)
- Married filing jointly (MFJ)
- Married filing separately (MFS)

Generally, taxpayers must file their Illinois income tax returns using the same status that they use for federal income tax purposes. However, taxpayers in the following situations may file their state returns using different statuses than their federal returns.<sup>1</sup>

- If a married taxpayer files an MFJ federal return and is an **injured spouse**, the taxpayer should file a separate Illinois return using the MFS status. Injured spouses are discussed later.
- If married taxpayers file an MFJ federal return and one spouse is a full-year Illinois **resident** and the other spouse is a **nonresident** or a **part-year resident**, they may elect to file separate Illinois returns.
- Each member of a civil-union couple must file their federal return using either the single or, if qualified, the HoH filing status. Members of **opposite-sex Illinois civil unions** must file their Illinois income tax returns using the same status that they each use for federal income tax purposes. Members of **same-sex Illinois civil unions** may file their Illinois returns using either the MFS status on two separate returns or the MFJ status on a return that combines their federal information as if they were considered married under federal law. Under either status, Schedule CU, *Civil Union Income Report*, must be attached to the return to show how the pro-forma federal return was calculated.

**Note.** For tax years 2011, 2012, and 2013, most same-sex couples in Illinois were not allowed to be married under state law and were not recognized as married under any federal law. However, effective September 16, 2013, the federal government began recognizing same-sex marriages that were legal in the jurisdiction in which the marriage ceremony took place. Effective June 1, 2014, same-sex couples were allowed to marry under Illinois law.

<sup>1</sup>. Instructions for Form IL-1040.

- A couple filing a joint federal income tax return for a tax year ending on or after December 31, 2009, may elect to file separate Illinois income tax returns.<sup>2</sup> The election must be made on or before the due date (including extensions) of the return. Once made, the election is irrevocable. **If no election is made:**
  - ♦ The couple **must** file a joint Illinois return,
  - ♦ The taxpayers' tax liabilities are **joint and several**, and
  - ♦ Any overpayment may be applied against a debt of either spouse without regard to the amount of the overpayment attributable to the other spouse.

## RESIDENCY ISSUES

In general, taxpayers who move into or out of Illinois during the year are required to pay Illinois income taxes on only the income they earned while they were residents of Illinois. However, certain deductions and credits may not be allowed for taxpayers who were only part-year residents. To allocate their income and deductions, part-year residents must complete Schedule NR, *Nonresident and Part-Year Resident Computation of Illinois Tax*.

### DETERMINING RESIDENCY<sup>3</sup>

An individual's residency status is determined by the facts and circumstances of each situation. According to the Illinois Administrative Code, the intent of the Illinois tax code is for all persons who benefit from Illinois government to help pay for its services.

The law defines a resident as an individual who:

1. Is in the state for **other than** a temporary or transitory purpose during the tax year, **or**
2. Lives in the state **except for** a temporary or transitory purpose during the tax year.

Consequently, a person is considered an Illinois resident if they live in the state without plans to leave. A person is also a resident if they maintain a home in the state but leave with the intent to come back.

Special rules apply to a married couple who files a joint federal tax return but one spouse is a full-year resident of Illinois while the other spouse is a nonresident or part-year resident. In this case, each spouse must file a separate return for the state of Illinois.

### AMENDED REGULATIONS TARGETING "SNOW BIRDS"<sup>4</sup>

In July 2012, the Illinois Appellate Court (First District, First Division) issued an important decision in *Cain v. Hamer*<sup>5</sup> concerning the residency status of a couple who resided in both Illinois and Florida. In 2006, the Illinois Department of Revenue (IDOR) sent the plaintiffs a notice of tax deficiency, which asserted that the plaintiffs owed over \$1.8 million in unpaid income taxes and penalties for the years 1996 through 2004. The court ruled that the taxpayers had met the Illinois regulatory requirements to be considered nonresidents for income tax purposes and therefore did not owe any of the taxes or related penalties.

In response, IDOR amended its regulations. Effective April 19, 2013, taxpayers are **presumed to be Illinois residents** if either of the following two conditions exist.

1. They receive an owner-occupied homestead exemption for Illinois property.
2. They were Illinois residents in the prior year and they spend more days in Illinois in the current year than they did in any other state.

<sup>2</sup> IITA §502(c)(1)(B).

<sup>3</sup> IITA §301.

<sup>4</sup> 86 Ill. Adm. Code §100.3020.

<sup>5</sup> *Cain v. Hamer*, 2012 IL App 112833, 975 N.E.2d 321 (1st Dist. Jul. 16, 2012).



However, even if taxpayers do meet one of these conditions, they may rebut the presumption that they are Illinois residents by providing “clear and convincing evidence” that they are residents of another state. The regulations list a variety of evidence and facts that may be used to establish residency.

- Location of spouse and dependents
- Voter registration
- Automobile registration
- Driver’s license
- Filing an income tax return as a resident of another state
- Home ownership or rental agreements
- The permanent or temporary nature of work assignments in a state
- Location of professional licenses
- Location of medical professionals, other healthcare providers, accountants, and attorneys
- Club and/or organizational memberships and participation
- Telephone and/or other utility usage over a period of time

If taxpayers believe that they are not Illinois residents despite the fact that one of the two presumptive conditions exist, the regulations suggest that the taxpayers should file an Illinois return to avoid being penalized for failure to file if the state later determines that they were Illinois residents. There are two methods outlined in the regulations: one for taxpayers who have no Illinois income and one for taxpayers who have income that is taxable for Illinois purposes.

The following method should be used for **nonresidents who have no Illinois income**.

1. Mark the return as a nonresident return.
2. Do **not** include Schedule NR with the return.
3. Show the computation of net income as though the taxpayer were a resident.
4. Note on the line of the return provided for entering the tax liability: “No liability — nonresident.”
5. Attach a signed statement indicating the following.
  - a. Which presumption of residence applies to the taxpayer
  - b. Specific detail explaining the reasons why the individual believes that they were a nonresident for the tax year
6. Attach any evidence (such as certificates or affidavits) that shows the taxpayer was a nonresident for the tax year.

The following method should be used for **nonresidents who have Illinois income**.

1. File a return as a nonresident.
2. Include Schedule NR with the return.
3. Attach a signed statement indicating the following.
  - a. Which presumption of residence applies to the taxpayer
  - b. Specific detail explaining the reasons why the individual believes that they were a nonresident for the tax year
4. Attach any evidence (such as certificates or affidavits) that shows the taxpayer was a nonresident for the tax year.

Under both of the preceding methods, IDOR may request additional information supporting the taxpayer's contention that they are not an Illinois resident. If the taxpayer fails to submit additional information or if the additional information submitted does not convince IDOR that the taxpayer was a nonresident, a notice of deficiency will be issued to the taxpayer.

## INJURED AND INNOCENT SPOUSE RELIEF<sup>6</sup>

### INJURED SPOUSE

An injured spouse is someone who is not liable for the past-due debt of their spouse but whose joint income tax refund may be taken or was taken to pay the debt. Types of past-due debts for which refunds may be seized include the following.

- Federal taxes
- State taxes
- Child support
- Spousal support
- Other outstanding debt

Beginning in 2009, the state no longer allowed an injured spouse to receive their portion of a **joint** Illinois income tax refund. Once a taxpayer files a joint Illinois return, the state may take the refund applicable to that return and apply it to the debts of either taxpayer.<sup>7</sup>

The only way for an injured spouse to protect their refund is to file their Illinois income tax return using the MFS status. An injured spouse may choose to file separately only until the extended due date of the return. Once the election to file separate returns is made, it is irrevocable.

To prepare a state return using the MFS status, taxpayers should divide the income shown on their joint federal returns using part III of federal Form 8379, *Injured Spouse Allocation*, which follows. The allocation from Form 8379 is used to determine the portion of adjusted gross income (AGI) from the federal joint return to report on line 1 of Form IL-1040, *Individual Income Tax Return*.

Form 8379 (Rev. 11-2012)

Page **2**

<b>Part III Allocation Between Spouses of Items on the Joint Tax Return</b> (see instructions)			
Allocated Items	(a) Amount shown on joint return	(b) Allocated to injured spouse	(c) Allocated to other spouse
<b>13</b> Income: <b>a.</b> Income reported on Form W-2			
<b>b.</b> All other income			
<b>14</b> Adjustments to income			
<b>15</b> Standard deduction or Itemized deductions			
<b>16</b> Number of exemptions			
<b>17</b> Credits ( <b>do not</b> include any earned income credit)			
<b>18</b> Other taxes			
<b>19</b> Federal income tax withheld			
<b>20</b> Payments			

**Signature.** Complete this part only if you are filing Form 8379 by itself and not with your joint return.

<sup>6</sup> IDOR Pub. 125, *Injured and Innocent Spouse Relief*, and Instructions to Form IL-1040.

<sup>7</sup> IITA §502(c)(1)(B)(iii).

## INNOCENT SPOUSE

Innocent spouse provisions may apply in situations in which a joint return was filed but one spouse has reason to believe that they should not be held liable for the other spouse's tax liability. A taxpayer may be entitled to innocent spouse relief if some of the tax liability was not paid or if some of the tax liability was underreported on the joint return. To qualify, the taxpayer's separate payments (e.g., withholding from wages) plus their share of any joint payments must equal or exceed the liability they would owe if they had filed a separate income tax return.

To apply for relief, the taxpayer must complete a separate Form IL-8857, *Request for Innocent Spouse Relief*, for each year that they are requesting relief. For each request, copies of the following items must be attached, if applicable.

1. The original federal and Illinois income tax returns
2. Any amended federal and Illinois income tax returns
3. The federal Form 8857, *Request for Innocent Spouse Relief*
4. Any final determination of the federal or Illinois tax liability that the taxpayer has received from the IRS, IDOR, or a court of law, including any grant or denial of innocent spouse relief
5. Any other supporting documentation that might assist IDOR in determining the taxpayer's eligibility for relief

The completed Form IL-8857, along with supporting documentation, should be sent to the following address.

Illinois Department of Revenue  
Problems Resolution Division  
P.O. Box 19014  
Springfield, IL 62794-9014

If the taxpayer is **granted innocent spouse relief and is due a refund**, Form IL-8857 serves as the claim for refund. The state only issues a refund if it receives Form IL-8857 within the period ending at the **latest** of the following dates.

- Three years after the extended due date of the original Form IL-1040
- Three years after the date the original Form IL-1040 was filed
- One year after the Illinois tax was paid

**Example 1.** Suzannah married Tom immediately after graduating from high school. They filed joint federal and state returns for the years 2007–2010. In 2010, Tom discovered that Suzannah had a gambling problem and that she had drained all of their accounts and incurred substantial credit card debt. As a result, the couple divorced.

In 2012, Tom got a letter from the IRS stating that there was \$100,000 of gambling winnings omitted from the couple's 2009 joint return. Tom was granted innocent spouse relief by the IRS because he was unaware of the gambling income and obtained no benefit from it.

In 2014, Tom received a letter from IDOR stating that the IRS had reported to the state that the couple's AGI was \$100,000 higher than originally reported on the joint 2009 Illinois return. Tom consulted a CPA, who prepared the following Form IL-8857 to request that the state grant Tom relief from the liability. The CPA also attached copies of the original federal and Illinois income tax returns, the federal Form 8857 that was filed with the IRS, and the IRS's determination that Tom qualified for innocent spouse relief.

Because Tom is filing to obtain relief from a tax liability (rather than for a refund), the limitations period for obtaining a refund does not apply to him.

**Note.** The instructions for Form IL-8857 direct the preparer to use the original amounts reported on the federal return in column A and to use the actual amounts earned in columns B and C for the respective spouses. If both taxpayers knew of income that was omitted from the original returns, the omitted amounts must be shown in both columns B and C. If the innocent taxpayer did not know of the omission, the amount is only included in the column for the taxpayer who received the income.

## For Example 1



Illinois Department of Revenue

## IL-8857 Request for Innocent Spouse Relief

### Read this information first

To request innocent spouse relief for your Illinois Individual Income Tax liability, you must file this form even if you filed federal Form 8857, Request for Innocent Spouse Relief, with the Internal Revenue Service (IRS). You must file a separate Form IL-8857 and an Allocation of Liability Worksheet for each year you are seeking innocent spouse relief.

### Step 1: Provide the following information

- |  |   |
|--|---|
| <p><b>1</b> <u>Tom Nelson</u><br/>Your name</p> <p><b>2</b> <u>1 Example Ln</u><br/>Your street address</p> <p><b>3</b> <u>Champaign, IL 61820</u><br/>Your city, state, ZIP</p> | <p><b>4</b> <u>1 1 1 - 1 2 - 1 1 1 1</u><br/>Your Social Security number</p> <p><b>5</b> <u>(217) 999-5555</u><br/>Your daytime telephone number</p> <p><b>6</b> For what tax year are you requesting tax liability relief? <u>2009</u><br/>Attach a copy of your Illinois and federal income tax returns, W-2s, and attachments for the year identified above. See instructions.</p> |
|--|---|

### Step 2: Provide the following information about the person to whom you were married

- |   |  |
|---|--|
| <p><b>7</b> <u>Suzannah Nelson</u><br/>Name</p> <p><b>8</b> <u>current address unknown</u><br/>Street address</p> <p><b>9</b> <u>current address unknown</u><br/>City, state, ZIP</p> | <p><b>10</b> <u>5 5 5 - 5 5 - 5 5 5 5</u><br/>Social Security number</p> <p><b>11</b> <u>unknown</u><br/>Place of employment/address</p> |
|---|--|

### Step 3: Answer the following questions

- 12** Have you filed federal Form 8857 with the IRS for the tax year identified on Line 6 prior to filing this request with us? Yes ☒ No ☐  
*If you answered "Yes," you must attach a copy of that form, all documentation used in the review, and any IRS determination.*
- 13** Since the tax liability arose, did you or your spouse transfer any assets for which you did not receive full value in payment? See instructions. Yes ☐ No ☒
- 14 a** Is this request for a tax year ending before August 13, 1999? Yes ☐ No ☒  
**b** Did you pay the entire tax liability for that tax year prior to August 13, 1999? See instructions. Yes ☐ No ☒  
*If you answered "Yes" to both 14 a and b, answer questions 15 and 16. Otherwise, skip to Step 4.*
- 15** For the tax year that you are requesting relief, is there a difference between the total amount of tax that should have been shown on the return and the amount of tax that was actually shown? Yes ☐ No ☐
- 16** Did you know that the tax was understated at the time you signed the joint return? Yes ☐ No ☐

### Step 4: Explain your request

- 17** Explain why you are not responsible for the tax liability for the tax year identified on Line 6. Attach additional sheets if needed.

The taxpayer did not know of his former spouse's gambling and was not aware that the winnings were omitted from the originally filed return. The IRS has granted the taxpayer's petition for innocent spouse relief for the federal income taxes due related to this income. We request that the state of Illinois also grant his request.

# 2014 Workbook

## For Example 1

### Step 5: Complete the Allocation of Liability Worksheet

18 Complete the Allocation of Liability Worksheet for the tax year you are requesting innocent spouse relief.

a Did you file a joint federal return before an assessment by the IRS?

Yes ☒

No ☐

b Did you file a joint Illinois return before an assessment by the Illinois Department of Revenue (IDOR)?

Yes ☒

No ☐

You must read the instructions for Step 5 before completing the Allocation of Liability Worksheet.

<b>Allocation of Liability Worksheet - Page 1</b>			
	<b>Column A</b> Joint return	<b>Column B</b> Husband's portion	<b>Column C</b> Wife's portion
<b>Allocate income items</b>			
1 Wages, salaries, tips, etc.	150,000	75,000	75,000
2 Taxable interest			
3 Ordinary dividends			
4 Taxable refunds, credits, or offsets of state/local income tax			
5 Alimony received			
6 Business income or loss			
7 Capital gain or loss			
8 Other gains or losses			
9 Taxable IRA distributions			
10 Taxable pensions and annuities			
11 Rents, royalties, partnerships, S corporations, trusts, estates			
12 Farm income or loss			
13 Unemployment compensation and Alaska Permanent Fund			
14 Taxable Social Security benefits			
15 Other income			
16 Add Lines 1 through 15. <b>Total income</b>	150,000	75,000	75,000
<b>Allocate deduction items</b>			
17 Educator expenses			
18 Business expenses of reservists, performing artists, and fee-based government officials			
19 Health savings account deduction			
20 Moving expenses			
21 One-half of self-employment tax			
22 Self-employed (SEP), SIMPLE, and qualified plans			
23 Self-employed health insurance deduction			
24 Penalty on early withdrawal of savings			
25 Alimony paid			
26 IRA deduction			
27 Student loan interest deduction			
28 Tuition and fees			
29 Domestic production activities deduction			
30 Other adjustments			
31 Add Lines 17 through 30. <b>Total deductions</b>			
32 Subtract Line 31 from Line 16. <b>Adjusted gross income</b>	150,000	75,000	75,000
<b>Allocate Illinois additions, subtractions, and income</b>			
33 Federally tax-exempt interest and dividend income			
34 Other additions from Schedule M			
35 Add Lines 32 through 34. <b>Total Illinois income</b>	150,000	75,000	75,000
36 Federally-taxed Social Security and retirement income			
37 Illinois Income Tax overpayment on U.S. 1040, Line 10			
38 Other subtractions from Schedule M			
39 Add Lines 36 through 38. <b>Total Illinois subtractions</b>			
40 Subtract Line 39 from Line 35. <b>Illinois base income</b>	150,000	75,000	75,000
41 Allocate income to Illinois. See instructions	150,000	75,000	75,000

# 2014 Workbook

## For Example 1

<b>Allocation of Liability Worksheet - Page 2</b>			
	<b>Column A</b> Joint return	<b>Column B</b> Husband's portion	<b>Column C</b> Wife's portion
<b>42</b> Illinois income from Line 41	<u>150,000</u>	<u>75,000</u>	<u>75,000</u>
<b>Allocate Illinois exemptions and tax</b>			
<b>43</b> Exemptions. See instructions.	<u>4,000</u>	<u>2,000</u>	<u>2,000</u>
<b>44</b> Subtract Line 43 from Line 42. <b>Illinois net income</b> This amount cannot be less than zero.	<u>146,000</u>	<u>73,000</u>	<u>73,000</u>
<b>45</b> Multiply Line 44 by the income tax rate. See instructions. <b>Illinois Income Tax</b>	<u>4,380</u>	<u>2,190</u>	<u>2,190</u>
<b>46</b> Recapture of investment tax credits from Schedule 4255			
<b>47</b> Add Lines 45 and 46. <b>Total Tax</b>	<u>4,380</u>	<u>2,190</u>	<u>2,190</u>
<b>Allocate Illinois nonrefundable credits and use tax</b>			
<b>48</b> Income tax paid to another state from Schedule CR			
<b>49</b> Illinois Property Tax and K-12 education expense credit amount from Schedule ICR	<u>130</u>	<u>65</u>	<u>65</u>
<b>50</b> Credit from Schedule 1299-C			
<b>51</b> Add Lines 48 through 50. <b>Nonrefundable credits</b>	<u>130</u>	<u>65</u>	<u>65</u>
<b>52</b> Subtract Line 51 from Line 47	<u>4,250</u>	<u>2,125</u>	<u>2,125</u>
<b>53</b> Use tax on internet, mail order, out-of-state purchases	<u>0</u>	<u>0</u>	<u>0</u>
<b>54</b> Add Lines 52 and 53. <b>Tax after nonrefundable credits and use tax</b>	<u>4,250</u>	<u>2,125</u>	<u>2,125</u>
<b>55</b> Total contributions from Schedule G			
<b>56</b> Subtract Line 55 from Line 54. <b>Total liability</b>	<u>4,250</u>	<u>2,125</u>	<u>2,125</u>
<b>Correction of erroneous items</b>			
<b>57</b> Erroneous items of income and deductions. List and identify on Page 4	<u>100,000</u>		<u>100,000</u>
<b>58</b> Corrections to exemption allowance			
<b>59</b> Add Lines 57 and 58.	<u>100,000</u>		<u>100,000</u>
<b>60</b> Multiply Line 59 by the income tax rate. See instructions.	<u>3,000</u>		<u>3,000</u>
<b>61</b> Erroneous credits. List and identify on Page 4.			
<b>62</b> Add Lines 60 and 61. <b>Total corrections to tax</b>	<u>3,000</u>	<u>0</u>	<u>3,000</u>
<b>Penalties</b>			
<b>63 a</b> Late-filing penalty			
<b>b</b> Late-payment for unpaid tax penalty	<u>600</u>		<u>600</u>
<b>c</b> Late-payment for underpayment of estimated tax penalty			
<b>d</b> Other (specify)			
<b>64</b> Add Lines 63a through 63d. <b>Total penalties</b>	<u>600</u>		<u>600</u>
<b>65</b> Add Lines 56, 62, and 64. <b>Total liability</b>	<u>7,850</u>	<u>2,125</u>	<u>5,725</u>
<b>Payments and refundable credit</b>			
<b>66</b> Illinois Income Tax withheld	<u>4,450</u>	<u>2,225</u>	<u>2,225</u>
<b>67</b> Estimated tax payments			
<b>68</b> Pass-through entity tax payments			
<b>69</b> Earned Income Credit from Schedule ICR			
<b>70</b> Payments made with return			
<b>71</b> Payments made after return was filed			
<b>72</b> Add Lines 66 through 71. <b>Total payments</b>	<u>4,450</u>	<u>2,225</u>	<u>2,225</u>
<b>73</b> Refunds received	<u>200</u>	<u>100</u>	<u>100</u>
<b>74</b> Subtract Line 73 from Line 72. <b>Net payments</b>	<u>4,250</u>	<u>2,125</u>	<u>2,125</u>
<b>Net overpayment or underpayment</b>			
<b>75</b> Subtract Line 74 from Line 65.	<u>3,600</u>	<u>0</u>	<u>3,600</u>
<b>76</b> Add Lines 62 and 64. Net overpayment or underpayment attributable to erroneous items	<u>3,600</u>	<u>0</u>	<u>3,600</u>
<b>77</b> Compare Lines 75 and 76. See instructions.	<u>3,600</u>		<u>3,600</u>



# 2014 Workbook

## For Example 1

### Step 6: Complete the Erroneous Items Worksheet

Complete the Erroneous Items Worksheet if you or your spouse reported erroneous items of income and deductions on Line 57 or erroneous credits on Line 61.

<b>Erroneous Items Worksheet</b>	
<b>Line 57: Erroneous income and deduction items</b>	
List the corrections to your erroneous income and deduction items separately and identify each item. Write corrections that decrease your income as negative amounts.	
Corrections to erroneous item	Identify your erroneous item
a <u>100,000</u>	<u>Spouse's gambling winnings omitted from original return</u>
b _____	_____
c _____	_____
d _____	_____
\$ <u>100,000</u>	<b>Total</b> corrections to erroneous income and deduction items. Write this amount on Line 57.
<b>Line 61: Erroneous credit items</b>	
List the corrections to your erroneous credit items separately and identify each item. Write corrections that decrease the credits as a negative amount.	
Corrections to erroneous item	Identify your erroneous item
a _____	_____
b _____	_____
c _____	_____
d _____	_____
\$ <u>0</u>	<b>Total</b> corrections to erroneous credit items. Write this amount on Line 61.

### Step 7: Sign below

Under penalties of perjury, I state that I have examined this form, and, to the best of my knowledge, it is true, correct, and complete.

\_\_\_\_\_  
Your signature

\_\_\_\_\_  
Daytime phone number

\_\_\_\_\_  
Date



Mail to:  
ILLINOIS DEPARTMENT OF REVENUE  
PROBLEMS RESOLUTION DIVISION  
PO BOX 19014  
SPRINGFIELD IL 62794-9014

## ILLINOIS INDEPENDENT TAX TRIBUNAL<sup>8</sup>

Beginning January 1, 2014, certain tax disputes between IDOR and taxpayers are under the jurisdiction of the Illinois Independent Tax Tribunal. The purpose of the tribunal is to provide taxpayers with an avenue to resolve controversies and thereby increase public confidence in the fairness of the state tax system.<sup>9</sup>

### JURISDICTION

The tribunal is an independent administrative body. It takes evidence, conducts hearings, rules on motions, and issues final decisions.<sup>10</sup> The tribunal only has jurisdiction over cases involving either:<sup>11</sup>

1. Taxes of more than \$15,000, or
2. Penalties and/or interest of more than \$15,000 when no tax deficiency is assessed.

Taxpayers may file a petition with the tribunal prior to paying the tax or penalties in dispute. A \$500 fee is imposed for filing the petition.<sup>12</sup> Petitions may be filed to protest the following types of notices.<sup>13</sup>

1. Deficiency
2. Tax liability
3. Claim denial
4. Penalty liability

**Note.** Either the taxpayer or an attorney admitted to practice in Illinois may appear in proceedings conducted by the Tax Tribunal.<sup>14</sup>

If all or part of the liability is paid prior to the resolution of the case by the tribunal, the tribunal treats the taxpayer's petition as a **protest of a denial of a refund claim** for the amount paid if the taxpayer files a written motion to that effect.<sup>15</sup>

The tribunal has jurisdiction over the taxes and other assessments related to the following.<sup>16</sup>

- The Illinois Income Tax Act
- The Use Tax Act
- The Service Use Tax Act
- The Service Occupation Tax Act
- The Retailers' Occupation Tax Act

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<sup>8</sup> 35 ILCS §1010.

<sup>9</sup> 35 ILCS §1010/1-5.

<sup>10</sup> 35 ILCS §1010/1-65(b).

<sup>11</sup> *Illinois Independent Tax Tribunal*. Illinois Department of Revenue. [tax.illinois.gov/Tribunal/Index.htm] Accessed on Aug. 22, 2014. See also 35 ILCS §1010/1-45(a).

<sup>12</sup> 35 ILCS §1010/1-55(a).

<sup>13</sup> 35 ILCS §1010/1-45(a).

<sup>14</sup> 35 ILCS §1010/1-80.

<sup>15</sup> 35 ILCS §1010/1-45(d).

<sup>16</sup> 35 ILCS §1010/1-45(a).



- The Cigarette Tax Act
- The Cigarette Use Tax Act
- The Tobacco Products Tax Act of 1995
- The Hotel Operators' Occupation Tax Act
- The Motor Fuel Tax Law
- The Automobile Renting Occupation and Use Tax Act
- The Coin-Operated Amusement Device and Redemption Machine Tax Act
- The Gas Revenue Tax Act
- The Water Company Invested Capital Tax Act
- The Telecommunications Excise Tax Act
- The Telecommunications Infrastructure Maintenance Fee Act
- The Public Utilities Revenue Act
- The Electricity Excise Tax Law
- The Aircraft Use Tax Law
- The Watercraft Use Tax Law
- The Gas Use Tax Law
- The Uniform Penalty and Interest Act

The tribunal does **not** have jurisdiction to review the following.<sup>17</sup>

- Any assessment made under the property tax code (PTC)
- A ruling for any entity claiming exemption from any tax imposed under the PTC or administered by IDOR
- A notice of **proposed** tax liability, notice of proposed deficiency, or any other notice of proposed assessment or notice of intent to take some action
- Any action or determination by IDOR regarding tax liabilities that have become finalized by law, including but not limited to the issuance of liens, levies, and revocations, suspensions, or denials of licenses or certificates of registration or any other collection activities
- Any proceedings of IDOR's informal administrative appeals function
- Any challenge to an administrative subpoena issued by IDOR

The tribunal may decide questions regarding the constitutionality of statutes and rules as they are applied to the taxpayer.<sup>18</sup> It does not have the power to declare a statute or rule unconstitutional or otherwise invalid.

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<sup>17</sup> 35 ILCS §1010/1-45(e).

<sup>18</sup> 35 ILCS §1010/1-45(f).

## STRUCTURE AND LOCATIONS OF THE TRIBUNAL

The tribunal is managed by the chief administrative law judge (CALJ). On September 7, 2013, James Conway<sup>19</sup> was appointed by Governor Quinn to serve a 5-year<sup>20</sup> term as CALJ. An additional three judges may be appointed to serve terms of no more than four years.<sup>21</sup>

The tribunal's principal offices are in Sangamon and Cook counties.<sup>22</sup> Taxpayers whose residence or place of business is more than 100 miles from either principal office may petition the tribunal for an alternate hearing location.<sup>23</sup> According to the statute, the intent is for taxpayers to have a reasonable opportunity to appear before the tribunal with "as little inconvenience and expense as possible."<sup>24</sup>

## BONDS AND LIENS

A taxpayer may be required to **post bond** equal to 25% of the liability at issue in the following situations.<sup>25</sup>

1. IDOR can show that:
  - a. The petition is frivolous or legally insufficient, or
  - b. The taxpayer's primary intent is to delay the collection of the tax or interfere with the state's ability to ultimately collect the tax.
2. The tribunal determines that the taxpayer is not pursuing the resolution of the case with due diligence.

In lieu of a bond, the tribunal may accept a lien on property if the lien is sufficient to secure the assessment to the same degree that a bond would.

## HEARINGS

Hearings by the tribunal are open to the public.<sup>26</sup> However, taxpayers may request that portions of the hearing be closed. They may also petition the tribunal to require that certain pleadings or evidence be admitted **under seal** in order to prevent economic or other harm to the taxpayer. Original tax return documents, schedules, or other attachments and any copies thereof are not made available to the public for inspection or copying.

The taxpayer has the burden of proving the facts of the case.<sup>27</sup> The standard of proof used by the tribunal is a preponderance of the evidence.

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<sup>19</sup> *Governor Quinn Announces Executive Appointments*. Sep. 7, 2013. Illinois Government News Network. [www3.illinois.gov/PressReleases/ShowPressRelease.cfm?SubjectID=1&RecNum=11546] Accessed on Jan. 1, 2014.

<sup>20</sup> 35 ILCS §1010/1-25(a).

<sup>21</sup> Ibid.

<sup>22</sup> 35 ILCS §1010/1-35(a).

<sup>23</sup> 35 ILCS §1010/1-35(b).

<sup>24</sup> Ibid.

<sup>25</sup> 35 ILCS §1010/1-45(c).

<sup>26</sup> 35 ILCS §1010/1-65(c).

<sup>27</sup> 35 ILCS §1010/1-65(j).

## GOING TO COURT

A matter within the jurisdiction of the tribunal generally may not be contested in any action, suit, or proceeding in the Circuit Court or any other court of the state.<sup>28</sup> However, if the tribunal fails to render a decision within the prescribed period, either party may institute a proceeding in the Circuit Court to compel issuance of a decision.<sup>29</sup> The prescribed period is 90 days after submission of the last brief filed subsequent to completion of the hearing or, if briefs are not submitted, 90 days after completion of the hearing.<sup>30</sup> The tribunal may extend the 90-day period up to 30 additional days for good cause.

The taxpayer or IDOR may appeal the tribunal's decision to the Illinois Appellate Court. The appeal must be made in accordance with section 3-113 of the Administrative Review Law.<sup>31</sup>

## PUBLICATION OF DECISIONS<sup>32</sup>

Within 180 days of the issuance of a decision, the tribunal must index and publish its final decision. The decisions must be made permanently available and constitute the official reports of the tribunal. All published decisions must be edited so that the identification number of the taxpayer and any related entities or employees, and any trade secrets or other intellectual property, are not disclosed or identified.

Within 30 days following the issuance of any hearing decision, the taxpayer affected by the decision may also request that the tribunal omit specifically identified trade secrets or other confidential or proprietary information prior to publication of the decision. The tribunal must approve these requests if it determines that the requests are reasonable and that the disclosure of the information would potentially cause some sort of injury to the taxpayer.

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<sup>28</sup> 35 ILCS §1010/1-45(b).

<sup>29</sup> 35 ILCS §1010/1-70(c).

<sup>30</sup> 35 ILCS §1010/1-70(b).

<sup>31</sup> 35 ILCS §1010/1-75(a).

<sup>32</sup> 35 ILCS §1010/1-85.

## DEPRECIATION — ILLINOIS AND FEDERAL DIFFERENCES

The state of Illinois generally follows the federal tax code for depreciation deductions. One significant exception is for the 30% or 50% bonus depreciation deductions allowed under IRC §168(k) for federal tax purposes.

**Note.** The 100% bonus depreciation allowed after September 10, 2010, and before January 1, 2012, is allowed by Illinois and no adjustments are required.

When a taxpayer claims bonus depreciation on the federal return, the amount of **bonus** depreciation claimed must be added back into income for Illinois tax purposes. This provision applies to individuals,<sup>33</sup> corporations,<sup>34</sup> partnerships,<sup>35</sup> and estates and trusts.<sup>36</sup>

The state then allows the taxpayer a subtraction to effectively adjust the depreciation to the amount that is allowed under normal depreciation methods for the remaining depreciable life of the asset.<sup>37</sup> **However**, for the last year that federal depreciation is allowed for each item of property, the cumulative total of the previous adjustments is reversed.<sup>38</sup> This final adjustment restores the state tax basis of the asset to equal the federal basis. The adjustments are calculated on Form IL-4562, *Special Depreciation*.

**Note.** It is this quirk in the method in which Illinois decouples from federal bonus depreciation that causes 100% bonus depreciation to be allowed for Illinois tax purposes. Under the statutory provisions, the add-back and the subtraction for 100% bonus depreciation occur in the same tax year. For simplicity, both adjustments are ignored on the Form IL-4562.<sup>39</sup>

**Example 2.** Bryan Griffin owned five acres of unimproved property. In 2013, he built a machine shed on the property and began renting it to a national agricultural company, which stores equipment used in neighboring farming operations. Because the shed is considered farm property, it has a 20-year recovery period<sup>40</sup> and qualifies for bonus depreciation. Bryan paid \$160,000 to have the shed built and put it into service on September 1, 2013. On his 2013 federal income tax return, he deducted 50% bonus depreciation of \$80,000 and MACRS depreciation of \$3,000 related to this building.

The \$80,000 special depreciation deduction is added back into Illinois income on line 1 of Form IL-4562. The subtraction allowance for the building is calculated on lines 7a through 7d. When 50% bonus depreciation is used, the remaining basis depreciable over the life of the asset is half of the original basis for federal tax purposes. The Illinois subtraction adjustment serves to double the amount of regular depreciation allowed on the federal return for that asset for the current year. It does this by making an adjustment for exactly the same amount that has already been claimed on the federal return. (See lines 7a through 7d.)

Bryan's 2013 Forms 4562 and IL-4562 follow.

<sup>33</sup> IITA §§203(a)(2)(D-15) and (D-16).

<sup>34</sup> IITA §§203(b)(2)(E-10) and (E-11).

<sup>35</sup> IITA §§203(d)(2)(D-5) and (D-6).

<sup>36</sup> IITA §§203(c)(2)(G-10) and (G-11).

<sup>37</sup> IITA §§203(a)(2)(Z), (b)(2)(T), (d)(2)(O), and (c)(2)(R).

<sup>38</sup> IITA §§203(a)(2)(AA), (b)(2)(U), (d)(2)(P), and (c)(2)(S). See also question 8 of *IDOR Practitioners Meeting*. Feb. 3, 2012. Illinois Department of Revenue. [tax.illinois.gov/legalinformation/practqna/2012qanda.pdf] Accessed on Jan. 3, 2014.

<sup>39</sup> Ibid.

<sup>40</sup> IRS Pub. 946, *How to Depreciate Property*.

# 2014 Workbook

## For Example 2

Form <b>4562</b> Department of the Treasury Internal Revenue Service (99)	<b>Depreciation and Amortization</b> <b>(Including Information on Listed Property)</b> ▶ See separate instructions.      ▶ Attach to your tax return.	OMB No. 1545-0172 <b>2013</b> Attachment Sequence No. <b>179</b>
Name(s) shown on return <b>Bryan Griffin</b>		Identifying number <b>222-11-2222</b>
Business or activity to which this form relates <b>Schedule E, Page 1, Property A</b>		
<b>Part I Election To Expense Certain Property Under Section 179</b> <b>Note: If you have any listed property, complete Part V before you complete Part I.</b>		
1 Maximum amount (see instructions) . . . . .		1
2 Total cost of section 179 property placed in service (see instructions) . . . . .		2
3 Threshold cost of section 179 property before reduction in limitation (see instructions) . . . . .		3
4 Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- . . . . .		4
5 Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions . . . . .		5
6 (a) Description of property		(b) Cost (business use only)
(c) Elected cost		
7 Listed property. Enter the amount from line 29 . . . . .		7
8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 . . . . .		8
9 Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8 . . . . .		9
10 Carryover of disallowed deduction from line 13 of your 2012 Form 4562 . . . . .		10
11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)		11
12 Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 . . . . .		12
13 Carryover of disallowed deduction to 2014. Add lines 9 and 10, less line 12 ▶		13
<b>Note: Do not use Part II or Part III below for listed property. Instead, use Part V.</b>		
<b>Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)</b> (See instructions.)		
14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) . . . . .		14
15 Property subject to section 168(f)(1) election . . . . .		15
16 Other depreciation (including ACRS) . . . . .		16
<b>Part III MACRS Depreciation (Do not include listed property.)</b> (See instructions.)		
<b>Section A</b>		
17 MACRS deductions for assets placed in service in tax years beginning before 2013 . . . . .		17
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here ▶ <input type="checkbox"/>		
<b>Section B—Assets Placed in Service During 2013 Tax Year Using the General Depreciation System</b>		
(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)
(d) Recovery period	(e) Convention	(f) Method
(g) Depreciation deduction		
19a 3-year property		
b 5-year property		
c 7-year property		
d 10-year property		
e 15-year property		
f 20-year property	80,000	20.0 yrs
g 25-year property		HY
h Residential rental property		150 DB
i Nonresidential real property		3,000
		25 yrs.
		S/L
		27.5 yrs.
		MM
		S/L
		27.5 yrs.
		MM
		S/L
		39 yrs.
		MM
		S/L
<b>Section C—Assets Placed in Service During 2013 Tax Year Using the Alternative Depreciation System</b>		
20a Class life		S/L
b 12-year		12 yrs.
c 40-year		MM
		S/L
<b>Part IV Summary</b> (See instructions.)		
21 Listed property. Enter amount from line 28 . . . . .		21
22 <b>Total.</b> Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions . . . . .		22
23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs . . . . .		23

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 12906N

Form **4562** (2013)

## For Example 2



Illinois Department of Revenue

## IL-4562 Special Depreciation

For tax years ending on or after September 11, 2001.

Attach to your Form IL-1120, IL-1120-ST, IL-1065, IL-1041, or IL-1040.

Year ending

12 2013

Month Year

IL Attachment No. 11

### Step 1: Provide the following information

**Bryan Griffin**

Write your name as shown on your return.

**222-11-2222**

Write your Social Security number (SSN) or federal employer identification number (FEIN).

**Special Note** You must read the instructions before completing Form IL-4562. Do not use negative figures.

### Step 2: Figure your Illinois special depreciation addition

- 1 Write the total amount claimed as a special depreciation allowance on federal Form 4562, Depreciation and Amortization, Line 14 or Line 25, for property acquired after September 10, 2001. **1** 80,000.00
- 2 **Individuals only:** Write the total amount claimed as a special depreciation allowance from federal Form 2106, Employee Business Expenses. **2** \_\_\_\_\_
- 3 **Last year of regular depreciation:** Write the total amount of all Illinois depreciation subtractions claimed on prior year IL-4562 forms, Step 3, Line 8, for this property. **3** \_\_\_\_\_
- 4 Add Lines 1 through 3. This is your Illinois special depreciation addition. Write the total here and see instructions for the list of Illinois form and line references to report this addition. **4** 80,000.00

### Step 3: Figure your Illinois depreciation subtraction

- 5 a Write the portion of depreciation allowance claimed on federal Form 4562, Line 17, plus Line 19, Column g, plus Line 26, Column h, for property for which you claimed a special depreciation allowance on federal Form 4562, Line 14 or 25, for this tax year, or any other tax year ending after September 10, 2001, for bonus depreciation **equal to 30 percent** of your basis in the property. **5a** \_\_\_\_\_
- b **Individuals only:** If you completed a federal Form 2106 for this tax year, write the portion of any depreciation deductions included in Lines 4 and 38 for this tax year or any prior tax year for bonus depreciation **equal to 30 percent** of your basis in the property. **5b** \_\_\_\_\_
- c Add Lines 5a and 5b. **5c** \_\_\_\_\_
- 6 Multiply Line 5c by 42.9% (0.429). **6** \_\_\_\_\_
- 7 a Write the portion of depreciation allowance claimed on federal Form 4562, Line 17, plus Line 19, Column g, plus Line 26, Column h, for property for which you claimed a special depreciation allowance on federal Form 4562, Line 14 or 25, for this tax year, or any other tax year ending after September 10, 2001, for bonus depreciation **equal to 50 percent** of your basis in the property. **7a** 3,000.00
- b **Individuals only:** If you completed a federal Form 2106 for this tax year, write the portion of any depreciation deductions included in Lines 4 and 38 for this tax year or any prior tax year for bonus depreciation **equal to 50 percent** of your basis in the property. **7b** \_\_\_\_\_
- c Add Lines 7a and 7b. **7c** 3,000.00
- d For tax years ending on or before December 31, 2005, multiply Line 7c by 42.9% (0.429). For tax years ending after December 31, 2005, write the amount from Line 7c. **7d** 3,000.00
- 8 Add Lines 6 and 7d. **8** 3,000.00
- 9 **Last year of regular depreciation:** Write the Illinois special depreciation addition reported on any prior year Form IL-4562, Step 2, Line 1 plus Line 2, for that asset. **9** \_\_\_\_\_
- 10 Add Lines 8 and 9. This is your Illinois depreciation subtraction for this year. Write the total here and see instructions for the list of Illinois form and line references to report this subtraction. **10** 3,000.00

→ Attach this form to your Illinois return. ←

IL-4562 (R-12/13)

This form is authorized as outlined by the Illinois Income Tax Act. Disclosure of this information is REQUIRED. Failure to provide information could result in a penalty.





# 2014 Workbook

**Example 3.** Use the same facts as **Example 2**. In August 2014, Bryan sold the property. The entries made on his 2013 Form IL-4562 are reversed on his 2014 Form IL-4562. If Bryan had owned this property for additional years, line 3 would equal the total of all of the amounts previously deducted on line 7d for all tax years.



Illinois Department of Revenue

## IL-4562 Special Depreciation

For tax years ending on or after September 11, 2001.

Attach to your Form IL-1120, IL-1120-ST, IL-1065, IL-1041, or IL-1040.

Year ending

**12 2014**

Month Year

IL Attachment No. 11

### Step 1: Provide the following information

**Bryan Griffin**

Write your name as shown on your return.

**222-11-2222**

Write your Social Security number (SSN) or federal employer identification number (FEIN).



**You must read the instructions before completing Form IL-4562. Do not use negative figures.**

### Step 2: Figure your Illinois special depreciation addition

- |   |  |   |          |
|---|--|---|----------|
| 1 | Write the total amount claimed as a special depreciation allowance on federal Form 4562, Depreciation and Amortization, Line 14 or Line 25, for property acquired after September 10, 2001.      | 1 |          |
| 2 | <b>Individuals only:</b> Write the total amount claimed as a special depreciation allowance from federal Form 2106, Employee Business Expenses.  | 2 |          |
| 3 | <b>Last year of regular depreciation:</b> Write the total amount of all Illinois depreciation subtractions claimed on prior year IL-4562 forms, Step 3, Line 8, for this property.               | 3 | 3,000.00 |
| 4 | Add Lines 1 through 3. This is your Illinois special depreciation addition. Write the total here and see instructions for the list of Illinois form and line references to report this addition. | 4 | 3,000.00 |

### Step 3: Figure your Illinois depreciation subtraction

- |     |  |    |           |
|-----|--|----|-----------|
| 5 a | Write the portion of depreciation allowance claimed on federal Form 4562, Line 17, plus Line 19, Column g, plus Line 26, Column h, for property for which you claimed a special depreciation allowance on federal Form 4562, Line 14 or 25, for this tax year, or any other tax year ending after September 10, 2001, for bonus depreciation <b>equal to 30 percent</b> of your basis in the property. | 5a |           |
| b   | <b>Individuals only:</b> If you completed a federal Form 2106 for this tax year, write the portion of any depreciation deductions included in Lines 4 and 38 for this tax year or any prior tax year for bonus depreciation <b>equal to 30 percent</b> of your basis in the property.  | 5b |           |
| c   | Add Lines 5a and 5b.   | 5c |           |
| 6   | Multiply Line 5c by 42.9% (0.429).   | 6  |           |
| 7 a | Write the portion of depreciation allowance claimed on federal Form 4562, Line 17, plus Line 19, Column g, plus Line 26, Column h, for property for which you claimed a special depreciation allowance on federal Form 4562, Line 14 or 25, for this tax year, or any other tax year ending after September 10, 2001, for bonus depreciation <b>equal to 50 percent</b> of your basis in the property. | 7a |           |
| b   | <b>Individuals only:</b> If you completed a federal Form 2106 for this tax year, write the portion of any depreciation deductions included in Lines 4 and 38 for this tax year or any prior tax year for bonus depreciation <b>equal to 50 percent</b> of your basis in the property.  | 7b |           |
| c   | Add Lines 7a and 7b.   | 7c |           |
| d   | For tax years ending on or before December 31, 2005, multiply Line 7c by 42.9% (0.429). For tax years ending after December 31, 2005, write the amount from Line 7c.   | 7d |           |
| 8   | Add Lines 6 and 7d.  | 8  |           |
| 9   | <b>Last year of regular depreciation:</b> Write the Illinois special depreciation addition reported on any prior year Form IL-4562, Step 2, Line 1 plus Line 2, for that asset.  | 9  | 80,000.00 |
| 10  | Add Lines 8 and 9. This is your Illinois depreciation subtraction for this year. Write the total here and see instructions for the list of Illinois form and line references to report this subtraction.   | 10 | 80,000.00 |

## EDUCATION CREDIT<sup>41</sup>

Illinois taxpayers may qualify for a nonrefundable credit of up to 25% of certain education costs paid for their children. This credit is for expenses related to attending **kindergarten through twelfth grade**, unlike the federal credit that only applies to higher education costs. The credit is capped at \$500 annually, regardless of the number of qualifying students, and only applies to costs in excess of the first \$250.

### WHO MAY QUALIFY FOR THE CREDIT

To qualify for the credit, the following requirements must be satisfied.

1. The taxpayer must be the parent or legal guardian of a full-time student who was under age 21 at the close of the school year.
2. Both the student and the taxpayer must be Illinois residents at the time the expenses are paid.
3. The student must have attended a grade in the range of kindergarten through twelfth grade during the tax year. A kindergarten class must be at a school that also has a first grade. Home-schooled students participating in programs designed for these grades also qualify.
4. The school must be located in Illinois.

If the parents or legal guardians of a qualified student file separate Illinois returns, they **may each claim** an education expense credit. However, they may not both claim a credit for the same expenses, and the total amount of credits claimed by both of the parents or guardians **may not exceed \$500**.

### SCHOOLS THAT QUALIFY FOR THE CREDIT

Expenses of attending both public and nonpublic elementary and secondary schools in Illinois may qualify. Expenses for home schooling programs may also qualify. The schools/programs must satisfy the requirements of the truancy law in section 26-1 of the School Code.<sup>42</sup> In addition, some schools are required to comply with Title VI of the Civil Rights Act of 1964.

## EDUCATION EXPENSES

### Qualified Education Expenses

Qualified education expenses are the amounts paid in excess of \$250 for tuition, book fees, and lab fees at the school where the student is enrolled.

**Tuition.** Tuition is a qualified education expense when it is paid for a student who was in the equivalent of kindergarten through twelfth grade. According to IDOR, tuition includes the following.

- Summer school classes attended as part of meeting elementary or secondary graduation requirements<sup>43</sup>
- Fees paid for a home-schooled child to satisfy physical education class requirements at a private facility such as a health club<sup>44</sup>

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<sup>41</sup> IITA §201(m). See also IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*, and IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*.

<sup>42</sup> 105 ILCS 5/26-1.

<sup>43</sup> IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>44</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*.



**Books.** Book fees include amounts paid for the following purposes.

- Rental of books that are required as a part of the school's education program or home-school program<sup>45</sup>
- Purchase of student's workbooks or teacher's grade books if the books are significantly used up during the activities of the class<sup>46</sup>
- Curriculum rental fees paid by home-school programs for educational items such as lectures or class lessons on DVD or tape<sup>47</sup>

**Lab Fees.** For related expenses to qualify, lab courses must count toward completion of the education program in which the student is enrolled. Lab fees may include amounts paid for the use of supplies, equipment, materials, or instruments.<sup>48</sup>

## Nonqualified Education Expenses

Not all items and activities that are educational in nature qualify for the Illinois education credit. In its publications, IDOR gives the following examples of expenses that **do not qualify**.

- Expenses paid to a daycare, preschool, and kindergarten at a school that does not also have a first grade, college, university, independent tutoring service, or trade school<sup>49</sup>
- Costs of items that are not significantly used up during the student's participation in the class (e.g., nonconsumable textbooks, flash cards, wall maps, calculators, etc.)<sup>50</sup>
- Payments to purchase an item that will remain the personal property of the student, parent, or legal guardian at the end of the school year (e.g., payments made toward the purchase of a band instrument or athletic equipment)<sup>51</sup>
- Amounts paid for the use of supplies, equipment, materials, or instruments if the activity does not result in a credit toward completion of the education program<sup>52</sup>
- Payments made directly to a business (e.g., renting a musical instrument from a music store)<sup>53</sup>
- Amounts paid for tutoring or enrichment classes that do not count toward completion of the education program<sup>54</sup>
- Mileage or travel expenses paid to travel to school, lab activities, or field trips<sup>55</sup>
- Expenses for after-school care, even if paid to the school<sup>56</sup>
- Expenses of the taxpayer and/or spouse<sup>57</sup>

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<sup>45</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*, and IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>46</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*.

<sup>47</sup> Ibid.

<sup>48</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*, and IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>49</sup> IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>50</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*, and IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>51</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*.

<sup>52</sup> IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>53</sup> Ibid.

<sup>54</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*, and IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>55</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*.

<sup>56</sup> IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

<sup>57</sup> Ibid.

## CALCULATING AND CLAIMING THE CREDIT

The Illinois education credit is calculated in section B of Schedule ICR, *Illinois Credits*. The calculation portion of section B is on page 1 of Schedule ICR, and the list of qualifying students and the amount of expenses per student is on page 2 of the schedule. Schedule ICR must be included with the taxpayer's Form IL-1040. Receipts for education expenses should also be attached.

If the student is **home schooled**, the receipts must show the following information.<sup>58</sup>

1. The type and amount of education expenses paid for each qualifying student during the calendar year
2. The **calendar year** during which the education expenses were paid
3. The name and address of the business to whom the expenses were paid
4. The name of the parent or guardian who paid the expense

If the student attends a **public or private school**, a receipt should be provided by the school that shows the following.<sup>59</sup>

1. The calendar year during which the education expenses were paid
2. The name and address of the school
3. The name and address of the parent or guardian
4. The name and social security number of each qualifying student
5. The grade in which each student was enrolled during the calendar year
6. The total education expenses paid for each student during the calendar year

**Note.** The electronic filing division of IDOR indicated that completion of the worksheet for section B of Schedule ICR is sufficient when electronically filing, but that the department may request additional documentation by mail. In the future, it may be possible to attach PDF files to Illinois returns filed electronically. If this option is available, practitioners may wish to include the supporting receipts at the time the return is electronically filed.

**Example 4.** Oldie Womyn has nine children — three sets of twins and one set of triplets. Oldie supports the family by repairing shoes after school while the older children watch the younger ones.

The twins all attend the local grade school, where the annual book and lab fees are \$150 for each child. The triplets are home schooled. It costs \$375 per year to home school each of the triplets, which includes \$200 that Oldie pays for the base curriculum, \$75 for the achievement tests, and \$100 for workbooks.

She also buys each child a musical instrument in 2013 so that they can participate in the local YWCA band program. The instruments cost \$50 for each child but this cost does not qualify for the education credit because the YWCA program is not part of a school curriculum.

As shown in section B on page 2 of the following Schedule ICR, the total qualified education expenses that Oldie pays for 2013 is \$2,025. The amount of her credit is calculated in section B on page 1 of the schedule. The \$2,025 total is entered on line 7a. Line 7b shows the \$250 threshold, and line 7c shows the amount of qualified expenses above the threshold, or \$1,775. The highest credit that Oldie qualifies for is \$444 ( $25\% \times \$1,775$ ), which is entered on line 7d because this amount is less than the maximum credit of \$500. Line 8 limits the credit to \$294, the amount of tax remaining after the credit for Oldie's property taxes.

**Observation.** The following schedule shows that Oldie receives the full amount of earned income credit (EIC), which is refundable. The education expense credit is nonrefundable.

<sup>58</sup> IDOR Pub. 119, *Education Expense Credit General Rules and Requirements for Home Schools*.

<sup>59</sup> IDOR Pub. 132, *Education Expense Credit General Rules and Requirements for Parents and Guardians*.

## For Example 4



Illinois Department of Revenue

# 2013 Schedule ICR

Attach to your Form IL-1040

## Illinois Credits

IL Attachment No. 23

### Read this information first

Complete this schedule only if you are eligible for the

- Illinois Property Tax Credit
- K-12 Education Expense Credit
- Earned Income Credit (EIC)

- You must complete Form IL-1040 through Line 15 and Schedule CR, if applicable, before completing this schedule.
- The total amount of Illinois Property Tax Credit and K-12 Education Expense Credit cannot exceed tax. Only the Earned Income Credit may exceed tax.

### Step 1: Provide the following information

Oldie Womyn

Your name as shown on your Form IL-1040

3 4 5 - 6 7 - 8 9 0 1

Your Social Security number

### Step 2: Figure your nonrefundable credit

- |   |  |   |        |
|---|--|---|--------|
| 1 | Write the amount of tax from your Form IL-1040, Line 15.                                 | 1 | 369.00 |
| 2 | Write the amount of credit for tax paid to other states from your Form IL-1040, Line 16. | 2 | .00    |
| 3 | Subtract Line 2 from Line 1.   | 3 | 369.00 |

#### Section A - Illinois Property Tax Credit (See instructions for directions on how to obtain your property number)

- |     |  |                 |          |
|-----|--|-----------------|----------|
| 4 a | Write the total amount of Illinois Property Tax paid during the tax year for the real estate that includes your principal residence.                               | 4a              | 1,500.00 |
| b   | Write the county and property number for the property listed above.  |                 |          |
| 4b  | Kankakee   | 03-33-400-002   |          |
|     | County   | Property number |          |
| c   | Write the county and property number for an adjoining lot, if included in Line 4a.   |                 |          |
| 4c  |  |                 |          |
|     | County   | Property number |          |
| d   | Write the county and property number for another adjoining lot, if included in Line 4a.  |                 |          |
| 4d  |  |                 |          |
|     | County   | Property number |          |
| e   | Write the portion of your tax bill that is deductible as a business expense on U.S. income tax forms or schedules, even if you did not take the federal deduction. | 4e              | .00      |
| f   | Subtract Line 4e from Line 4a.   | 4f              | 1,500.00 |
| g   | Multiply Line 4f by 5% (.05).  | 4g              | 75.00    |
| 5   | Compare Lines 3 and 4g, and write the lesser amount here.  | 5               | 75.00    |
| 6   | Subtract Line 5 from Line 3.   | 6               | 294.00   |

#### Section B - K-12 Education Expense Credit

**Note** You must complete the **K-12 Education Expense Credit Worksheet** on the back of this schedule and **attach** any receipt you received from your student's school.

- |     |   |    |          |
|-----|---|----|----------|
| 7 a | Write the total amount of K-12 education expenses from Line 13 of the worksheet on the back of this schedule. | 7a | 2,025.00 |
| b   | You may not take a credit for the first \$250 paid.   | 7b | 250.00   |
| c   | Subtract Line 7b from Line 7a. If the result is negative, enter "zero."                                       | 7c | 1,775.00 |
| d   | Multiply Line 7c by 25% (.25). Compare the result and \$500, and write the lesser amount here.                | 7d | 444.00   |
| 8   | Compare Lines 6 and 7d, and write the lesser amount here.   | 8  | 294.00   |

#### Section C - Total Nonrefundable Credit

- |   |  |   |        |
|---|--|---|--------|
| 9 | Add Lines 5 and 8. This is your nonrefundable credit amount. Write this amount on Form IL-1040, Line 17. | 9 | 369.00 |
|---|--|---|--------|



## For Example 4

### Schedule ICR — Page 2

## Step 3: Figure your refundable credit

### Earned Income Credit

**Note** If you were in a civil union as of December 31, 2013, you must recompute the federal EIC on your "as-if-married" federal return before computing this step.

**10 a** Write the amount of federal EIC as shown on your

U.S. 1040, Line 64a; U.S. 1040A, Line 38a; or

U.S. 1040EZ, Line 8a.

**10a** 3,865.00

**b** Multiply the amount on Line 10a by 10% (.10).

**10b** 387.00

**c Illinois residents:** Write 1.0.

**Nonresidents and part-year residents:** Write the decimal from Schedule NR, Line 48.

**10c** 1.000

**d** Multiply Line 10b by the decimal on Line 10c.

**10d** 387.00

**11** Write the amount from Line 10d here. This is your Illinois

Earned Income Credit. Write this amount on Form IL-1040, Line 28.

**11** 387.00

## Section B Continued - K-12 Education Expense Credit Worksheet (continued from Step 2, Section B)

**Note** You must complete this section and attach any receipt you received from your student's school.

**12** Complete the following information for each of your qualifying students. If a student attended more than one qualifying school during the calendar year, please list separately. If you need more space, attach a separate piece of paper following this format.

A Student's name	B Social Security number	C Grade (K-12 only)	D School name (IL K-12 schools only or write "home school," if applicable)	E School city (IL cities only)	F Total tuition, book/lab fees
<b>a</b> Monday Chyld	1 1 1 - 1 0 - 1 1 1 1	9	Buster Brown School	Oreana	150.00
<b>b</b> Tuesday Chyld	1 1 1 - 1 0 - 2 2 2 2	9	Buster Brown School	Oreana	150.00
<b>c</b> Wednesday Chyld	1 1 1 - 1 0 - 3 3 3 3	6	Buster Brown School	Oreana	150.00
<b>d</b> Thursday Chyld	1 1 1 - 1 0 - 4 4 4 4	6	Buster Brown School	Oreana	150.00
<b>e</b> Friday Chyld	1 1 1 - 1 0 - 5 5 5 5	5	Buster Brown School	Oreana	150.00
<b>f</b> Saturday Chyld	1 1 1 - 1 0 - 6 6 6 6	5	Buster Brown School	Oreana	150.00
<b>g</b> Lanny Chyld	1 1 1 - 1 0 - 7 7 7 7	2	Home School	Oreana	375.00
<b>h</b> Manny Chyld	1 1 1 - 1 0 - 8 8 8 8	2	Home School	Oreana	375.00
<b>i</b> Fanny Chyld	1 1 1 - 1 0 - 9 9 9 9	2	Home School	Oreana	375.00
<b>j</b>					

**13** Add the amounts in Column F for Lines 12a through 12j (and the amounts from Column F of any additional pages you attached). This is the total amount of your qualified education expenses for this year. Write this amount here and on Step 2, Line 7a of this schedule.

**13** 2,025.00



This form is authorized as outlined under the Illinois Income Tax Act. Disclosure of this information is required. Failure to provide information could result in a penalty.

IL-1040 Schedule ICR back (R-12/13)

## RECIPROCAL STATE AGREEMENTS

People who live close to a state's border may have jobs across the border in another state. To ease the income tax filing burdens of these taxpayers, neighboring states may enter into reciprocity agreements. These agreements allow residents of each state to treat income earned in the neighboring state as if it were earned in the resident state. The same rules apply to students whose permanent address is in a state with a reciprocity agreement and who earn income while attending school in a different state.

Sometimes the state that employs more cross-border workers will receive a settlement from the state with more resident commuters. For example, the state of Wisconsin paid the state of Illinois the following amounts.<sup>60</sup>

Tax Year	Payment Date	Amount
2008	December 31, 2009	\$38,557,000
2009	December 31, 2010	34,975,000
2010	December 31, 2011	50,403,000
2011	December 31, 2012	74,364,000
2012	December 31, 2013	80,748,000

Currently, Illinois has reciprocal agreements with Iowa, Kentucky, Michigan, and Wisconsin.<sup>61</sup> Illinois does not have a reciprocal agreement with Missouri and Indiana. Only wages, salaries, tips, and commissions may be treated as if earned in the resident's state. The commuter is still responsible for paying Illinois income taxes on any other type of income from an Illinois source. Examples of Illinois-source income include Illinois lottery winnings, unemployment compensation, rental income on real estate located in the state, pass-through profits from partnerships or S corporations operating in the state, and capital gains on the sale of Illinois real estate.

**Example 5.** Missy Muffit lives in Brookport, Illinois, and works in Paducah, Kentucky. All of her wages earned in Kentucky are included on her Illinois return as if the wages were earned in Illinois. She is not required to file a Kentucky income tax return unless she has another type of income from Kentucky sources. If her Kentucky employer does not withhold Illinois income tax on her behalf, **she should make estimated income tax payments to the state.**

**Example 6.** Peter Piper lives in Beloit, Wisconsin, and works in Rockford, Illinois. In 2013, Peter won \$10,000 from the Illinois lottery. For 2013, Peter reported his wages on his Wisconsin resident income tax return, but he must file an Illinois return to report his Illinois lottery winnings.

To inform an Illinois employer that the taxpayer is not subject to Illinois withholding, taxpayers who are residents of Iowa, Kentucky, Michigan, or Wisconsin should complete form IL-W-5-NR, *Employee's Statement of Nonresidence in Illinois*, and submit it to the employer. If an Illinois employer withheld taxes in error, the taxpayer must file an Illinois Form IL-1040 and Schedule NR to request a refund of the taxes withheld. In addition, the taxpayer must attach either Form W-2c, *Corrected Wage and Tax Statement*, or a letter on the employer's letterhead stating that the taxes were withheld in error.<sup>62</sup>

<sup>60</sup> Deputy General Counsel — Income Tax, Illinois Dept. of Revenue.

<sup>61</sup> *What If I Live or Work in a State That Has a Reciprocal Agreement with Illinois?* Jul. 18, 2013. IDOR. [idor.custhelp.com/app/answers/detail/a\_id/12/kw/Reciprocal] Accessed on Jan. 4, 2014.

<sup>62</sup> *Should I File an Income Tax Return If I Live in Another State but Worked in Illinois?* Sep. 30, 2013. IDOR. [idor.custhelp.com/app/answers/detail/a\_id/10/kw/Reciprocal] Accessed on Jan. 4, 2014.

**Example 7.** Use the same facts as **Example 6**. Peter did not realize that he should have informed his employer not to withhold Illinois income tax on his wages. He earned a salary of \$50,000 in 2013 in addition to the \$10,000 he won in the lottery. He attached Schedule NR to his IL-1040 and a letter from the employer stating that the income taxes were withheld in error. His employer also has him complete Form IL-W-5-NR.

Peter's IL-W-5-NR and Schedule NR follow.



Illinois Department of Revenue

## IL-W-5-NR Employee's Statement of Nonresidence in Illinois

### Must I complete this form?

You must complete Part 1 of this form if

- you are a resident of Iowa, Kentucky, Michigan, or Wisconsin, or
- your spouse is in the military, you and your spouse are both residents of the same state (other than Illinois) and you are in Illinois only because your spouse is stationed here by the military,

and your wages are exempt from withholding of Illinois Income Tax under the reciprocal withholding agreements between Illinois and these states or under the Military Spouses Residency Relief Act. You must file your completed Form IL-W-5-NR with your Illinois employer. If you change your state of residence, you must notify your employer within ten days.

### Part 1: Employee information

7 7 7 - 7 7 - 7 7 7 8

Social Security number

**Peter Piper**

Name

**248 Portland Ave**

Mailing address

**Beloit**

**WI**

**53511**

City

State

ZIP

I declare under penalties of perjury that

I am a resident of the state of:

☐ Iowa ☐ Kentucky ☐ Michigan ☒ Wisconsin, OR

☐ My spouse and I are residents of (write the 2-letter abbreviation for your state of residency) \_\_\_\_\_ and I am in Illinois only because my spouse is a member of the US military who is stationed in Illinois.

Employee's signature

IL-W-5-NR (R-12/10)

Date

### To employers:

You are required to have a copy of this form on file for each employee who

- is a resident of Iowa, Kentucky, Michigan, or Wisconsin; receives compensation paid in Illinois; and elects to claim exemption from withholding of Illinois Income Tax under the reciprocal withholding agreements between Illinois and these states, OR
- is exempt from Illinois Income Tax on compensation under the Military Spouses Residency Relief Act.

### Part 2: Employer information

3 7 - 1 7 7 7 7 7 8

Federal employer identification number

**Pickled Pepper Pickers, Inc.**

Name

**700 N Prospect ST**

Mailing address

**Rockford**

**IL**

**61107**

City

State

ZIP

This form is authorized under the Illinois Income Tax Act. Disclosure of this information is required. Failure to provide information may result in this form not being processed and may result in a penalty.



## For Example 7



### Illinois Department of Revenue 2013 Schedule NR Attach to your Form IL-1040

### Nonresident and Part-Year Resident Computation of Illinois Tax

IL Attachment No. 2

**Peter Piper**

Your name as shown on your Form IL-1040

**7 7 7 - 7 7 - 7 7 7 8**  
Your Social Security number

## Step 1: Provide the following information

- Were you, or your spouse if "married filing jointly," a full-year resident of Illinois during the tax year?  
☐ Yes ☒ No If you answered "Yes," you cannot use this form (see instructions).
- If you, or your spouse if "married filing jointly," were a part-year resident during the tax year, tell us your residency dates for 2013.
  - I lived in **Illinois** from    /    / 13 to    /    / 13 I lived in        from    /    / 13 to    /    / 13  
 Month Day Year Month Day Year State Month Day Year Month Day Year
  - My spouse lived in **Illinois** from    /    / 13 to    /    / 13, and        from    /    / 13 to    /    / 13  
 Month Day Year Month Day Year State Month Day Year Month Day Year
- If you were a resident of any of the states listed below during the tax year or if you were in Illinois only to accompany your spouse who was in the military, check the appropriate box.  
☐ Iowa ☐ Kentucky ☐ Michigan ☒ Wisconsin ☐ Military Spouse
- If you earned income or filed a tax return for the tax year in a state other than those listed above, write the two-letter abbreviation of that state.

## Step 2: Complete Form IL-1040

Complete Lines 1 through 10 of your Form IL-1040, Individual Income Tax Return, as if you were a full-year Illinois resident. Then, complete the remainder of this schedule following the instructions for your residency. **Attach Schedule NR to your Form IL-1040.**

## Step 3: Figure the Illinois portion of your federal adjusted gross income

Write the amounts from your federal return in Column A. Before completing Column B, read the Column B instructions.

	Column A Federal Total	Column B Illinois Portion
<b>Income</b>		
<b>5</b> Wages, salaries, tips, etc. (federal Form 1040 or 1040A, Line 7; 1040EZ, Line 1)	<b>5</b> <u>50,000.00</u>	<u>.00</u>
<b>6</b> Taxable interest (federal Form 1040 or 1040A, Line 8a; 1040EZ, Line 2)	<b>6</b> <u>.00</u>	<u>.00</u>
<b>7</b> Ordinary dividends (federal Form 1040 or 1040A, Line 9a)	<b>7</b> <u>.00</u>	<u>.00</u>
<b>8</b> Taxable refunds, credits, or offsets of state and local income taxes (federal Form 1040, Line 10)	<b>8</b> <u>.00</u>	<u>.00</u>
<b>9</b> Alimony received (federal Form 1040, Line 11)	<b>9</b> <u>.00</u>	<u>.00</u>
<b>10</b> Business income or loss (federal Form 1040, Line 12)	<b>10</b> <u>.00</u>	<u>.00</u>
<b>11</b> Capital gain or loss (federal Form 1040, Line 13 or 1040A, Line 10)	<b>11</b> <u>.00</u>	<u>.00</u>
<b>12</b> Other gains or losses (federal Form 1040, Line 14)	<b>12</b> <u>.00</u>	<u>.00</u>
<b>13</b> Taxable IRA distributions (federal Form 1040, Line 15b; or 1040A, Line 11b)	<b>13</b> <u>.00</u>	<u>.00</u>
<b>14</b> Taxable pensions and annuities (federal Form 1040, Line 16b; or 1040A, Line 12b)	<b>14</b> <u>.00</u>	<u>.00</u>
<b>15</b> Rents, royalties, partnerships, S corporations, trusts, and estates (federal Form 1040, Line 17)	<b>15</b> <u>.00</u>	<u>.00</u>
<b>16</b> Farm income or loss (federal Form 1040, Line 18)	<b>16</b> <u>.00</u>	<u>.00</u>
<b>17</b> Unemployment compensation and Alaska Permanent Fund dividends (federal Form 1040, Line 19; 1040A, Line 13; 1040EZ, Line 3)	<b>17</b> <u>.00</u>	<u>.00</u>
<b>18</b> Taxable Social Security benefits (federal Form 1040, Line 20b; or 1040A, Line 14b)	<b>18</b> <u>.00</u>	<u>.00</u>
<b>19</b> Other income (federal Form 1040, Line 21) Include winnings from the <b>Illinois State Lottery</b> as Illinois income in Column B.	<b>19</b> <u>10,000.00</u>	<u>10,000.00</u>
<b>20</b> Add Column B, Lines 5 through 19. This is the Illinois portion of your federal total income.	<b>20</b> <u>10,000.00</u>	<u>10,000.00</u>



## For Example 7

### Schedule NR – Page 2

#### Step 3: Continued

		Column A Federal Total	Column B Illinois Portion
<b>Adjustments to Income</b>			
21	Write the Illinois portion of your federal total income from Page 1, Step 3, Line 20.	21	10,000.00
22	Educator expenses (federal Form 1040, Line 23; or 1040A, Line 16)	22	.00
23	Certain business expenses of reservists, performing artists, and fee-based government officials (federal Form 1040, Line 24)	23	.00
24	Health savings account deduction (federal Form 1040, Line 25)	24	.00
25	Moving expenses (federal Form 1040, Line 26)	25	.00
26	Deductible part of self-employment tax (federal Form 1040, Line 27)	26	.00
27	Self-employed SEP, SIMPLE, and qualified plans (federal Form 1040, Line 28)	27	.00
28	Self-employed health insurance deduction (federal Form 1040, Line 29)	28	.00
29	Penalty on early withdrawal of savings (federal Form 1040, Line 30)	29	.00
30	Alimony paid (federal Form 1040, Line 31a)	30	.00
31	IRA deduction (federal Form 1040, Line 32; or 1040A, Line 17)	31	.00
32	Student loan interest deduction (federal Form 1040, Line 33; or 1040A, Line 18)	32	.00
33	Tuition and fees (federal Form 1040, Line 34; or 1040A, Line 19)	33	.00
34	Domestic production activities deduction (federal Form 1040, Line 35)	34	.00
35	Other adjustments (see instructions)	35	.00
36	Add Column B, Lines 22 through 35. This is the Illinois portion of your federal adjustments to income.	36	.00
37	Write your adjusted gross income as reported on your federal Form 1040, Line 37; 1040A, Line 21; 1040EZ, Line 4.	37	60,000.00
38	Subtract Line 36 from Line 21. This is the Illinois portion of your federal adjusted gross income.	38	10,000.00

#### Step 4: Figure your Illinois additions and subtractions

In Column A, write the total amounts from your Form IL-1040. You must read the instructions for Column B to properly complete this step.

		Column A Form IL-1040 Total	Column B Illinois Portion
<b>Illinois Adjustments</b>			
39	Federally tax-exempt interest income (Form IL-1040, Line 2)	39	.00
40	Other additions (Form IL-1040, Line 3)	40	.00
41	Add Column B, Lines 38, 39, and 40. This is the Illinois portion of your total income.	41	10,000.00
42	Federally taxed Social Security and retirement income (Form IL-1040, Line 5)	42	.00
43	Illinois Income Tax overpayment included on your U.S. 1040, Line 10. (Form IL-1040, Line 6)	43	.00
44	Other subtractions (Form IL-1040, Line 7)	44	.00
45	Add Column B, Lines 42 through 44. This is the total of your Illinois subtractions.	45	.00

#### Step 5: Figure your Illinois income and tax

<b>Tax Calculations</b>			
46	Subtract Line 45 from Line 41. If Line 45 is larger than Line 41, write zero. This is your <b>Illinois base income</b> . Write this amount on your Form IL-1040, Line 12. If Line 46 is zero, skip Lines 47 through 51, and write "0" on Line 52.	46	10,000.00
47	Write the base income from Form IL-1040, Line 9.	47	60,000.00
48	Divide Line 46 by Line 47 (carry to three decimal places). Write the appropriate decimal. If Line 46 is greater than Line 47, write 1.000.	48	.167
49	Write your exemption allowance from your Form IL-1040, Line 10.	49	2,100.00
50	Multiply Line 49 by the decimal on Line 48. This is your Illinois exemption allowance.	50	351.00
51	Subtract Line 50 from Line 46. This is your Illinois net income.	51	9,649.00
52	Multiply the amount on Line 51 by 5% (.05). This amount may not be less than zero. This is your <b>tax</b> . Write this amount on your Form IL-1040, Line 13.	52	482.00



This form is authorized as outlined under the Illinois Income Tax Act. Disclosure of this information is required. Failure to provide information could result in a penalty.

IL-1040 Schedule NR Back (R-12/13)



## CREDIT FOR TAXES PAID TO OTHER STATES<sup>63</sup>

In general, all income received by Illinois residents is subject to Illinois income tax.<sup>64</sup> However, if the resident pays tax to another state on the same income, the taxpayer may claim a credit for the taxes paid to the other state. This credit is calculated on Schedule CR, *Credit for Tax Paid to Other States*. The credit is equal to the **smaller of**:

1. The tax paid to the other state, or
2. The proportional amount of Illinois tax attributable to the double-taxed income.

**Caution.** The instructions for Illinois Schedule CR specifically state that taxpayers may not include gambling winnings from other states in column B of this schedule.

**Example 8.** In 2013, Bo Peep resided in Illinois for the entire year. She also owned land in Iowa which she rented to a local sheep farmer. Her income for the year totaled \$100,000, which consisted of \$80,000 in Illinois wages and \$20,000 of net income from the Iowa rental. Bo filed a **nonresident Iowa return and paid \$891** of tax on the net rental income.

The Iowa income is 20% of Bo's \$100,000 AGI (\$20,000 ÷ 100,000 total). Her 2013 Illinois tax before the credit for the tax paid to Iowa was \$4,898. **The proportional amount of Illinois tax attributable to the double-taxed income is \$980** (\$4,898 × 20%). Accordingly, Bo's credit for taxes paid to Iowa is \$891, which is the smaller of the \$891 she paid with her Iowa return or the \$980 of proportional Illinois taxes.

Excerpts from Bo's 2013 Schedule CR follow.

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<sup>63</sup> IITA §601(b)(3).

<sup>64</sup> IITA §301(a).

## For Example 8



Illinois Department of Revenue

# 2013 Schedule CR Credit for Tax Paid to Other States

Attach to your Form IL-1040

IL Attachment No. 17

## Read this information first

You should file Schedule CR if

- you were either a resident or a part-year resident of Illinois during the tax year; **and**
- you paid income tax to another state on income you earned while you were an Illinois resident; **and**
- the income subject to the other state's tax is included in your Illinois base income; **and**
- you did not deduct the income tax paid to the other state when you figured your federal adjusted gross income as shown on your Illinois tax return.

You should **not** file this schedule if

- you were a **nonresident** of Illinois during the entire tax year; **or**
- you did **not** pay income tax to Illinois and another state.

For purposes of this schedule, "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or political subdivision of any of these (e.g., county, city, local). The term "state" does not refer to any foreign country.

**Note** If you earned income in Iowa, Kentucky, Michigan, or Wisconsin, you may be covered by a reciprocal agreement. This agreement applies only to income from wages, salaries, tips, and other employee compensation. See the Schedule CR Instructions.

## Step 1: Provide the following information

Bo Peep

Your name as shown on your Form IL-1040

1 1 1 - 1 1 - 1 1 1 8  
Your Social Security number

## Step 2: Figure the Illinois and non-Illinois portions of your federal adjusted gross income

<b>Illinois residents:</b> Write the amounts in Column A exactly as reported on your federal return. <b>Part-year residents:</b> Write the amounts in Column A exactly as reported on the equivalent line of your Schedule NR, Column B.		Column A Total (Whole dollars only)	Column B Non-Illinois Portion (Whole dollars only)
Income	1 Wages, salaries, tips, etc. (federal Form 1040 or 1040A, Line 7; 1040EZ, Line 1)	1 <u>80,000.00</u>	<u>.00</u>
	2 Taxable interest (federal Form 1040 or 1040A, Line 8a; 1040EZ, Line 2)	2 <u>.00</u>	<u>.00</u>
	3 Ordinary dividends (federal Form 1040 or 1040A, Line 9a)	3 <u>.00</u>	<u>.00</u>
	4 Taxable refunds, credits, or offsets of state and local income taxes (federal Form 1040, Line 10)	4 <u>.00</u>	
	5 Alimony received (federal Form 1040, Line 11)	5 <u>.00</u>	
	6 Business income or loss (federal Form 1040, Line 12)	6 <u>.00</u>	<u>.00</u>
	7 Capital gain or loss (federal Form 1040, Line 13 or 1040A, Line 10)	7 <u>.00</u>	<u>.00</u>
	8 Other gains or losses (federal Form 1040, Line 14)	8 <u>.00</u>	<u>.00</u>
	9 Taxable IRA distributions (federal Form 1040, Line 15b; or 1040A, Line 11b)	9 <u>.00</u>	
	10 Taxable pensions and annuities (federal Form 1040, Line 16b; or 1040A, Line 12b)	10 <u>.00</u>	
	11 Rents, royalties, partnerships, S corporations, trusts, and estates (federal Form 1040, Line 17)	11 <u>20,000.00</u>	<u>20,000.00</u>
	12 Farm income or loss (federal Form 1040, Line 18)	12 <u>.00</u>	<u>.00</u>
	13 Unemployment compensation and Alaska Permanent Fund dividends (federal Form 1040, Line 19; 1040A, Line 13; 1040EZ, Line 3)	13 <u>.00</u>	<u>.00</u>
	14 Taxable Social Security benefits (federal Form 1040, Line 20b; or 1040A, Line 14b)	14 <u>.00</u>	
	15 Other income (federal Form 1040, Line 21)	15 <u>.00</u>	<u>.00</u>
	16 Add Columns A and B, Lines 1 through 15.	16 <u>100,000.00</u>	<u>20,000.00</u>

Continue with Step 2 on Page 2 →



# 2014 Workbook

## For Example 8

	Column A Total (Whole dollars only)	Column B Non-Illinois Portion (Whole dollars only)
17 Write the amounts from Page 1, Line 16.	17 100,000.00	20,000.00
<b>Adjustments to Income</b>		
18 Educator expenses (federal Form 1040, Line 23; or 1040A, Line 16)	18 .00	.00
19 Certain business expenses of reservists, performing artists, and fee-based government officials (federal Form 1040, Line 24)	19 .00	.00
20 Health savings account deduction (federal Form 1040, Line 25)	20 .00	.00
21 Moving expenses (federal Form 1040, Line 26)	21 .00	.00
22 Deductible part of self-employment tax (federal Form 1040, Line 27)	22 .00	.00
23 Self-employed SEP, SIMPLE, and qualified plans (federal Form 1040, Line 28)	23 .00	.00
24 Self-employed health insurance deduction (federal Form 1040, Line 29)	24 .00	.00
25 Penalty on early withdrawal of savings (federal Form 1040, Line 30)	25 .00	.00
26 Alimony paid (federal Form 1040, Line 31a)	26 .00	.00
27 IRA deduction (federal Form 1040, Line 32; or 1040A, Line 17)	27 .00	.00
28 Student loan interest deduction (federal Form 1040, Line 33; or 1040A, Line 18)	28 .00	.00
29 Tuition and fees (federal Form 1040, Line 34; or 1040A, Line 19)	29 .00	.00
30 Domestic production activities deduction (federal Form 1040, Line 35)	30 .00	.00
31 Other adjustments (see instructions)	31 .00	.00
32 Add Columns A and B, Lines 18 through 31.	32 .00	.00
33 Subtract Columns A and B, Line 32 from Line 17.	33 100,000.00	20,000.00

### Step 3: Figure your Illinois additions and subtractions

In Column A, write the total amounts from your Form IL-1040. You must read the instructions for Column B to properly complete this step.

	Column A Form IL-1040 Total (Whole dollars only)	Column B Non-Illinois Portion (Whole dollars only)
<b>Illinois Adjustments</b>		
34 Federally tax-exempt interest income (Form IL-1040, Line 2)	34 .00	.00
35 Other additions (Form IL-1040, Line 3)	35 .00	.00
36 Add Columns A and B, Lines 33, 34, and 35.	36 100,000.00	20,000.00
37 Federally taxed Social Security and retirement income (Form IL-1040, Line 5)	37 .00	
38 Illinois Income Tax overpayment included on your U.S. 1040, Line 10. (Form IL-1040, Line 6)	38 .00	
39 Other subtractions (Form IL-1040, Line 7)	39 .00	.00
40 Add Columns A and B, Lines 37 through 39.	40 .00	.00
41 Subtract Columns A and B, Line 40 from Line 36. If Line 40 is larger than Line 36, write zero.	41 100,000.00	20,000.00

Continue to Page 3 ➡





For purposes of the credit for taxes paid to other states, a **state** is defined as any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or any political subdivision of any of these (e.g., a county or city). **The definition of “state” does not include any foreign country or political subdivision of a foreign country.**<sup>65</sup>

**Example 9.** Georgie Porgie lives in Granite City, Illinois, and works in St. Louis, Missouri. Both the state of Missouri and the city of St. Louis tax the wages Georgie earns in St. Louis. In 2013, Georgie earned \$60,000 in Missouri wages and also received \$20,000 in alimony payments from his ex-wife, Regina.

On his Missouri wages, Georgie paid \$2,844 in Missouri taxes and \$600 in St. Louis taxes. The **maximum credit he could receive on his Illinois return is \$3,444** (\$2,844 + \$600) as shown on line 51 of his Schedule CR (shown below). However, the credit is limited to the proportional amount of Illinois taxes attributable to his Missouri wages. Prior to calculating the credit, his Illinois taxes totaled \$3,895 (line 52 of Schedule CR). The wages are 75% of his 2013 income (\$60,000 ÷ (\$60,000 + \$20,000)); therefore, the proportional amount of **Illinois tax attributable to the double-taxed income is 75% of \$3,895, or \$2,921** (line 54). Accordingly, his credit is limited to \$2,921 (line 55).

## Step 6: Figure your credit

<b>Credit for Tax Paid to Other States</b>	<b>50</b> If you are claiming a credit for tax paid to any of the states listed below, check the box for the appropriate state.	
	<input type="checkbox"/> Iowa <input type="checkbox"/> Kentucky <input type="checkbox"/> Michigan <input type="checkbox"/> Wisconsin	
	<b>51</b> Write the total amount of income tax paid to other states on Illinois base income (see instructions).	<b>51</b> _____ <b>3,444.00</b>
	<b>52 Illinois Residents:</b> Write your Illinois tax due from Form IL-1040, Line 13. <b>Part-year Residents:</b> Write the amount from Step 5, Line 49.	<b>52</b> _____ <b>3,895.00</b>
	<b>53</b> Write the decimal amount from Step 4, Line 43 here.	<b>53</b> _____ <b>.750</b>
	<b>54</b> Multiply Line 52 by Line 53.	<b>54</b> _____ <b>2,921.00</b>
<b>55</b> Compare the amounts on Lines 51 and 54. Write the lesser amount here and on Form IL-1040, Line 16. This is your tax credit.	<b>55</b> _____ <b>2,921.00</b>	

<sup>65</sup> IDOR Pub. 111, *Illinois Schedule CR for Individuals*.

# 2014 Workbook

In rare instances, a taxpayer may need to file both Schedule CR and Schedule NR. This is necessary for taxpayers who receive out-of-state income while they are an Illinois resident and move in or out of the state during the year.

**Example 10.** John Jacob and his wife Jingleheimer Schmidt moved from Indiana on April 1, 2013, so that John could take an exciting new position with the University of Illinois Tax School. However, Jingleheimer was unable to find a job in Champaign-Urbana, so she stayed with friends in Indiana during the week and continued working at her Indiana job. On weekends, she stayed at the home in Urbana that she and John purchased. For income tax purposes, Jingleheimer is considered an Illinois resident as of April 1, 2013, because she did not maintain a residence outside of the state.

In addition to their wages, the couple earned \$4,000 on investments they held at the Indiana Hometown Bank. The investment income was received evenly throughout the year. John was reimbursed by his employer for their moving costs, so they did not have a deduction for moving expenses.

The following chart summarizes the amounts shown on their Schedules NR and CR. The amounts reported on column B of Schedule NR flow to column A of Schedule CR.

	John	Jingleheimer	Total
<b>Calculation of Illinois base income</b>			
Wages earned in Illinois while an Illinois resident	\$22,500		
Wages earned in Indiana while an Illinois resident (Schedule CR line 1, Column B)		\$18,000	
Total wages earned while an Illinois resident (Schedule NR line 5, Column B)			\$40,500
Interest income received while an Illinois resident (Schedule NR line 6, Column B)			3,000
<b>Illinois base income</b>			<b>\$43,500</b>
<b>Calculation of total Indiana income</b>			
Wages earned while an Indiana resident	\$ 7,500	\$ 6,000	\$13,500
Interest income received while an Indiana resident			1,000
Wages earned in Indiana while an Illinois resident		18,000	18,000
<b>Total Indiana income</b>			<b>\$32,500</b>
<b>Calculation of Indiana tax paid attributable to income earned while an Illinois resident</b>			
Income earned while an Illinois resident taxed by Indiana			\$18,000
Divided by: total Indiana income			÷ 32,500
Percentage of Indiana income while an Illinois resident			55.38%
Total Indiana taxes from Indiana 2013 income tax return			\$ 1,420
Multiplied by percentage			× 55.38%
<b>Indiana tax paid attributable to income earned while an Illinois resident (Schedule CR, line 51)</b>			<b>\$ 786</b>



## For Example 10



### Illinois Department of Revenue 2013 Form IL-1040

#### Individual Income Tax Return

or for fiscal year ending \_\_\_\_/\_\_\_\_/\_\_\_\_

Over 80% of taxpayers file electronically. It is easy and you will get your refund faster. Visit [tax.illinois.gov](http://tax.illinois.gov).

#### Step 1: Personal Information

Do not write above this line.

##### A Social Security numbers in the order they appear on your federal return

1 0 1 - 0 1 - 0 1 1 0  
Your Social Security number

1 0 2 - 0 1 - 0 1 1 0  
Spouse's Social Security number

##### B Personal information

**John**

Your first name and initial

**Jingleheimer**

Spouse's first name and initial

**1506 S. 5th St.**

Mailing address (See instructions if foreign address)

**Urbana**

City

Foreign Nation, if not United States (do not abbreviate)

**Jacob**

Your last name

**Schmidt**

Spouse's last name

Apartment number

**IL**

State

**61801**

ZIP or Postal Code

##### C Filing status (see instructions)

☐ Single or head of household ☒ Married filing jointly ☐ Married filing separately ☐ Widowed

##### D Check if you are in a civil union (see instructions). ☐

#### Step 2:

##### Income

1 Federal adjusted gross income from your U.S. 1040, Line 37; U.S. 1040A, Line 21; or U.S. 1040EZ, Line 4 (Whole dollars only) **1 58,000.00**  
2 Federally tax-exempt interest and dividend income from your U.S. 1040 or 1040A, Line 8b; or U.S. 1040EZ **2 .00**  
3 Other additions. **Attach** Schedule M. **3 .00**  
4 **Total income.** Add Lines 1 through 3. **4 58,000.00**

#### Step 3:

##### Base Income

5 Social Security benefits and certain retirement plan income received if included in Line 1. **Attach** Page 1 of federal return. **5 .00**  
6 Illinois Income Tax overpayment included in U.S. 1040, Line 10 **6 .00**  
7 Other subtractions. **Attach** Schedule M. **7 .00**  
Check if Line 7 includes any amount from Schedule 1299-C. ☐  
8 Add Lines 5, 6, and 7. This is the total of your subtractions. **8 .00**  
9 **Illinois base income.** Subtract Line 8 from Line 4. **9 58,000.00**

#### Step 4:

##### Exemptions

10 a Number of exemptions from your federal return **2** X \$2,100 **a 4,200.00**  
b If someone can claim you as a dependent, see instructions. **X** \$2,100 **b .00**  
c Check if 65 or older: ☐ You + ☐ Spouse = **X** \$1,000 **c .00**  
d Check if legally blind: ☐ You + ☐ Spouse = **X** \$1,000 **d .00**  
**Exemption allowance.** Add Lines a through d. **10 4,200.00**

#### Step 5:

##### Net Income

11 **Residents: Net income.** Subtract Line 10 from Line 9. **Skip** Line 12. **11 .00**  
12 **Nonresidents and part-year residents:** Check the box that applies to you during 2013 ☐ Nonresident ☒ Part-year resident, and write the **Illinois base income** from Schedule NR. **Attach** Schedule NR. **12 43,500.00**

#### Step 6:

##### Tax

13 **Residents:** Multiply Line 11 by 5% (.05). Cannot be less than zero. **13 2,018.00**  
**Nonresidents and part-year residents:** Write the tax from Schedule NR. **14 .00**  
14 Recapture of investment tax credits. **Attach** Schedule 4255. **14 .00**  
15 **Income tax.** Add Lines 13 and 14. Cannot be less than zero. **15 2,018.00**

#### Step 7:

##### Tax After Non-refundable Credits

16 Income tax paid to another state while an Illinois resident. **Attach** Schedule CR. **16 786.00**  
17 Property tax and K-12 education expense credit amount from Schedule ICR. **Attach** Schedule ICR. **17 .00**  
18 Credit amount from Schedule 1299-C. **Attach** Schedule 1299-C. **18 .00**  
19 Add Lines 16, 17, and 18. This is the total of your credits. Cannot exceed the tax amount on Line 15. **19 786.00**  
20 **Tax after nonrefundable credits.** Subtract Line 19 from Line 15. **20 1,232.00**

Staple W-2 and 1099 forms here

Staple your check and IL-1040-V

IL-1040 front (R-12/13)

This form is authorized as outlined under the Illinois Income Tax Act. Disclosure of this information is required. Failure to provide information could result in a penalty.







## For Example 10



### Illinois Department of Revenue 2013 Schedule NR Attach to your Form IL-1040

### Nonresident and Part-Year Resident Computation of Illinois Tax

IL Attachment No. 2

**John Jacob & Jingleheimer Schmidt**

Your name as shown on your Form IL-1040

**1 0 1 - 0 1 - 0 1 1 0**  
Your Social Security number

## Step 1: Provide the following information

- Were you, or your spouse if "married filing jointly," a full-year resident of Illinois during the tax year?  
☐ Yes ☒ No If you answered "Yes," you cannot use this form (see instructions).
- If you, or your spouse if "married filing jointly," were a part-year resident during the tax year, tell us your residency dates for 2013.
  - I lived in **Illinois** from **04 / 01 / 13** to **12 / 31 / 13** I lived in **IN** from **01 / 01 / 13** to **03 / 31 / 13**  
 Month Day Year Month Day Year State Month Day Year Month Day Year
  - My spouse lived in **Illinois** from **04 / 01 / 13** to **12 / 31 / 13**, and **IN** from **01 / 01 / 13** to **03 / 31 / 13**  
 Month Day Year Month Day Year State Month Day Year Month Day Year
- If you were a resident of any of the states listed below during the tax year or if you were in Illinois only to accompany your spouse who was in the military, check the appropriate box.  
☐ Iowa ☐ Kentucky ☐ Michigan ☐ Wisconsin ☐ Military Spouse
- If you earned income or filed a tax return for the tax year in a state other than those listed above, write the two-letter abbreviation of that state.  
 \_\_\_\_\_

## Step 2: Complete Form IL-1040

Complete Lines 1 through 10 of your Form IL-1040, Individual Income Tax Return, as if you were a full-year Illinois resident. Then, complete the remainder of this schedule following the instructions for your residency. **Attach Schedule NR to your Form IL-1040.**

## Step 3: Figure the Illinois portion of your federal adjusted gross income

Write the amounts from your federal return in Column A. Before completing Column B, read the Column B instructions.

	Column A Federal Total	Column B Illinois Portion
<b>Income</b>		
<b>5</b> Wages, salaries, tips, etc. (federal Form 1040 or 1040A, Line 7; 1040EZ, Line 1)	<b>5</b> <u>54,000.00</u>	<u>40,500.00</u>
<b>6</b> Taxable interest (federal Form 1040 or 1040A, Line 8a; 1040EZ, Line 2)	<b>6</b> <u>4,000.00</u>	<u>3,000.00</u>
<b>7</b> Ordinary dividends (federal Form 1040 or 1040A, Line 9a)	<b>7</b> <u>.00</u>	<u>.00</u>
<b>8</b> Taxable refunds, credits, or offsets of state and local income taxes (federal Form 1040, Line 10)	<b>8</b> <u>.00</u>	<u>.00</u>
<b>9</b> Alimony received (federal Form 1040, Line 11)	<b>9</b> <u>.00</u>	<u>.00</u>
<b>10</b> Business income or loss (federal Form 1040, Line 12)	<b>10</b> <u>.00</u>	<u>.00</u>
<b>11</b> Capital gain or loss (federal Form 1040, Line 13 or 1040A, Line 10)	<b>11</b> <u>.00</u>	<u>.00</u>
<b>12</b> Other gains or losses (federal Form 1040, Line 14)	<b>12</b> <u>.00</u>	<u>.00</u>
<b>13</b> Taxable IRA distributions (federal Form 1040, Line 15b; or 1040A, Line 11b)	<b>13</b> <u>.00</u>	<u>.00</u>
<b>14</b> Taxable pensions and annuities (federal Form 1040, Line 16b; or 1040A, Line 12b)	<b>14</b> <u>.00</u>	<u>.00</u>
<b>15</b> Rents, royalties, partnerships, S corporations, trusts, and estates (federal Form 1040, Line 17)	<b>15</b> <u>.00</u>	<u>.00</u>
<b>16</b> Farm income or loss (federal Form 1040, Line 18)	<b>16</b> <u>.00</u>	<u>.00</u>
<b>17</b> Unemployment compensation and Alaska Permanent Fund dividends (federal Form 1040, Line 19; 1040A, Line 13; 1040EZ, Line 3)	<b>17</b> <u>.00</u>	<u>.00</u>
<b>18</b> Taxable Social Security benefits (federal Form 1040, Line 20b; or 1040A, Line 14b)	<b>18</b> <u>.00</u>	<u>.00</u>
<b>19</b> Other income (federal Form 1040, Line 21) Include winnings from the <b>Illinois State Lottery</b> as Illinois income in Column B.	<b>19</b> <u>.00</u>	<u>.00</u>
<b>20</b> Add Column B, Lines 5 through 19. This is the Illinois portion of your federal total income.	<b>20</b> <u>43,500.00</u>	<u>43,500.00</u>



## For Example 10

### Schedule NR – Page 2

#### Step 3: Continued

		Column A Federal Total	Column B Illinois Portion
Adjustments to Income	21 Write the Illinois portion of your federal total income from Page 1, Step 3, Line 20.	21	43,500.00
	22 Educator expenses (federal Form 1040, Line 23; or 1040A, Line 16)	22	.00
	23 Certain business expenses of reservists, performing artists, and fee-based government officials (federal Form 1040, Line 24)	23	.00
	24 Health savings account deduction (federal Form 1040, Line 25)	24	.00
	25 Moving expenses (federal Form 1040, Line 26)	25	.00
	26 Deductible part of self-employment tax (federal Form 1040, Line 27)	26	.00
	27 Self-employed SEP, SIMPLE, and qualified plans (federal Form 1040, Line 28)	27	.00
	28 Self-employed health insurance deduction (federal Form 1040, Line 29)	28	.00
	29 Penalty on early withdrawal of savings (federal Form 1040, Line 30)	29	.00
	30 Alimony paid (federal Form 1040, Line 31a)	30	.00
	31 IRA deduction (federal Form 1040, Line 32; or 1040A, Line 17)	31	.00
	32 Student loan interest deduction (federal Form 1040, Line 33; or 1040A, Line 18)	32	.00
	33 Tuition and fees (federal Form 1040, Line 34; or 1040A, Line 19)	33	.00
	34 Domestic production activities deduction (federal Form 1040, Line 35)	34	.00
	35 Other adjustments (see instructions)	35	.00
	36 Add Column B, Lines 22 through 35. This is the Illinois portion of your federal adjustments to income.	36	.00
	37 Write your adjusted gross income as reported on your federal Form 1040, Line 37; 1040A, Line 21; 1040EZ, Line 4.	37	58,000.00
	38 Subtract Line 36 from Line 21. This is the Illinois portion of your federal adjusted gross income.	38	43,500.00

#### Step 4: Figure your Illinois additions and subtractions

In Column A, write the total amounts from your Form IL-1040. You must read the instructions for Column B to properly complete this step.

		Column A Form IL-1040 Total	Column B Illinois Portion
Illinois Adjustments	39 Federally tax-exempt interest income (Form IL-1040, Line 2)	39	.00
	40 Other additions (Form IL-1040, Line 3)	40	.00
	41 Add Column B, Lines 38, 39, and 40. This is the Illinois portion of your total income.	41	43,500.00
	42 Federally taxed Social Security and retirement income (Form IL-1040, Line 5)	42	.00
	43 Illinois Income Tax overpayment included on your U.S. 1040, Line 10. (Form IL-1040, Line 6)	43	.00
	44 Other subtractions (Form IL-1040, Line 7)	44	.00
	45 Add Column B, Lines 42 through 44. This is the total of your Illinois subtractions.	45	.00

#### Step 5: Figure your Illinois income and tax

Tax Calculations	46 Subtract Line 45 from Line 41. If Line 45 is larger than Line 41, write zero. This is your <b>Illinois base income</b> . Write this amount on your Form IL-1040, Line 12.	→	46	43,500.00
	If Line 46 is zero, skip Lines 47 through 51, and write "0" on Line 52.			
	47 Write the base income from Form IL-1040, Line 9.		47	58,000.00
	48 Divide Line 46 by Line 47 (carry to three decimal places). Write the appropriate decimal. If Line 46 is greater than Line 47, write 1.000.		48	.75
	49 Write your exemption allowance from your Form IL-1040, Line 10.		49	4,200.00
	50 Multiply Line 49 by the decimal on Line 48. This is your Illinois exemption allowance.		50	3,150.00
	51 Subtract Line 50 from Line 46. This is your Illinois net income.		51	40,350.00
	52 Multiply the amount on Line 51 by 5% (.05). This amount may not be less than zero. This is your <b>tax</b> . Write this amount on your Form IL-1040, Line 13.	→	52	2,018.00



This form is authorized as outlined under the Illinois Income Tax Act. Disclosure of this information is required. Failure to provide information could result in a penalty.

IL-1040 Schedule NR Back (R-12/13)

## For Example 10



Illinois Department of Revenue

# 2013 Schedule CR Credit for Tax Paid to Other States

Attach to your Form IL-1040

IL Attachment No. 17

## Read this information first

You should file Schedule CR if

- you were either a resident or a part-year resident of Illinois during the tax year; **and**
- you paid income tax to another state on income you earned while you were an Illinois resident; **and**
- the income subject to the other state's tax is included in your Illinois base income; **and**
- you did not deduct the income tax paid to the other state when you figured your federal adjusted gross income as shown on your Illinois tax return.

You should **not** file this schedule if

- you were a **nonresident** of Illinois during the entire tax year; **or**
- you did **not** pay income tax to Illinois and another state.

For purposes of this schedule, "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, or political subdivision of any of these (e.g., county, city, local). The term "state" does not refer to any foreign country.

**Note** If you earned income in Iowa, Kentucky, Michigan, or Wisconsin, you may be covered by a reciprocal agreement. This agreement applies only to income from wages, salaries, tips, and other employee compensation. See the Schedule CR Instructions.

## Step 1: Provide the following information

John Jacob & Jingleheimer Schmidt

Your name as shown on your Form IL-1040

1 0 1 - 0 1 - 0 1 1 0  
Your Social Security number

## Step 2: Figure the Illinois and non-Illinois portions of your federal adjusted gross income

<b>Illinois residents:</b> Write the amounts in Column A exactly as reported on your federal return. <b>Part-year residents:</b> Write the amounts in Column A exactly as reported on the equivalent line of your Schedule NR, Column B.		Column A Total (Whole dollars only)	Column B Non-Illinois Portion (Whole dollars only)
Income	1 Wages, salaries, tips, etc. (federal Form 1040 or 1040A, Line 7; 1040EZ, Line 1)	40,500.00	18,000.00
	2 Taxable interest (federal Form 1040 or 1040A, Line 8a; 1040EZ, Line 2)	3,000.00	.00
	3 Ordinary dividends (federal Form 1040 or 1040A, Line 9a)	.00	.00
	4 Taxable refunds, credits, or offsets of state and local income taxes (federal Form 1040, Line 10)	.00	
	5 Alimony received (federal Form 1040, Line 11)	.00	
	6 Business income or loss (federal Form 1040, Line 12)	.00	.00
	7 Capital gain or loss (federal Form 1040, Line 13 or 1040A, Line 10)	.00	.00
	8 Other gains or losses (federal Form 1040, Line 14)	.00	.00
	9 Taxable IRA distributions (federal Form 1040, Line 15b; or 1040A, Line 11b)	.00	
	10 Taxable pensions and annuities (federal Form 1040, Line 16b; or 1040A, Line 12b)	.00	
	11 Rents, royalties, partnerships, S corporations, trusts, and estates (federal Form 1040, Line 17)	.00	.00
	12 Farm income or loss (federal Form 1040, Line 18)	.00	.00
	13 Unemployment compensation and Alaska Permanent Fund dividends (federal Form 1040, Line 19; 1040A, Line 13; 1040EZ, Line 3)	.00	.00
	14 Taxable Social Security benefits (federal Form 1040, Line 20b; or 1040A, Line 14b)	.00	
	15 Other income (federal Form 1040, Line 21)	.00	.00
	16 Add Columns A and B, Lines 1 through 15.	43,500.00	18,000.00

Continue with Step 2 on Page 2 ➔



# 2014 Workbook

## For Example 10

	Column A Total (Whole dollars only)	Column B Non-Illinois Portion (Whole dollars only)
17 Write the amounts from Page 1, Line 16.	17 43,500.00	18,000.00
<b>Adjustments to Income</b>		
18 Educator expenses (federal Form 1040, Line 23; or 1040A, Line 16)	18 .00	.00
19 Certain business expenses of reservists, performing artists, and fee-based government officials (federal Form 1040, Line 24)	19 .00	.00
20 Health savings account deduction (federal Form 1040, Line 25)	20 .00	.00
21 Moving expenses (federal Form 1040, Line 26)	21 .00	.00
22 Deductible part of self-employment tax (federal Form 1040, Line 27)	22 .00	.00
23 Self-employed SEP, SIMPLE, and qualified plans (federal Form 1040, Line 28)	23 .00	.00
24 Self-employed health insurance deduction (federal Form 1040, Line 29)	24 .00	.00
25 Penalty on early withdrawal of savings (federal Form 1040, Line 30)	25 .00	.00
26 Alimony paid (federal Form 1040, Line 31a)	26 .00	.00
27 IRA deduction (federal Form 1040, Line 32; or 1040A, Line 17)	27 .00	.00
28 Student loan interest deduction (federal Form 1040, Line 33; or 1040A, Line 18)	28 .00	.00
29 Tuition and fees (federal Form 1040, Line 34; or 1040A, Line 19)	29 .00	.00
30 Domestic production activities deduction (federal Form 1040, Line 35)	30 .00	.00
31 Other adjustments (see instructions)	31 .00	.00
32 Add Columns A and B, Lines 18 through 31.	32 .00	.00
33 Subtract Columns A and B, Line 32 from Line 17.	33 43,500.00	18,000.00

### Step 3: Figure your Illinois additions and subtractions

In Column A, write the total amounts from your Form IL-1040. You must read the instructions for Column B to properly complete this step.

	Column A Form IL-1040 Total (Whole dollars only)	Column B Non-Illinois Portion (Whole dollars only)
<b>Illinois Adjustments</b>		
34 Federally tax-exempt interest income (Form IL-1040, Line 2)	34 .00	.00
35 Other additions (Form IL-1040, Line 3)	35 .00	.00
36 Add Columns A and B, Lines 33, 34, and 35.	36 43,500.00	18,000.00
37 Federally taxed Social Security and retirement income (Form IL-1040, Line 5)	37 .00	
38 Illinois Income Tax overpayment included on your U.S. 1040, Line 10. (Form IL-1040, Line 6)	38 .00	
39 Other subtractions (Form IL-1040, Line 7)	39 .00	.00
40 Add Columns A and B, Lines 37 through 39.	40 .00	.00
41 Subtract Columns A and B, Line 40 from Line 36. If Line 40 is larger than Line 36, write zero.	41 43,500.00	18,000.00

Continue to Page 3 ➔



## For Example 10

### Step 4: Figure your Schedule CR decimal

		Column A	Column B
Decimal	42	Write the amount from Line 41, Column A and Column B.	42 <u>43,500.00</u> <u>18,000.00</u>
	43	Divide Column B, Line 42 by Column A, Line 42 (carry to three decimal places). Write the appropriate decimal. If Column B, Line 42 is greater than Column A, Line 42, write 1.000. Write this amount on Step 6, Line 53.	→ 43 <u>.414</u>

### Step 5: Part-year residents only (Full year residents, go to Step 6.)

Part-Year Only	44	Write the base income from your Form IL-1040, Line 9.	44 <u>58,000.00</u>
	45	Divide Column A, Line 42 by Line 44 (carry to 3 decimal places).	45 <u>.750</u>
	46	Write the exemption amount from Form IL-1040, Line 10.	46 <u>4,200.00</u>
	47	Multiply Line 45 by Line 46.	47 <u>3,150.00</u>
	48	Subtract Line 47 from Column A, Line 42.	48 <u>40,350.00</u>
	49	Multiply Line 48 by 5% (.05). Write this amount on Step 6, Line 52, and continue on to Step 6, Line 50.	49 <u>2,018.00</u>

### Step 6: Figure your credit

Credit for Tax Paid to Other States

50

If you are claiming a credit for tax paid to any of the states listed below, check the box for the appropriate state.

☐ Iowa

☐ Kentucky

☐ Michigan

☐ Wisconsin

51

Write the total amount of income tax paid to other states on Illinois base income (see instructions).

51786.00

52

Illinois Residents:

 Write your Illinois tax due from Form IL-1040, Line 13.

Part-year Residents:

 Write the amount from Step 5, Line 49.

522,018.00

53

Write the decimal amount from Step 4, Line 43 here.

53.414

54

Multiply Line 52 by Line 53.

54835.00

55

Compare the amounts on Lines 51 and 54. Write the lesser amount here and on Form IL-1040, Line 16. This is your tax credit.

55786.00

→ **Keep your out-of-state tax returns and any Schedules K-1-P and K-1-T with your records. You must send us this information if we request it.** ←





**Example 11.** Use the same facts as **Example 10**, except Jingleheimer does not move to Illinois at the same time that John does. Jingleheimer continues to live in Indiana in their former home until early in 2014. In this case, none of her income is attributable to Illinois. The couple may elect to file their Illinois returns separately, even though they file their federal return jointly.

**Note.** Taxpayers who live in Illinois but work in a state with a reciprocal agreement (Iowa, Kentucky, Michigan, or Wisconsin) should not use Schedule CR unless the taxpayer is treated as a resident under both states' laws.<sup>66</sup> If an employer withholds taxes for a reciprocal state in error, the taxpayer must file a claim with that state for a refund of the withheld taxes. The income earned in the reciprocal state while the taxpayer is an Illinois resident is taxed by Illinois and no credit is allowed.

## APPORTIONMENT

Taxpayers who do business in more than one state must determine the amount of income taxable by each state. This determination is based on the laws of each state, which stipulate the method that must be used when calculating the amount attributable to that state.

Individuals who are residents of Illinois must allocate all their base income to the state.<sup>67</sup> Instead of apportioning their income, they receive credits for taxes paid to other jurisdictions on income that is also included in their base income.<sup>68</sup>

**Note.** Illinois credits for taxes paid to other states are discussed earlier.

The state of Illinois generally requires **nonresidents** and entities doing business in Illinois to use the sales factor to apportion their business income for tax years ending after December 31, 2000.<sup>69</sup> However, if this does not fairly represent the extent of a taxpayer's business activity in the state, the taxpayer may petition to use a different method.<sup>70</sup> Alternatively, IDOR may permit or require a different method without a petition.<sup>71</sup> Alternate methods include the following.

1. Separate accounting
2. The inclusion of one or more additional factors that fairly represent the business activities in Illinois
3. Any other method that more fairly represents the business activities in Illinois

**Note.** Individuals filing an Illinois nonresident return may use the Business or Farm Income Apportionment Formula (IAF) Worksheet found in the instructions for Schedule NR to calculate the income apportioned to Illinois.

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<sup>66</sup> Instructions to Schedule CR.

<sup>67</sup> IITA §301(a).

<sup>68</sup> IITA §601(b)(3).

<sup>69</sup> IITA §304(h)(3).

<sup>70</sup> IITA §304(f).

<sup>71</sup> IITA §304(f).

## THE SALES FACTOR

The sales factor is determined by dividing the income earned within the state by the total income earned by the taxpayer during the tax year.<sup>72</sup> Income may be from **sales or leases** of tangible personal property, intangible personal property, real property,<sup>73</sup> and/or services. **After December 31, 2013**, the assignment of Illinois lottery winnings is also treated as occurring in Illinois regardless of the residence of the taxpayer.<sup>74</sup>

Gross receipts from the following activities are included in sales for purposes of making the allocation.<sup>75</sup>

1. Sales of inventory in the ordinary course of business, including sales taxes paid by the buyers
2. Services and sales performed under cost plus fixed fee contracts, including all administrative charges added into the contract
3. Sales of services in the ordinary course of business
4. Rentals, leases, or licensing the use of property in the ordinary course of the taxpayer's business
5. Sales, assignments, or licensing of intangible personal property in the ordinary course of the taxpayer's business
6. Gross receipts from sales of equipment **used** in the taxpayer's business
7. Items or activities excluded from federal income but added back into the computation of Illinois base income, unless the item is subsequently subtracted in the same computation

The following items are **excluded** from sales for purposes of this calculation.<sup>76</sup>

- Dividends
- Adjustments for foreign dividends deemed received under IRC §78
- Gross receipts excluded from or deducted in the computation of federal taxable income or federal AGI that are not added back in the computation of Illinois base income
- Gross receipts that are subtracted from federal taxable income or federal AGI in the computation of Illinois base income (such as interest on federal obligations)
- Subpart F income as defined in IRC §952 (related to foreign-controlled corporations)

**Note.** Special apportionment rules apply to telecommunications, broadcasting, insurance companies, financial organizations, and federally regulated exchanges. These rules are not addressed in this chapter.

**Note.** For an example of an Illinois C corporation allocation with forms, see pages IL-37 through IL-41 of the 2013 Illinois Update and Reference Material supplement.

<sup>72</sup> IITA §304(a)(3)(A).

<sup>73</sup> IITA §304(a)(3)(C-5).

<sup>74</sup> IITA §304(a)(3)(B-8).

<sup>75</sup> 86 Ill. Adm. Code 100.3370.

<sup>76</sup> 86 Ill. Adm. Code 100.3370; see also IITA §304(a)(3)(D).



## Tangible Personal Property<sup>77</sup>

Sales of tangible personal property are considered Illinois income if:

1. The property is delivered to a purchaser (other than the U.S. government) within the state, **or**
2. The property is shipped from within the state if the purchaser is the U.S. government or other nontaxable entity. (Exceptions to this portion of the law apply to certain buyers of printed materials and certain related parties.<sup>78</sup>)

Income from leases or rentals of tangible personal property is treated as Illinois income if the property is located in the state during the rental period. Leases related to motor vehicles, rolling stock, aircrafts, vessels, and/or mobile equipment are considered Illinois income to the extent that the property is used in Illinois.

## Intangible Personal Property<sup>79</sup>

Intangible personal property includes patents, copyrights, trademarks, and similar items. Gross receipts from the license, sale, or other disposition of these items is only included in the apportionment calculation when the related income is **more than 50%** of the taxpayer's gross receipts during the current tax year and during each of the two immediately preceding tax years. When a taxpayer is a member of a **unitary business group**, this determination is made on the basis of the gross receipts of the entire group.<sup>80</sup>

Income from letting another person or entity use intangible personal property is considered earned in Illinois if the right is utilized within the state. Generally, this is determined by the commercial domicile of the licensee or purchaser. For patents and copyrights, the extent of utilization within Illinois may be based on the **purchaser's gross receipts or sales**. However, if the state of utilization of an intangible item cannot be determined from the taxpayer's (or a related party's) records, the gross receipts are excluded from the calculation entirely.

In the case of interest, net gains, and other items of income from intangible personal property, the determination of sales attributable to Illinois depends on whether the taxpayer is a dealer of intangible personal property. For dealers, the sale is considered an Illinois sale if the customer is an Illinois resident or has their commercial domicile in Illinois. For nondealers, sales are attributable to Illinois if a greater proportion of the taxpayer's income-producing activity is performed within Illinois than in any other state, based on performance costs.

## Services<sup>81</sup>

Services are considered Illinois sales if the services are received in the state. For purposes of the apportionment calculation, gross receipts from the performance of services provided to a corporation, partnership, or trust are only attributed to a state in which that entity has a fixed place of business. If it is unclear in which state the services are received, or if the entity does not have a fixed place of business, the services are deemed to have been received at the location of the customer's office from which the services were ordered. If the ordering office cannot be determined, the services are deemed received at the location to which the services were billed. If the taxpayer is not taxable in the state in which the services are received, the sale is excluded from the calculation.

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<sup>77</sup> IITA §§304(a)(3)(B) and (C-5)(ii).

<sup>78</sup> IITA §304(a)(3)(B)(ii).

<sup>79</sup> IITA §§304(a)(3)(B-1), (B-2), and (C-5)(iii).

<sup>80</sup> See 86 Ill. Admin. Code 100.9700.

<sup>81</sup> IITA §304(a)(3)(C-5)(iv).

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Additional laws apply to **transportation services**.<sup>82</sup> Transportation services include any movement or shipment of people, goods, mail, oil, gas, or any other substance. The following income is apportioned to Illinois.

1. All receipts related to transportation that originates and terminates in the state
2. The portion of gross receipts from transportation occurring in Illinois determined by the ratio of the number of miles traveled in the state compared to the total number of miles traveled everywhere (If a taxpayer is engaged in the transportation of both passengers and freight, this factor is determined separately for passenger miles and freight miles and a weighted average is then used.)

**Note.** Additional laws apply to airline<sup>83</sup> and railway services.<sup>84</sup>

**Example 12.** Jack Sprat is an Illinois resident. He owns a rendering business delivering soap materials to industrial manufacturers. The business operates in Illinois and Missouri. Jack's CPA, Jimmy, ensures that Jack keeps track of the income earned in each state and the expenses incurred in each state. His total business income and expenses are reported on Schedule C of Form 1040.

Jack's annual revenues, cost of labor for pick-up and delivery, and operating expenses by state are as follows.

	Illinois	Missouri	Total
Product sales	\$200,000	\$600,000	\$800,000
Cost of labor	(80,000)	(320,000)	(400,000)
Operating expenses	(50,000)	(50,000)	(100,000)
Net income	\$ 70,000	\$230,000	\$300,000

Jack files a Missouri nonresident return. With his IL-1040, he uses Schedule CR to calculate the credit for taxes paid to Missouri. He calculates the net income that is apportioned to Missouri using the following worksheet from the Schedule CR instructions. In column B on line 6 (business income or loss) of Schedule CR, he shows \$225,000 as the portion of his business income that is not from Illinois sources (form not shown).

<sup>82</sup> IITA §304(d)(3).

<sup>83</sup> IITA §304(d)(4). See 86 Ill. Admin. Code 100.9700.

<sup>84</sup> IITA §304(d)(3)(A).

## For Example 12

### Business or Farm Income Apportionment Formula (IAF) Worksheet

You must complete this worksheet if you received business or farm income from both inside and outside of Illinois. If you have more than one source of business or farm income, make copies of this worksheet and prepare a separate worksheet for each line of the Schedule CR on which you reported business or farm income.

Worksheet for Schedule CR, Line 6

	Column A Total sales everywhere	Column B Total sales inside Illinois	Column C Apportionment Factor Column B ÷ Column A
1 Line 1 is 1.000.			1 <u>1</u> . <u>0 0 0</u>
2 Figure your apportionment factor. <u>800,000</u> .00	<u>800,000</u> .00	<u>200,000</u> .00	2 <u>0</u> . <u>250000</u>
3 Subtract Line 2 from Line 1. If negative, write zero.			3 <u>0</u> . <u>750000</u>
4 Write the amount of your business or farm income from Schedule CR, Column A.			4 <u>300,000</u> .00
5 Apportioned Income – Multiply Line 4 by the Line 3 decimal. Write the result here and on the corresponding line on Schedule CR, Column B.			5 <u>225,000</u> .00

Keep a copy of this worksheet with your income tax records.

### IAF Worksheet Instructions

**Line 1:** Line 1 must be 1.000.

**Line 2: Apportionment factor**

**Column A**

Write the total amount of sales you received from both inside and outside Illinois.

**Column B**

Write the total amount of sales you received in Illinois.

**Column C**

Divide Column B by Column A. Carry the decimal to six places. This is your apportionment factor.

**Lines 3 through 5:** Follow the instructions on the worksheet.

**Note** If you need more detailed instructions, see the instructions for Form IL-1120, Corporation Income and Replacement Tax Return, Step 4. If your business income was derived from a transportation company, an insurance company, or a financial organization, see Form IL-1120 specific instructions for "Special Apportionment Formulas."

### Observations.

1. The \$225,000 of net income apportioned to Missouri using the worksheet is less than the \$230,000 net profit from Missouri that Jack's records show.
2. If Jack were a Missouri resident, he would file a Missouri resident income tax return. He would also file an IL-1040 with Schedule NR to report the portion of his business income taxable by Illinois.

### UNITARY BUSINESSES

When two or more persons are engaged in a unitary business and part of the business is conducted in Illinois, the business income attributable to the state is apportioned by means of the combined apportionment method.<sup>85</sup>

The term **unitary business group** means a group of persons related through common ownership whose business activities are integrated with, are dependent on, and contribute to each other.<sup>86</sup> Such a group does **not** include those members whose business activity **outside** the United States is 80% or more of the member's total business activity. For these purposes, the United States includes only the 50 states and the District of Columbia.

<sup>85</sup> IITA §304(e).

<sup>86</sup> 35 ILCS 5/1501(a)(27).

For corporations, common ownership is defined as the direct or indirect control or ownership of more than 50% of the outstanding voting stock of the persons carrying on the unitary business activity.

Unitary business activity occurs when the activities of the members are functionally integrated through the exercise of strong centralized management. This type of management may control matters like purchasing, financing, tax compliance, product line, personnel, marketing, and capital investment. The business activities of the members are ordinarily one of the following types of arrangements.

1. Business activities that are in the same general line (such as manufacturing, wholesaling, retailing of tangible personal property, insurance, transportation, or finance)
2. Activities that are steps in a vertically structured enterprise or process (such as the steps involved in the production of natural resources, which might include exploration, mining, refining, and marketing)

A unitary business group may not include members that are ordinarily required to apportion their business income under different subsections of the apportionment laws. However, this prohibition does not apply to a holding company that is a member of a group that includes insurance companies, financial organizations, federally regulated exchanges, or transportation services.

If a controlled group includes members that are ordinarily required to apportion business income under different subsections of the Illinois Income Tax Act (IITA), then the taxpayer must use a separate unitary business group for each category in which there are two or more members. Members of a unitary business group that are not ordinarily required to apportion their income because their business derives solely from Illinois must still be included in any applicable category for this purpose.

## ALLOCATION OF INCOME BY PASS-THROUGH ENTITIES

### Allocation or Apportionment of Income by Estates and Trusts<sup>87</sup>

The items of income and deduction taken into account by an estate or trust in computing its base income for a tax year are allocated to Illinois using the same methods used by individuals. To the extent the income is properly paid, credited, or required to be distributed to beneficiaries for a tax year, it is allocated to the beneficiaries on a pro-rata basis.

Beneficiaries must include in their Illinois income their allocated portion of the **business income** that was apportioned to Illinois on the fiduciary return.<sup>88</sup> Nonresidents may treat **nonbusiness income** and deductions as if they were paid, incurred, or accrued directly to them instead of as beneficiaries.<sup>89</sup>

**Example 13.** Jakob Grimm was an Illinois resident when he passed away in 2013. His sole assets were a savings account with \$500,000 in it and an apartment complex where he had lived. His brother, Wilhelm Grimm, is a resident of Florida in 2014. During 2014, the Jakob Grimm estate earned \$1,000 in interest on the savings account and \$10,000 profit on the apartment complex. The total \$11,000 in earnings was distributed to Wilhelm.

Wilhelm receives a federal Schedule K-1 (Form 1041), *Beneficiary's Share of Income, Deductions, Credits, etc.*, from the estate showing his 100% share of the distributed income. In addition, he receives an Illinois Schedule K-1-T, *Beneficiary's Share of Income and Deductions*, which shows that the \$1,000 in interest income is nonbusiness income not allocable to Illinois. It also shows that the \$10,000 net profit from the Illinois-based rental real estate is allocable to Illinois.

**Note.** For allocation of amounts received by nonresidents from certain employee trusts, see IITA §301(b)(2).<sup>90</sup>

<sup>87</sup> IITA §306.

<sup>88</sup> IITA §307(a).

<sup>89</sup> IITA §307(b).

<sup>90</sup> IITA §307(d)(1).

## Allocation of Partnership Income<sup>91</sup>

Partners must include in their Illinois income their pro-rata portion of the **business income** which was apportioned to Illinois on the partnership return. Nonresident partners may treat **nonbusiness income** and deductions as if they were paid, incurred, or accrued directly to them instead of as members of the partnership.

Taxable income of an **investment partnership**<sup>92</sup> that is distributable to a nonresident partner is treated as **nonbusiness income**. However, the partner's pro-rata share of income is treated as business income if either of the following applies.

1. The partner makes an election under 35 ILCS 5/1501(a)(1) to treat all income as business income.
2. The income is from investment activity:
  - a. That is directly or integrally related to any other business activity conducted in Illinois by the nonresident partner (or any member of that partner's unitary business group),
  - b. That serves an operational function to any other business activity of the nonresident partner (or any member of that partner's unitary business group) in Illinois, or
  - c. When assets of the investment partnership were acquired with working capital from a trade or business activity conducted in Illinois when the nonresident partner (or any member of that partner's unitary business group) owns an interest in that trade or business activity.

## Allocation of Subchapter S Corporation Income<sup>93</sup>

Nonresident shareholders of an S corporation must include in their Illinois income their pro-rata portion of the **business income** that was apportioned to Illinois on the corporate return. Nonresident shareholders may treat **nonbusiness income** and deductions as if these items were paid, incurred, or accrued directly to them instead of as shareholders in the corporation.

## ALTERNATIVE APPORTIONMENT<sup>94</sup>

Although a private letter ruling is not binding upon IDOR for taxpayers other than the party that requested the ruling, there is an interesting example from 2013 of a situation in which IDOR granted a taxpayer permission to use an alternative formula to compute the base income allocable to Illinois.

The taxpayer had been in the business of manufacturing and renting various types of equipment. It operated three manufacturing plants in another state (state 1) and one store in Illinois. During the prior fiscal year, the taxpayer ceased operation after the majority of its assets were sold to an unrelated party in a forced sale. After this sale, the company only owned one building in Illinois and one building in state 1.

During the 2013 fiscal year, the taxpayer planned to sell the Illinois building. This transaction would be the only activity of the company during the year. Using the apportionment factor as prescribed by state law, 100% of the income would be apportioned to Illinois because the business no longer has any state 1 sales. Historically, the Illinois apportionment percentage ranged from 3.1% to 11.9%.

The profit from the sale of the building would consist only of depreciation recapture, because the taxpayer did not expect to sell it for more than the original basis. The taxpayer argued that reporting 100% of this depreciation recapture as Illinois income would not be representative of the true business activity in the state, considering that only 3.1% to 11.9% of the original depreciation deduction was apportioned to Illinois.

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<sup>91</sup> IITA §305.

<sup>92</sup> As defined in 35 ILCS 5/1501(a)(11.5).

<sup>93</sup> IITA §308.

<sup>94</sup> *IT 13-0003-PLR 09/18/2013*. [[www.revenue.state.il.us/LegalInformation/Letter/rulings/it/2013/IT-13-0003-PLR.pdf](http://www.revenue.state.il.us/LegalInformation/Letter/rulings/it/2013/IT-13-0003-PLR.pdf)] Accessed on Jan. 23, 2014.

IDOR granted the taxpayer's request, citing in part IDOR Reg. §100.3380, which states that:

*Where gross receipts arise from an incidental or occasional sale of assets used in the regular course of the person's trade or business, such gross receipts shall be excluded from the sales factor. For example, gross receipts from the sale of a factory or plant will be excluded.*

However, in granting the taxpayer the right to use an apportionment formula based on the prior nine years' apportionment percentage for the tax year in which the building located in Illinois was sold, the state also stipulated that the taxpayer must use the same formula when selling the building located in the other state.

**Note.** For further details on the procedure used to petition for alternative apportionment, see 86 Ill. Admin. Code 100.3390.

## NEW FORMS IL-516-I AND IL-516-B

The state of Illinois requires partnerships, S corporations, and trusts (but not estates) that have one or more nonresident **partners, shareholders, or beneficiaries (taxpayers)** to withhold Illinois income tax on business income apportionable to Illinois and allocable to each nonresident.<sup>95</sup> Withholding is not required for nonresidents that are exempt from Illinois income tax nor for nonresidents that have provided the entity with an exemption certificate. Form IL-1000-E, *Certificate of Exemption for Pass-through Entity Payments*, may be used by taxpayers **other than** individuals to notify the entity that the taxpayer pledges to file all Illinois income tax returns and timely pay Illinois income tax.

For tax years ending **on or after December 31, 2014**, entities are now allowed to reduce the withholding by tax credits allocable to the nonresident.<sup>96</sup> However, entities must also withhold on the nonresident's share of certain **nonbusiness** income from the entity.<sup>97</sup> Nonbusiness income subject to withholding includes the following.<sup>98</sup>

1. Capital gains and losses from sales or exchanges of property (both real and tangible personal property) that was located in Illinois at the time of the sale
2. Capital gains and losses from sales of tangible personal property located in another state if the taxpayer had its commercial domicile in Illinois and the sale is not taxable in the state where the property was located
3. Capital gains and losses from sales or exchanges of intangible personal property if the taxpayer had its commercial domicile in Illinois at the time of such sale or exchange
4. Rents and royalties from real property and tangible personal property located in Illinois
5. Rents and royalties from personal property located in other states if the entity is based in Illinois and the entity is not organized under the laws of the state in which the property was used
6. Rents and royalties from personal property located in other states if the entity is based in Illinois and the income is not taxable by the state in which the property was used
7. Certain patent and copyright royalties
8. Illinois lottery prizes
9. Interest and dividends **only** for nonresident members that are partnerships and corporations

**Note.** Interest and dividends are **not** included in the withholding calculation for nonresident taxpayers that are individuals, trusts, and estates.<sup>99</sup>

<sup>95</sup> IITA §709.5(a)(i).

<sup>96</sup> IITA §709.5(a)(iii).

<sup>97</sup> IITA §709.5(a)(ii).

<sup>98</sup> IITA §709.5(a)(ii) referencing IITA §303.

<sup>99</sup> IITA §709.5(a)(ii) referencing IITA §303; IITA §303(g)(1) referencing IITA §301(c)(2).



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Because of the new rules, IDOR will **retire** the following forms for tax years ending **on or after December 31, 2014**.

- IL-1000, *Pass-through Entity Payment Income Tax Return*
- IL-1000-V, *Payment Voucher for Pass-through Entity Income Tax*
- IL-1000-P, *Prepayment Voucher for Pass-through Entity Payments*
- IL-1023-C, *Composite Income and Replacement Tax Return*
- IL-1023-CES, *Composite Estimated Tax Payments for Partners and Shareholders*

The amounts previously reported on **IL-1000** and **IL-1023-C** will instead be reported on the entity's Illinois tax return. This change affects the following entity returns.

- Form IL-1065, *Partnership Replacement Tax Return*
- Form IL-1120-ST, *Small Business Corporation Replacement Tax Return*
- Form IL-1041, *Fiduciary Income and Replacement Tax Return*

The withheld tax will be payable as part of the entity's overall tax calculation. If a balance is owed with the return, the withholding will be paid with the appropriate voucher. If an entity files for an extension and anticipates owing tax or withholding, the payment must be made with Form IL-505-B, *Automatic Extension Payment*.

Partnerships, S corporations, and trusts are not required to prepay Illinois tax liabilities and are not required to prepay the nonresident taxpayer's Illinois tax liabilities. However, taxpayers and entities now have the **option** to make tax payments on behalf of taxpayers using one of the following forms.

- Form IL-516-I, *Pass-through Prepayment Voucher (for withholding from individuals and estates)*
- Form IL-516-B, *Pass-through Prepayment Voucher (for withholding from corporations, partnerships, and trusts)*

The new forms and the accompanying instructions are shown next to help clarify how the withholding is calculated on the final versions of the entity tax returns, which were not yet released when this material was published.



### What is the purpose of Form IL-516-I and Form IL-516-B?

Form IL-1023-C, Composite Income and Replacement Tax Return, and Form IL-1000, Pass-through Entity Payment Income Tax Return, have been retired for tax years ending on or after December 31, 2014. The amounts that would have been reported on the 2014 Form IL-1023-C and Form IL-1000 will be reported on the 2014 Form IL-1065, Partnership Replacement Tax Return, Form IL-1120-ST, Small Business Corporation Replacement Tax Return, or Form IL-1041, Fiduciary Income and Replacement Tax Return. In addition, these amounts will be paid with those returns, with Form IL-505-B, Automatic Extension Payment, or voluntarily prepaid with Form IL-516-I or Form IL-516-B, Pass-through Prepayment Vouchers.

Form IL-1023-CES, Composite Estimated Tax Payments for Partners and Shareholders, and Form IL-1000-P, Prepayment Voucher for Pass-through Entity Payments, also have been eliminated and cannot be used for making prepayments for tax years ending on or after December 31, 2014. These vouchers have been replaced by Form IL-516-I and Form IL-516-B. Form IL-516-I and Form IL-516-B allow taxpayers to voluntarily prepay their own tax liability from Form IL-1065, Form IL-1120-ST, or Form IL-1041, as well as make voluntary pass-through entity prepayments on behalf of their partners, shareholders, or beneficiaries for tax years ending on or after December 31, 2014.

### Should I use Form IL-516-I or Form IL-516-B?

**Form IL-516-I** is used to voluntarily prepay pass-through withholding on behalf of your nonresident individual and estate members **only**.

**Form IL-516-B** is used to voluntarily prepay your own estimated tax liability as well as to voluntarily prepay pass-through withholding on behalf of your partnership or S corporation, nonresident trust, and corporation members.

Depending on the makeup of your members and whether or not you wish to prepay your own estimated tax liability, you could file Form IL-516-I, Form IL-516-B, or **both**. Step 1 will assist you in determining which voucher(s) you should use.

**Note** Different entity types use different calculations to determine the amount of voluntary prepayment to be reported on Form IL-516-I or Form IL-516-B. Follow the instructions on the Form IL-516-I and Form IL-516-B worksheets to ensure you are using the correct voucher for the entity type for which you wish to make prepayments.

### Am I required to make prepayments?

No. A partnership, S corporation, or fiduciary is not required to make prepayments of its own estimated tax liability. It also is not required to make pass-through withholding prepayments on behalf of its partners, shareholders, or beneficiaries.

However, it may make voluntary prepayments of such amounts by filing Form IL-516-I or Form IL-516-B.

Complete the worksheets for Form IL-516-I and Form IL-516-B, as applicable, to figure your voluntary prepayment amounts.

### What are the voluntary prepayment due dates?

Prepayments using Form IL-516-I or Form IL-516-B are entirely voluntary. There are no required due dates for making prepayments. However, we do provide a suggested payment schedule on Form IL-516-I and Form IL-516-B that you may follow if you wish to make your prepayments in four equal installments during the course of a year.

### Can I use another voucher to make prepayments?

No. Using a voucher other than Form IL-516-I or Form IL-516-B to make these voluntary prepayments may result in your funds being misapplied to other tax types, and result in processing delays when you file your annual Illinois Income Tax return (*i.e.*, Form IL-1065, Form IL-1120-ST, or Form IL-1041).

### Can I make my prepayments electronically?

Yes. If you prefer to make your payments electronically, use MyTax Illinois or see Form EFT-1, Authorization Agreement for Certain Electronic Payments. These options can be found on our website at [tax.illinois.gov](http://tax.illinois.gov).

**Note** If you make your payments electronically, **do not** send us your Form IL-516-I or Form IL-516-B.

### Where should I mail my prepayments?

You should mail your payment, with your voucher, to the address listed on the voucher you are using.

Attach each payment to the Form IL-516-I or Form IL-516-B voucher. Do not send prepayments with your annual return. Make your check or money order payable to "Illinois Department of Revenue."

### What if I need additional assistance?

- Visit our website at [tax.illinois.gov](http://tax.illinois.gov);
- Call our Taxpayer Assistance Division at **1 800 732-8866, 217 782-3336**; or
- Call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

Our office hours are 8 a.m. to 5 p.m., Monday through Friday.

## Form IL-516-I and Form IL-516-B Worksheet

2014

### Step 1: Check the following boxes to determine which worksheets you should complete. (You may check multiple boxes.)

- 1 If you have **nonresident individual and estate members** that you wish to voluntarily prepay pass-through withholding on behalf of, check this box and complete **Step 2** of this worksheet. ☐
- 2 If you have **partnership or S corporation members** that you wish to voluntarily prepay pass-through withholding on behalf of, check this box and complete **Step 3** of this worksheet. ☐
- 3 If you have **nonresident trust members** that you wish to voluntarily prepay pass-through withholding on behalf of, check this box and complete **Step 4** of this worksheet. ☐
- 4 If you have **corporation members** that you wish to voluntarily prepay pass-through withholding on behalf of, check this box and complete **Step 5** of this worksheet. ☐
- 5 If you wish to prepay **your own estimated tax liability**, check this box and complete **Step 6** of this worksheet. ☐

### Step 2: Figure your pass-through withholding prepayments for nonresident individual and estate members.

**Note** Complete each step that corresponds to the box you checked in Step 1. If you do not complete this step, write "0" on Step 2, Line 7, and Step 7, Line 1.

If you have nonresident individual and estate members that you wish to voluntarily prepay pass-through withholding on behalf of, you must complete Form IL-516-I. To determine the amount of your prepayment, complete this worksheet. Keep this record for your files.

- 1 Write your nonresident individual and estate members' share of business income apportioned to Illinois expected in 2014 (cannot be less than zero). 1 \_\_\_\_\_
- 2 Write your nonresident individual and estate members' share of nonbusiness income allocable to Illinois expected in 2014 (cannot be less than zero). 2 \_\_\_\_\_
- 3 Add Lines 1 and 2 and write the result. 3 \_\_\_\_\_
- 4 Multiply Line 3 by 5% (.05) and write the result. 4 \_\_\_\_\_
- 5 **Partnership and S corporation filers only** - Write the amount of Illinois income tax credits expected in 2014 to be passed to the members whose income is included on Lines 1 or 2. 5 \_\_\_\_\_
- 6 Subtract Line 5 from Line 4 and write the result. 6 \_\_\_\_\_
- 7 Divide Line 6 by 4. This is the amount of each of your voluntary prepayments for nonresident individual and estate members. **Write this amount on Step 7, Line 1.** 7 \_\_\_\_\_

### Step 3: Figure your pass-through withholding prepayments for partnership or S corporation members.

**Note** Complete each step that corresponds to the box you checked in Step 1. If you do not complete this step, write "0" on Step 3, Line 7, and Step 7, Line 2.

If you have partnership or S corporation members that you wish to voluntarily prepay pass-through withholding for, complete this worksheet. Keep this record for your files.

- 1 Write your partnership or S corporation members' share of business income apportioned to Illinois expected in 2014 (cannot be less than zero). 1 \_\_\_\_\_
- 2 Write your partnership or S corporation members' share of nonbusiness income allocable to Illinois expected in 2014 (cannot be less than zero). 2 \_\_\_\_\_
- 3 Add Lines 1 and 2 and write the result. 3 \_\_\_\_\_
- 4 Multiply Line 3 by 1.5% (.015) and write the result. 4 \_\_\_\_\_
- 5 **Partnership and S corporation filers only** - Write the amount of Illinois replacement tax investment credits expected in 2014 to be passed to the members whose income is included on Lines 1 or 2. 5 \_\_\_\_\_
- 6 Subtract Line 5 from Line 4 and write the result. 6 \_\_\_\_\_
- 7 Divide Line 6 by 4. This is the amount of each of your voluntary prepayments for partnership or S corporation members. **Write this amount on Step 7, Line 2.** 7 \_\_\_\_\_

## Form IL-516-I and Form IL-516-B Worksheet

2014

### Step 4: Figure your pass-through withholding prepayments for nonresident trust members.

**Note** Complete each step that corresponds to the box you checked in Step 1. If you do not complete this step, write "0" on Step 4, Line 11, and Step 7, Line 3.

If you have nonresident trust members that you wish to voluntarily prepay pass-through withholding for, complete this worksheet. Keep this record for your files.

- 1 Write your nonresident trust members' share of business income apportioned to Illinois expected in 2014 (cannot be less than zero). 1 \_\_\_\_\_
- 2 Write your nonresident trust members' share of nonbusiness income allocable to Illinois expected in 2014 (cannot be less than zero). 2 \_\_\_\_\_
- 3 Add Lines 1 and 2 and write the result. 3 \_\_\_\_\_
- 4 Multiply Line 3 by 1.5% (.015) and write the result. 4 \_\_\_\_\_
- 5 **Partnership and S corporation filers only** - Write the amount of Illinois replacement tax investment credits expected in 2014 to be passed to the members whose income is included on Lines 1 or 2. 5 \_\_\_\_\_
- 6 Subtract Line 5 from Line 4 and write the result. 6 \_\_\_\_\_
- 7 Multiply Line 3 by 5% (.05) and write the result. 7 \_\_\_\_\_
- 8 **Partnership and S corporation filers only** - Write the amount of Illinois income tax credits expected in 2014 to be passed to the members whose income is included on Lines 1 or 2. 8 \_\_\_\_\_
- 9 Subtract Line 8 from Line 7 and write the result. 9 \_\_\_\_\_
- 10 Add Line 6 and Line 9 and write the result. 10 \_\_\_\_\_
- 11 Divide Line 10 by 4. This is the amount of each of your voluntary prepayments for nonresident trust members. **Write this amount on Step 7, Line 3.** 11 \_\_\_\_\_

### Step 5: Figure your pass-through withholding prepayments for corporation members.

**Note** Complete each step that corresponds to the box you checked in Step 1. If you do not complete this step, write "0" on Step 5, Line 11, and Step 7, Line 4.

If you have corporation members that you wish to voluntarily prepay pass-through withholding for, complete this worksheet. Keep this record for your files.

- 1 Write your corporation members' share of business income apportioned to Illinois expected in 2014 (cannot be less than zero). 1 \_\_\_\_\_
- 2 Write your corporation members' share of nonbusiness income allocable to Illinois expected in 2014 (cannot be less than zero). 2 \_\_\_\_\_
- 3 Add Lines 1 and 2 and write the result. 3 \_\_\_\_\_
- 4 Multiply Line 3 by 2.5% (.025) and write the result. 4 \_\_\_\_\_
- 5 **Partnership and S corporation filers only** - Write the amount of Illinois replacement tax investment credits expected in 2014 to be passed to the members whose income is included on Lines 1 or 2. 5 \_\_\_\_\_
- 6 Subtract Line 5 from Line 4 and write the result. 6 \_\_\_\_\_
- 7 Multiply Line 3 by 7% (.07) and write the result. 7 \_\_\_\_\_
- 8 **Partnership and S corporation filers only** - Write the amount of Illinois income tax credits expected in 2014 to be passed to the members whose income is included on Lines 1 or 2. 8 \_\_\_\_\_
- 9 Subtract Line 8 from Line 7 and write the result. 9 \_\_\_\_\_
- 10 Add Line 6 and Line 9 and write the result. 10 \_\_\_\_\_
- 11 Divide Line 10 by 4. This is the amount of each of your voluntary prepayments for corporation members. **Write this amount on Step 7, Line 4.** 11 \_\_\_\_\_

## Form IL-516-I and Form IL-516-B Worksheet

2014

### Step 6: Figure your own tax liability prepayments.

**Note** Complete each step that corresponds to the box you checked in Step 1. If you do not complete this step, write "0" on Step 6, Line 9, and Step 7, Line 5.

If you wish to voluntarily prepay your own income and replacement tax liability, complete this worksheet. Keep this record for your files.

- 1 Write the amount of Illinois net income expected in 2014. 1 \_\_\_\_\_
- 2 Figure your tax before credits.
  - Partnerships and S corporations:** Multiply Line 1 by 1.5% (.015).
  - Trusts:** Multiply Line 1 by 6.5% (.065).
  - Estates:** Multiply Line 1 by 5% (.05). 2 \_\_\_\_\_
- 3 **S corporations, Trusts, and Estates only** - Write the amount of Compassionate Use of Medical Cannabis Pilot Program Act Surcharge expected in 2014. 3 \_\_\_\_\_
- 4 Add Lines 2 and 3 and write the result. 4 \_\_\_\_\_
- 5 Write the amount of Illinois tax credits expected in 2014. 5 \_\_\_\_\_
- 6 Write the amount of pass-through entity payments expected to be made on your behalf in 2014. 6 \_\_\_\_\_
- 7 Add Lines 5 and 6 and write the result. 7 \_\_\_\_\_
- 8 Subtract Line 7 from Line 4 and write the result. 8 \_\_\_\_\_
- 9 Divide Line 8 by 4. This is the amount of each of your voluntary prepayments for your own tax liability. **Write this amount on Step 7, Line 5.** 9 \_\_\_\_\_

### Step 7: Complete your prepayment vouchers.

- 1 Write the amount from Step 2, Line 7. **Write this amount on Form IL-516-I.** (If this amount is "0", do not complete Form IL-516-I.) 1 \_\_\_\_\_
- 2 Write the amount from Step 3, Line 7. 2 \_\_\_\_\_
- 3 Write the amount from Step 4, Line 11. 3 \_\_\_\_\_
- 4 Write the amount from Step 5, Line 11. 4 \_\_\_\_\_
- 5 Write the amount from Step 6, Line 9. 5 \_\_\_\_\_
- 6 Add Line 2 through Line 5. **Write this amount on Form IL-516-B.** (If this amount is "0," do not complete Form IL-516-B.) 6 \_\_\_\_\_

**In order to avoid processing delays, complete your vouchers by following the instructions below.**

- 7 As applicable, ensure the amount written on
  - Step 7, Line 1, is the amount you are paying with Form IL-516-I, and
  - Step 7, Line 6, is the amount you are paying with Form IL-516-B.

**Note** Depending on the makeup of your members and whether or not you wish to prepay your own estimated tax liability, you could file Form IL-516-I, Form IL-516-B, **or both**.

- 8 Write your federal employer identification number (FEIN) and tax year ending on your voucher(s).
- 9 Write your name and address on your voucher(s).
- 10
  - Detach the voucher(s) and enclose a check or money order for the amount you are paying.
  - Write your FEIN, tax year, and "Form IL-516-I" or "Form IL-516-B", as applicable, on your payment(s).
  - Mail your completed voucher(s) and payment(s) to the address shown on the voucher(s).
  - Complete Step 8 for your records.



## Form IL-516-I and Form IL-516-B Worksheet

2014

### Step 8: Record your prepayments.

**Note** For your convenience this table is presented with eight rows for entries. Depending on the makeup of your members, whether or not you wish to prepay your own estimated tax liability, and how many installments you choose to make, you may use more or less rows than are presented.

Voucher amount	Voucher type		Voucher date	Check or money order number
	IL-516-I	IL-516-B		
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
\$	<input type="checkbox"/>	<input type="checkbox"/>	__/__/__	
<b>Total \$</b>				



### Reminders to avoid processing delays:

- If you pay electronically, **do not** send in Form IL-516-I.
- Ensure the amount written on Step 7, Line 1, is the amount you are paying with Form IL-516-I.
- **Note** If you wrote "0" on Step 7, Line 1, **do not** submit Form IL-516-I.
- Write your federal employer identification number (FEIN) and tax year ending on your voucher.
- Write your name and address on your voucher.
- Detach the voucher and enclose a check or money order for the amount you are paying.
- Write your FEIN, tax year, and "Form IL-516-I" on your payment.
- Mail your completed voucher and payment to the address shown on the voucher.

Form IL-516-I (N-12/13)

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**Illinois Department of Revenue**  
**IL-516-I** (N-12/13) Station no: 774

**Pass-through Prepayment Voucher**  
**(for withholding from individuals and estates)**

Official use only

Mail to: ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19017  
SPRINGFIELD IL 62794-9017

#### Prepayment schedule

- 15th day of the 4th month
- 15th day of the 6th month
- 15th day of the 9th month
- 15th day of the 1st month of the following year

FEIN: \_\_\_\_\_

Name: \_\_\_\_\_

C/O: \_\_\_\_\_

Mailing address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_

Tax year ending \_\_\_\_\_  
Month \_\_\_\_\_ Year \_\_\_\_\_

\$ \_\_\_\_\_ **00**

**Amount of payment (Whole dollars only)**


Return this voucher with check or money order payable to "Illinois Department of Revenue."

### Reminders to avoid processing delays:

- If you pay electronically, **do not** send in Form IL-516-B.
- Ensure the amount written on Step 7, Line 6, is the amount you are paying with Form IL-516-B.
- **Note** If you wrote "0" on Step 7, Line 6, **do not** submit Form IL-516-B.
- Write your federal employer identification number (FEIN) and tax year ending on your voucher.
- Write your name and address on your voucher.
- Detach the voucher and enclose a check or money order for the amount you are paying.
- Write your FEIN, tax year, and "Form IL-516-B" on your payment.
- Mail your completed voucher and payment to the address shown on the voucher.

Form IL-516-B (N-12/13)

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	<b>Illinois Department of Revenue</b> <b>IL-516-B</b> <small>(N-12/13) Station no: 775</small>	<b>Pass-through Prepayment Voucher</b> <b>(for withholding from corporations, partnerships, and trusts)</b>  Mail to: ILLINOIS DEPARTMENT OF REVENUE PO BOX 19024 SPRINGFIELD IL 62794-9024	<b>Prepayment schedule</b> <ul style="list-style-type: none"> <li>15th day of the 4th month</li> <li>15th day of the 6th month</li> <li>15th day of the 9th month</li> <li>15th day of the 1st month of the following year</li> </ul>
FEIN: _____  Name: _____  C/O: _____  Mailing address: _____  City: _____ State: _____ ZIP: _____		Tax year ending _____ <div style="display: flex; justify-content: space-between; width: 100%;"> <span>Month</span> <span>Year</span> </div> \$ _____ <b>00</b> <b>Amount of payment (Whole dollars only)</b> Return this voucher with check or money order payable to "Illinois Department of Revenue."	

# 2014 Workbook

## Internal Revenue Service

Serving Illinois

LOCATION	ADDRESS	PHONE
<b>Bloomington</b>	301 S. Prospect Road Bloomington, IL 61704	309-661-0032 <b>FAX 309-662-4792</b>
<b>Champaign</b>	310 W. Church Street Champaign, IL 61820	217-398-5210 <b>FAX 217-398-5414</b>
<b>Chicago</b>	230 S. Dearborn Street Chicago, IL 60604	312-292-4912 <b>FAX 312-292-4915</b>
<b>Davenport, IA</b>	101 W. 2nd Street, 6th Floor Davenport, IA 52801	563-326-6052 <b>FAX 563-328-4452</b>
<b>Decatur</b>	306 W. Eldorado Street Decatur, IL 62522	217-862-6015 <b>FAX 217-429-0843</b>
<b>Downers Grove</b>	2001 Butterfield Road, 12th Floor Downers Grove, IL 60515	630-493-5291 <b>FAX 630-493-5404</b>
<b>Fairview Heights</b>	380 Fountain Office Court Fairview Heights, IL 62208	618-632-2567 <b>FAX 618-632-5357</b>
<b>Galesburg</b>	2066 Windish Drive Galesburg, IL 61401	309-345-4158 <b>FAX 309-342-8246</b>
<b>Mount Vernon</b>	105 South Sixth Street Mt. Vernon, IL 62864	618-632-2567 <b>FAX 618-632-9410</b>
<b>Orland Park</b>	14479 John Humphrey Dr. Orland Park, IL 60462	708-873-8310 <b>FAX 708-346-7878</b>
<b>Peoria</b>	2415 W. Cornerstone Ct. Peoria, IL 61614	309-671-7264 <b>FAX 309-693-1117</b>
<b>Quincy</b>	3701 East Lake Centre Drive Quincy, IL 62305	217-224-8208 <b>FAX 217-224-9877</b>
<b>Rockford</b>	211 S. Court Street, Rm. 101 Rockford, IL 61101	815-334-7026 <b>FAX 815-987-4271</b>
<b>Schiller Park</b>	5100 River Road Schiller Park, IL 60176	847-737-6688 <b>FAX 847-671-7518</b>
<b>Springfield</b>	3101 Constitution Drive Springfield, IL 62704	217-862-6015 <b>FAX 217-862-6037</b>

## Illinois IRS Subject Matter Points of Contact

### Automated Collection Service (ACS)

<b>W&amp;I</b>	<b>800-829-7650</b>
<b>SBSE, LB &amp; I, TE/GE</b>	<b>800-829-3903</b>
<b>ATIN</b>	<b>512-460-7898</b>

Adoptive parents file Form W-7A to obtain a temporary number for adopted children. The temporary number is needed so that the adoptive parents can claim dependency exemption and child care credit.

### Audit Reconsiderations **800-829-1040**

This is a procedure where the result of a completed examination may be reconsidered. The taxpayer must establish good reasons why the case should be reopened, such as non-receipt of audit letter or additional evidence not previously available.

### Banks, Post Offices, and Libraries **800-829-2765**

Post offices and libraries provide an alternative location for taxpayers to obtain tax forms and publications. Only banks that also participate in the e-file program are recruited for this program.

### Centralized Authorization File **Fax: 855-214-7519**

### Claims **800-829-1040** **Fax: 309-556-5062**

A claim is an amended tax return reflecting a lower net tax liability and a refund. The amended return generally may be filed within three years of the due date or two years from when the tax was paid, whichever is later. Claims may either be accepted as filed or examined.

### Congressional Affairs Program

<b>Springfield Taxpayer Advocate (case related)</b>	<b>217-862-6382</b>
<b>Chicago Taxpayer Advocate (case related)</b>	<b>312-292-3800</b>
<b>Governmental Liaison (non-case related)</b>	<b>312-292-3520</b>

### CP 2000 Notices

<b>Generated from Brookhaven, Ogden, or Philadelphia</b>	<b>800-829-8310</b>
<b>Generated from Atlanta, Austin, or Fresno</b>	<b>800-829-3009</b>

### Criminal Investigation (CI) Division

<b>Office of Special Agent in Charge – Chicago</b>	<b>312-292-4500</b>
<b>CID Referral (report tax violations)</b>	<b>800-829-0433</b>

### Electronic Federal Tax Payment System (EFTPS) **800-555-4477** **Web: [www.eftps.gov](http://www.eftps.gov)**

EFTPS is a tax payment and reporting system sponsored by the Treasury Department. By using a telephone or personal computer, taxpayers can input their tax payment Information and send it.

# 2014 Workbook

## **Electronic Returns Originator (ERO) Information**

**866-255-0654**

Responds to inquiries regarding the electronic filing program (how to participate) and the various types of electronic programs available. Annually, a sample of preparers who electronically file tax returns are visited to ensure compliance, answer questions, and provide other requested assistance.

## **Employer Identification Numbers (EINs)**

### **Get EINs through Business and Specialty Tax Lines**

**800-829-4933**

**Fax: 859-669-5760**

**Web: [www.irs.gov](http://www.irs.gov)**

## **Employee Plans and Exempt Organizations Customer Service**

### **(applications and determinations)**

**877-829-5500**

This toll-free number is a centralized help desk in Cincinnati that is available for Taxpayers and employees in answering questions, or inquiries on status of application for exempt status.

## **Federal, State, and Local Governments**

**419-522-2259**

### **Customer Account Services**

**877-829-5500**

The office of Federal, State and Local Governments of the IRS, Tax Exempt and Government Entities Operating Division works with federal agencies, quasi-government entities, state agencies, and local governments including U.S. possessions. Primary objective is to assist these agencies in complying with federal employment tax laws and information return reporting.

## **Financial Management Service (FMS)**

**800-304-3107**

FMS will issue a TOP offset notice when a taxpayer's refund is offset for child support or a federal agency non-tax debt (e.g. student loans, VA loans, etc.). Refer taxpayers who have questions about the offset to the FMS Help Desk.

## **Innocent Spouse Coordinator**

**866-897-4270**

Taxpayers submit Form 8857 when they feel they are not responsible for their current or former spouse's tax liability. Detailed instructions are in *Publication 971*.

## **Magnetic Media**

**866-455-7438**

## **National Distribution Center**

**800-829-3676**

For obtaining forms and publications

## **Office of Professional Responsibility**

**Fax: 202-317-6338**

Preparers of federal income tax returns are bound by the ethical and due diligence principles contained in *Circular 230*. Identified situations contrary to these principles may be referred to the Office of Professional Responsibility.

## **Practitioner Priority Service**

**866-860-4259**

Previously known as the Practitioner Hot-line, this office accepts calls only from practitioners. Handles call regarding accounts and procedures. The practitioner must have a valid power of attorney on file.



# 2014 Workbook

**Practitioner Identification Number (PTIN) Issues** 800-829-1040

**Refund Inquiries (Automated Refund Information)** 800-829-4477  
800-829-1954  
**Web:** [www.irs.gov](http://www.irs.gov)

## **Small Business Tax Workshops**

**Web:** [www.irs.gov](http://www.irs.gov)

**Small Business Community Website:** [www.irs.gov/smallbiz](http://www.irs.gov/smallbiz)

General workshops for current and prospective small business owners are held at various times and locations throughout the state. Community organizations such as the Small Business Development Centers participate in STEP. Topics include record keeping, business use of the home, sole proprietorships, employment tax issues, etc.

**Taxpayer Advocate Service National Hotline** 877-777-4778

The Taxpayer Advocate Service is an IRS program that provides an independent system to assure that tax problems, which have not been resolved through normal channels, are promptly and fairly handled. Taxpayers having an ongoing issue with the IRS that has not been resolved through normal processes, or taxpayers who have suffered or are about to suffer a significant hardship as a result of the application of the tax laws can contact the Taxpayer Advocate national hotline.

## **Taxpayer Advocate for Illinois**

**Springfield** 217-862-6382  
**Chicago** 312-292-3800

Each state has a Local Taxpayer Advocate. The local advocate is not a substitute for established IRS procedures or the formal Appeals process. The advocate cannot reverse legal or technical tax determinations. The local advocate is available to assist taxpayers meeting advocate criteria, serving as liaison with the practitioner community and congressional staff for their constituents and solicits feedback on recurring problems with the IRS systems and procedures.

**Taxpayer Identification Number (TIN)** 800-829-4933  
**Fax:** 859-669-5760 (all 50 states)  
**Fax:** 267-941-1040 (anywhere else)

Effective January 2, 2002, taxpayers can call the above toll-free number to get an EIN. Customer service representatives in three IRS service centers are available Monday-Friday from 7:30 a. m. – 5:30 p.m. local time. The taxpayer must have a completed Form SS4 prepared prior to calling. Upon completion of the call, the form must be mailed within 24 hours to the service center. Complete instructions are provided with Form SS4.

## Illinois Directory

Small Business Self-Employed  
Stakeholder Liaison Division

### IRS TELEPHONE DIRECTORY for Practitioners



4/11//2014

# 2014 Workbook

## Appeals

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Appeals (Collection) Team Manager, Area 13 Team 6	Debra Dufek	312-582-6838
Appeals (Exam) Team Manager, Area 7 Team 14	Deborah McKissic	312-582-6861
Appeals (Exam) Team Manager, Area 7 Team 15	Jim Helfrich	312-582-6840
Appeals Team Manager, Appeals Team Case Leader (ATCL) Operations	Clarence H. Phillips	312-582-6877
Appeals Team Manager, Policy, Quality & Case Support (PQCS) Team 9	David Kantor	312-582-6829

## Area Counsel

<u>Title</u>	<u>Name</u>	<u>Phone</u>	<u>1</u>
Tax Court Case Inquiries	Receptionist	312-368-8228	
Bankruptcy and Collection Issues	Receptionist	312-368-8152	
All Other Inquiries, Assoc.Area Counsel SBSE	Mayer Y. Silber	312-368-8230	

## Criminal Investigation Special Agent in Charge (\*may be more than one contact name per area)

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Special Agent in Charge	James C. Lee	312-292-4500
Public Information Officer	Kerry Hannigan	708-503-7585

## LB & I (International Individual Compliance (IIC))

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Program Manager, Central Withholding Agreements	Judith McNamara	630-493-5172

# 2014 Workbook

## **LB&I (Retailers, Food, Transportation and Healthcare)**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
International Territory Manager, Territory 9	Ismael Carreno	847-671-7218
RFTH Territory Manager, Territory 2	Renee Banks	312-292-3962
RFTH Territory Manager, Territory 3 Schiller Park	Shah Mobed	847-671-7091
RFTH Territory Manager, Territory 4 Downer's Grove	Robert D. Budney	630-493-5802

## **Lien Cases**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Centralized Lien Processing		800-913-6050

## **NHQ PGLD, Privacy, Governmental Liaison and Disclosure**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Area Manager	William Maier	408-283-1777
Governmental Liaison	Lynda Dyer	312-292-3520
Disclosure Manager	Ava Littlejohn	513-263-3084

## **SB/SE Collection Division**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Program Manager, Downers Grove Territory	Christopher J. Love	630-493-5401
Program Manager, Milwaukee Terr. (IL & WI)	David Preston	847-671-7671
Program Manager, Great Lakes Terr. (IL & MI)	John Anthony	248-848-8596
Program Manager, St. Louis Terr. (IL & MO)	Beverly Morris	636-255-1280

# 2014 Workbook

## **SB/SE Collection, Office of Advisory, Insolvency & Quality**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Territory Manager, Insolvency	Joe Magana	630-493-5443

## **SB/SE Communications and Liaison, Stakeholder Liaison**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Area Manager (Acting)	Steven Ingraham	716-961-5678

## **SB/SE Examination Division**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Program Manager, Chicago 1 Terr. (IL, MI & WI)	MaeDean Myers	630-493-5254
Program Manager, Chicago 2 Terr. (IL, MI & MN)	Annette Jones	312-292-2501
Program Manager, St. Louis 1 Terr. (IL & MO)	Tommica Akins	312-292-2701
Program Manager, St. Louis 2 Terr. (IL & MO)	Brenda Kessel	636-255-1354
Program Manager, Kansas City Terr. (IA, IL, KS, MN)	Christina Sedlacek	913-722-7561
Program Manager, St. Paul 2 Terr. (IA, IL, MI, MN)	Daniel Sostock	414-231-2401
PSP Program Manager	Elmer Smith III	651-312-7687

## **SB/SE Specialty Programs Employment Tax Territory Manager**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Territory Manager, Mid-States	Alan Mackie	854-414-6441

# 2014 Workbook

## **Tax Exempt/Government Entities (TE/GE)**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Area Manager, Employee Plans Great Lakes	Janice Gore	262-513-3465
Supervisory Internal RA, Fed. State & Local Govmnt	Vacant	847-671-7070
Indian Tribal Governments Group Manager	Serina Halverson	402-233-7238
Supervisory Internal RA, Tax Exempt Bonds	Allyson Belsome	630-493-5081
Area Manager, Exempt Orgs, Great Lakes/Financial I	Vacant	312-292-3901

## **Taxpayer Advocate**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Local Taxpayer Advocate, Chicago	Jacqueline M. Crossley Smith	312-292-3756
Local Taxpayer Advocate, Springfield	Pamela Bates	217-862-6348

## **Treasury Inspector General for Tax Administration (TIGTA)**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Assistant Special Agent in Charge	Frank Boenzi	312-554-8741

## **Wage & Investment Field Assistance Territory Manager**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Territory Manager, Northern IL	Lula Watkins	312-292-3201
Territory Manager, Southern IL	Marilyn S. White	317-685-7525

## **Wage & Investment Stakeholder Partnership, Education & Communication**

<u>Title</u>	<u>Name</u>	<u>Phone</u>
Territory Manager	Mary Solomon	402-233-7311



# 2014 Workbook

## Social Security Administration Offices in Illinois (partial list)

City	Address	Telephone
Alton	Room 103 Fed Bldg., 501 Belle St., 62002	855-285-6006
Aurora	1325 N. Lake St., 60506	877-274-5412
Belleville	Lake Christine Center, 1670 Lebanon Ave., 62221	877-405-0471
Bloomington	230 W. Lake St., 60108	800-772-1213
Bloomington	207 N. Williamsburg Dr., 61704	877-405-4640
Carbondale	250 W. Cherry St., Room 104, 62901	877-714-0377
Champaign	101 S. Country Fair Dr., 61821	877-819-2593
Chicago (Loop)	77 W. Jackson Blvd. Suite 300, 60604	800-772-1213
Danville	400 N. Vermilion St., 61832	866-331-5394
Decatur	606 W. Pershing Rd., 62526	888-619-4773
E. St. Louis	Room 104 Fed Bldg., 650 Missouri Ave., 62201	877-700-4849
Effingham	1207 Network Centre Dr., Suite 2, 62401	855-213-5288
Elgin	790 Fletcher Dr., 60123	877-405-0435
Evanston	2116 Green Bay Rd., 60201	800-772-1213
Freeport	4 E. Linden St., 61032	855-628-1591
Galesburg	2060 Windish Dr., 61401	877-405-7659
Harrisburg	18 Veterans Dr., 62946	866-366-3980
Hillside	230 N. Mannheim Rd., 60162	800-772-1213
Joliet	552 Houbolt Rd., 60431	866-783-7302
Kankakee	630 E. Oak St., 60901	855-807-8801
Litchfield	1107 W. Ferdon, 62056	877-319-3077
Mt. Vernon	Federal Bldg., 105 S. 6th St., 62864	866-931-2549
North Riverside	Rm. 600, 7222 W. Cermak Rd., 60546	800-772-1213
Palos Hills	10718 S. Roberts Rd., 60465	800-772-1213
Pekin	2801 Broadway, 61554	877-405-0499
Peoria	815 W. Pioneer Parkway, 61615	877-319-6039
Peru	915 Wenzel Rd., 61354	855-245-0640
Quincy	2401 Lind St., 62301	888-279-5999
Rockford	502 E. Jefferson St., 61107	877-628-6570
Rock Island	2350 4th Ave., 61201	866-414-9166
Springfield	3112 Constitution Dr., 62704	877-279-9504
Sterling	3512 E. Lincolnway, Suite C, 61081	866-789-1093
Waukegan	1930 N. Lewis Ave., 60087	800-772-1213
West Frankfurt	1005 Factory Outlet Dr., 62896	888-223-8869
Woodridge	7440 Providence Dr., 60517	866-303-2724
Woodstock	2450 Lake Shore Dr., 60098	877-405-7828
Vincennes (Ind.)	606 Veterans Dr., 47591	888-456-9531