2017 Workbook - Illinois Tax Update

CHANGES IN TAX RATES

Effective July 1, 2017, the Illinois income tax rate for individuals, trusts, and estates increased from 3.75% to 4.95%. The corporate rate (excluding S corporations) increased from 5.25% to 7%.[1] Estimated payments made after June 30, 2017, should reflect the increased rates. Revised 2017 Forms IL-1040-ES, *Estimated Income Tax Payments for Individuals*, and IL-1120-ES, *Estimated Income and Replacement Tax Payments for Corporations*, reflecting the new rates, are available on the Illinois Department of Revenue's (IDOR) website.[2]

To reduce or eliminate the penalty for underpayment of estimated tax, the taxpayer should use the **annualized income installment method** on Form IL-2210, *Computation of Penalties for Individuals*, or Form IL-2220, *Computation of Penalties for Businesses*. Using this method, the taxpayer calculates their income and liability for each tax payment period using the income tax rate in effect as of the end of that period. For taxpayers not using this method, IDOR may calculate the penalty for underpayment of estimated tax based on four equal installments. Forms IL-2210 and IL-2220 provide detailed instructions and worksheets for these calculations.[3]

Note. The replacement tax rates of 2.5% for corporations and 1.5% for trusts, S corporations, and partnerships are unchanged. The tax rate increase generally does not affect S corporations and partnerships because they are liable only for the replacement taxes, for which the rates remain the same.

PASS-THROUGH WITHHOLDING CALCULATIONS

S corporations and partnerships that have a fiscal tax year ending on or before June 30, 2017, must use Schedule K-1-P(3), *Pass-through Withholding Calculation for Nonresident Members*, to calculate the required Illinois withholding tax for all nonresident members.[4] The applicable withholding tax rate for members who are nonresident individuals, estates, and trusts is 3.75%.[5]

For tax years ending on or after July 1, 2017, the income tax rate change affects the calculation of pass-through withholding payments required to be made for nonresident members of S corporations, partnerships, and trusts.[6] In this regard, Schedule K-1-P(3)-FY, *Pass-through Withholding Calculation for Nonresident Members*, should be used by S corporations and partnerships. The applicable withholding tax rate for members who are nonresident individuals, estates, and trusts is 4.95%.[7]

Note. Estates are not required to report and pay tax for their nonresident beneficiaries.[8]

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[1] IDOR Informational Bulletin FY 2018-02 (Jul. 2017).
[2] Ibid.
[3] Ibid.
[4] Instructions for Schedule K-1-P(1).
[5] 2016 Schedule K-1-P(3), *Pass-through Withholding Calculation for Nonresident Members*.
[6] IDOR Informational Bulletin FY 2018-02 (Jul. 2017).
[7] 2016 Schedule K-1-P(3)-FY, *Pass-through Withholding Calculation for Nonresident Members (for Certain Fiscal Filers)*.
[8] Instructions for Schedule K-1-T(1).

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S corporations and partnerships must provide Schedules K-1-P, *Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture*, and Schedule K-1-P(2), *Partner's and Shareholder's Instructions*, to each partner or shareholder by the due date (including extensions) of Form IL-1065 or Form IL-1120-ST. Schedules K-1-P, K-1-P(3), and K-1-P(3)-FY are not submitted to IDOR with Form IL-1065, *Partnership Replacement Tax Return,* or Form IL-1120-ST, *Small Business Corporation Replacement Tax Return.* However, these forms should be kept available for inspection by IDOR's authorized agents and employees.[9] The tax withholding payments should be reflected on partnership and S corporation returns (for example, on Form IL-1120-ST, line 58, and Schedule B for an S corporation).[10] Payment of these tax withholdings should be made to IDOR by the due date (**excluding** extensions) of Form IL-1065 or Form IL-1120-ST.[11]

S corporations, partnerships, and trusts are **not** required to complete these Illinois tax withholding forms for nonresident members who have furnished them with Form IL-1000-E, *Certificate of Exemption for Pass-through Withholding Payments*.[12] Form IL-1000-E is a certification by a nonresident member that they will file all necessary Illinois income tax returns and make timely payment of all Illinois income taxes due.

> **Example 1**. John Perlman is a Missouri resident and a 25% shareholder in JPT, an Illinois S corporation with an October 31 yearend. John's share of JPT's rental income is $10,000. John has not filed a Form IL-1000-E with JPT. JPT must provide Schedule K-1-P and Schedule K-1-P(2) to John by the January 16, 2018 filing due date of JPT's 2016 Form IL-1120-ST. JPT must also keep copies of Schedules K-1-P and K-1-P(3)-FY available (as shown next) in case IDOR requests to inspect them. Copies of these forms do not accompany the 2016 Form IL-1120-ST but withholding amounts are reported thereon and the tax withholding must be paid over to IDOR by January 16, 2018 (i.e., the due date of the Form IL-1120-ST).[13]

[9] Instructions for Schedule K-1-P(1).
[10] Form IL-1065, *Partnership Replacement Tax Return,* and Form IL-1120-ST, *Small Business Corporation Replacement Tax Return*.
[11] IL-1065 Instructions and IL-1120-ST Instructions.
[12] Ibid; Schedule K-1-T(1), *Instructions for Trusts and Estates Completing Schedule K-1-T and Schedule K-1-T(3).*
[13] IL-1120-ST Instructions.

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For Example 1

Illinois Department of Revenue

Schedule K-1-P

Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture

To be completed by partnerships filing Form IL-1065 or S corporations filing Form IL-1120-ST

Partners and Shareholders receiving Schedule K-1-P should attach this to their Illinois tax return.

Year ending: 10 (Month) 17 (Year)

IL Attachment No. 12

Step 1: Identify your partnership or S corporation

1 Check your business type ☐ partnership ☒ S corporation

2 JPT Corporation
Enter your name as shown on your Form IL-1065 or Form IL-1120-ST.

3 88-7766554
Enter your federal employer identification number (FEIN).

4 Enter the apportionment factor from Form IL-1065 or Form IL-1120-ST, Line 42. Otherwise, enter "1." 1

Step 2: Identify your partner or shareholder

5 John Perlman
Name

6 5210 Granite Street
Mailing address

St. Louis | MO | 63166
City | State | ZIP

7 333-22-1111
Social Security number or FEIN

8 25%
Share (%)

9a Check the appropriate box. See instructions.

☒ individual ☐ corporation ☐ trust
☐ partnership ☐ S corporation ☐ estate

9b **To be completed by the recipient on Line 5 only.**
I am a: ☐ grantor trust ☐ disregarded entity
and the amounts on this Schedule will be reported by:
Name:
SSN or FEIN:

Step 3: Figure your partner's or shareholder's share of your nonbusiness income or loss

		A Member's share (See instructions.)	B Member's share allocable to Illinois
10	Interest		
11	Dividends		
12	Rental income	10,000.00	10,000.00
13	Patent royalties		
14	Copyright royalties		
15	Other royalty income		
16	Capital gain or loss from real property		
17	Capital gain or loss from tangible personal property		
18	Capital gain or loss from intangible personal property		
19	Other income and expense (Specify)		

Step 4: Figure your partner's or shareholder's share of your business income or loss

		A Member's share from U.S. Schedule K-1, less nonbusiness income	B Member's share apportioned to Illinois
20	Ordinary income or loss from trade or business activity		
21	Net income or loss from rental real estate activities		
22	Net income or loss from other rental activities		
23	Interest		
24	Dividends		
25	Royalties		
26	Net short-term capital gain or loss		
27	Net long-term capital gain or loss. Total for year.		
28	Unrecaptured Section 1250 gain		
29	Guaranteed payments to partner (U.S. Form 1065 only)		
30	Net Section 1231 gain or loss (other than casualty or theft). Total for year.		
31	Other income and expense (Specify)		

Schedule K-1-P front (R-12/16)

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For Example 1

Illinois Department of Revenue

2016 Schedule K-1-P(3)-FY

To be completed by partnerships filing Form IL-1065 or S corporations filing Form IL-1120-ST

Pass-through Withholding Calculation for Nonresident Members (for Certain Fiscal Filers)

Year ending: 10 (Month) 17 (Year)

Read this information first:

- **For tax years ending on or after July 1, 2017, only.** If your tax year ends on or before June 30, 2017, **do not** use this schedule. Use Schedule K-1-P(3).
- You **must** complete Schedule K-1-P(3)-FY for each of your nonresident partners or shareholders who **have not** submitted a Form IL-1000-E to you.
- **Do not** complete Schedule K-1-P(3)-FY for any member who is a resident or who has submitted Form IL-1000-E to you.

Note **Keep this schedule with your income tax records. You must send us this information if we request it.**

Step 1: Identify your partnership or S corporation

1 JPT Corporation
Enter your name as shown on your Form IL-1065 or Form IL-1120-ST.

2 8 8 - 7 7 6 6 5 5 4
Enter your federal employer identification number (FEIN).

Step 2: Identify your nonresident partner or shareholder

3 John Perlman
Name

4 333-22-1111
Social Security number or FEIN

5 Check the appropriate box to identify this nonresident partner's or shareholder's organization type.

☒ individual ☐ corporation ☐ trust
☐ partnership ☐ S corporation ☐ estate

Step 3: Figure your nonresident partner's or shareholder's pass-through withholding

Note If this member is a resident or has submitted Form IL-1000-E to you, do not complete this schedule for this member.

6	Add the amounts from this member's Schedule K-1-P, Step 3, Column B, Lines 12 through 17 and 19 and enter the total here. This is your member's share of nonbusiness income allocable to Illinois before modifications and credits. See instructions before completing.	10,000.00
7	Add the amounts from this member's Schedule K-1-P, Step 4, Column B, Lines 20 through 27 and 29 through 31 and enter the total here. This is your member's share of business income allocable to Illinois before modifications and credits. See instructions before completing.	0.00
8	Add Line 6 and Line 7 and enter the result.	10,000.00
9	Add the amounts from this member's Schedule K-1-P, Column B, Lines 32 through 37 and enter the total here. This is your member's share of additions allocable to Illinois.	0.00
10	Add Line 8 and Line 9 and enter the result.	10,000.00
11	Add the amounts from this member's Schedule K-1-P, Column B, Lines 38a through 47 and enter the total here. If this member is an individual, partnership, trust, or estate and received Illinois August 1, 1969, appreciation amounts from you, see instructions. This is your member's share of subtractions allocable to Illinois.	0.00
12	Subtract Line 11 from Line 10. If negative, enter zero. **This is your member's share of Illinois income subject to pass-through withholding.** See instructions.	10,000.00

Note **If this member is a nonresident individual or estate, enter "0" on Lines 13 through 15 and go to Line 16.**

13	Replacement tax before credits. If this member is a **partnership, S corporation, or nonresident trust**, multiply Line 12 by 1.5% (.015) and enter the result. **corporation**, multiply Line 12 by 2.5% (.025) and enter the result.	0.00
14	Enter the amount of Illinois replacement tax investment credits passed to this member and available for use this year.	0.00
15	Subtract Line 14 from Line 13. If negative, enter zero. **This is your member's share of replacement tax after credits.**	0.00

Note **If this member is a nonresident partnership or S corporation, enter "0" on Lines 16 through 18 and go to Line 19.**

16	Income Tax before credits. If this member is a(n) **nonresident individual, estate, or trust**, multiply Line 12 by 4.95% (.0495) and enter the result. See instr. **corporation**, multiply Line 12 by 7.0% (.07) and enter the result. See instructions.	495.00
17	Enter the amount of Illinois income tax credits passed to this member and available for use this year. See instructions.	0.00
18	Subtract Line 17 from Line 16. If negative, enter zero. **This is your member's share of income tax after credits.**	495.00
19	Add Lines 15 and 18 and enter the result. This is your member's total pass-through withholding payment. **Report this amount on this member's Schedule K-1-P, Step 7, Line 54. You must also report this amount on your Form IL-1065 or Form IL-1120-ST, Schedule B, Section B, Column J, on the line which reports this member's amounts.**	495.00

▶ **Keep a copy of this schedule for each member with your income tax records. Do not send Schedule K-1-P(3)-FY to your members or submit it to the Department unless we specifically request it from you.**

Schedule K-1-P(3)-FY (N-07/17)

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For trusts with tax years ending on or after July 1, 2017, Schedule K-1-T(3)-FY, *Pass-through Withholding Calculation for Nonresident Members (for Fiscal Filers),* is used to calculate the required withholding taxes for nonresident beneficiaries.[14]

FISCAL YEAR FILERS

A taxpayer filing a fiscal year return must divide their total net income between the periods subject to different tax rates. Any income earned before July 1, 2017, is taxed at the rates previously in effect (3.75% for individuals, trusts, and estates and 5.25% for corporations). Income earned on or after July 1, 2017, is taxed at the increased rates (4.95% for individuals, trusts, and estates and 7% for corporations). The sum of the tax applicable to each period comprises the total tax liability for the fiscal year. To determine the total tax due, either the apportionment method or the specific accounting method may be used.[15]

Apportionment Method (Blended Rate)

The apportionment method is calculated by dividing the number of days in the first accounting period (when the old tax rate applied) over the total days in the tax year and multiplying by the applicable tax rate in that accounting period. This calculation is repeated for the second accounting period (when the new tax rate applies). The blended rate is the sum of the results of these two calculations. Thus, under the apportionment method, the income is taxed as if it were earned evenly throughout the year. Using a blended rate from the following table is a convenient way to calculate income tax under this method.[16]

Blended Income Tax Rate Schedule (For Full-Year Returns Only)					
		Number of Days		Blended rate for	
Tax Year Start date	Tax Year End date	Before 07/01/17	After 06/30/17	Individuals, Trusts, and Estates	Corporations
08/01/2016	07/31/2017	334	31	3.8519% (.038519)	5.3986% (.053986)
09/01/2016	08/31/2017	303	62	3.9538% (.039538)	5.5473% (.055473)
10/01/2016	09/30/2017	273	92	4.0525% (.040525)	5.6911% (.056911)
11/01/2016	10/31/2017	242	123	4.1544% (.041544)	5.8397% (.058397)
12/01/2016	11/30/2017	212	153	4.2530% (.042530)	5.9836% (.059836)

Example 2. Lightfoot Inc. (Lightfoot), a C corporation, has an October 31, 2017 yearend. The taxable income for the fiscal year is $200,000. Using the blended rate of 5.8397% from the blended tax rate schedule, Lightfoot is liable for $11,679 ($200,000 × 5.8397%) of Illinois income tax.

[14] IDOR Informational Bulletin FY 2018-02 (Jul. 2017).
[15] Ibid.
[16] Ibid.

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Short Year or 52/53 Week Filer. A taxpayer with a short year of less than 12 months or a business filing on a 52/53-week basis cannot use the blended income tax rate schedule. A taxpayer in this situation must calculate their blended rate by using one of the following applicable formulas.[17]

Corporations:

$$\text{Blended tax rate} = \left(\frac{\text{\# Days in tax year before 7/1/2017}}{\text{Total \# days in tax year}} \times 5.25\%\right) + \left(\frac{\text{\# Days in tax year after 6/30/2017}}{\text{Total \# days in tax year}} \times 7\%\right)$$

Individuals, Trusts, and Estates:

$$\text{Blended tax rate} = \left(\frac{\text{\# Days in tax year before 7/1/2017}}{\text{Total \# days in tax year}} \times 3.75\%\right) + \left(\frac{\text{\# Days in tax year after 6/30/2017}}{\text{Total \# days in tax year}} \times 4.95\%\right)$$

Example 3. Redding Inc. (Redding) has a yearend of November 30 and ceased operations during 2017. The corporation filed a final return for the short year ended August 31, 2017. The short year is nine months (December 1, 2016, through August 31, 2017). The taxable income for Redding is $100,000.

The corporate return covered 212 days before July 1, 2017, and 62 days after July 1, 2017. The tax year has a total of 274 (212 + 62) days. The blended rate for the corporation is 5.6459% ((212 ÷ 274 × 5.25%) + (62 ÷ 274 × 7%)).

The total Illinois tax liability for Redding is $5,646 ($100,000 × 5.6459%).

Specific Accounting Method

The specific accounting method treats net income and modifications as though they were received in two separate tax years (prior to July 1, 2017, and on or after July 1, 2017). The tax due is calculated at the appropriate rate for each period.[18]

A taxpayer who has more income during the first half of 2017 than the second half will pay less tax using the specific accounting method than they would using the apportionment method (blended rate). A taxpayer who elects to specifically allocate income must use one of the following Schedules SA.

- *Specific Accounting Method of Computing Net Income for Individuals* — for individual taxpayers electing not to use the bended rate
- *Specific Accounting Method of Computing Net Income for Corporations* — for corporate taxpayers electing not to use the blended rate
- *Specific Accounting Method of Computing Net Income for Fiduciaries* — for trusts and estates electing not to use the blended rate
- *Specific Accounting Method of Computing Net Income for Exempt Organizations* — for organizations exempt from federal income tax under IRC §501(a) with unrelated business taxable income under IRC §512[19] electing not to use the blended rate

[17] Ibid.
[18] Ibid.
[19] Instructions for Form IL-990-T.

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The election is made by attaching the Schedule SA to a timely filed return (including filing extensions)[20] and is irrevocable. The form should be the first attachment to the taxpayer's return.[21]

Individual taxpayers filing Schedule SA (IL-1040), *Specific Accounting Method of Computing Net Income for Individuals*, are required to prorate their exemption allowance between the two separate tax periods based on the number of days in each tax period.[22]

> **Note.** Taxable income must be calculated over a tax year that is an annual accounting period for keeping records and reporting income and expenses. An individual taxpayer may choose a calendar year or fiscal year in the first tax year the individual has a tax filing obligation. The first tax return filed establishes a taxpayer's yearend. Generally, IRS consent is required to change to a different tax year in a subsequent year. There are some situations when a taxpayer cannot adopt a fiscal year.[23]

Example 4. Alice Goodman, a single filer, has a fiscal yearend of October 31, 2017. Her total compensation as a self-employed sales representative for the tax year was $200,000. Of this income, she earned $150,000 between November 1, 2016, and June 30, 2017, and $50,000 between July 1, 2017, and October 31, 2017. Alice elects to calculate her tax liability by completing Schedule SA. She apportions her total exemption allowance of $2,175 between the two separate tax periods based on the number of days in each tax period (i.e., 242 days and 123 days).[24] The result of this calculation is shown on line 21 of Schedule SA.

As shown on the following form, Alice's income tax liability under the specific accounting method is $8,010. Under the blended rate, her income tax liability would be $8,218 (($200,000 – $2,175 exemption allowance) × 4.1544%). Alice's savings from electing to use the specific accounting method is $208 ($8,218 – $8,010).

[20] IDOR Informational Bulletin FY 2018-02 (Jul. 2017).
[21] Schedule SA Instructions.
[22] Schedule SA Instructions (IL-1040).
[23] IRC §441; IRS Pub. 538, *Accounting Periods and Methods*.
[24] Schedule SA Instructions (IL-1040).

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For Example 4

Illinois Department of Revenue
Schedule SA (IL-1040)
For fiscal-year filers with tax years ending **on or after July 1, 2017** and **on or before December 30, 2017.**

Specific Accounting Method of Computing Net Income for Individuals

Tax year ending: 10 (Month) 2017 (Year)

Attach to Form IL-1040 as the first attachment.

Step 1 — Personal Information

Alice Goodman (Your name as shown on Form IL-1040)

1 1 1 – 2 2 – 3 3 3 3 (Your Social Security number)

Step 2 — Income

		A (Pre-7/1/17 figures)	B (Post-6/30/17 figures)
1	Federal adjusted gross income (IL-1040, Line 1)	150,000.00	50,000.00
2	Federally tax-exempt interest and dividend income (IL-1040, Line 2)		
3	Other additions to income (IL-1040, Line 3)		
4	Total income. Add Lines 1, 2, and 3. (IL-1040, Line 4)	150,000.00	50,000.00
5	Income from Social Security benefits and retirement plans if included in Line 1 (IL-1040, Line 5)		
6	Illinois Income Tax overpayment included in federal Form 1040, Line 10 (IL-1040, Line 6)		
7	Other subtractions to income (IL-1040, Line 7)		
8	Total subtractions. Add Lines 5, 6, and 7. (IL-1040, Line 8)		
9	Illinois base income. Subtract Line 8 from Line 4. (IL-1040, Line 9) **Residents:** Skip Step 3 and enter the amounts from Line 9 on Step 4, Line 20. **Nonresidents and part-year residents:** Complete Step 3 and follow the instructions.	150,000.00	50,000.00

Step 3 — Figure your apportionment factor (Nonresidents or part-year residents only)

		A	B
10	Nonbusiness income or loss. See instructions.		
11	Business income or loss from non-unitary partnerships, partnerships included on a Schedule UB, S corporations, trusts, or estates. See instructions.		
12	Add Lines 10 and 11.		
13	Business income or loss. Subtract Line 12 from Line 9.		
14	Enter the total sales everywhere. See instructions.		
15	Enter the total sales inside Illinois. See instructions.		
16	**Apportionment factor.** Divide Line 15 by Line 14 and carry to six decimal places.	.	
17	Business income or loss apportionable to Illinois. Multiply Line 13 by Line 16, for each column.		
18	Nonbusiness income or loss allocable to Illinois. See instructions.		
19	Business income or loss apportionable to Illinois from non-unitary partnerships, partnerships included on a Schedule UB, S corporations, trusts, or estates. See instructions.		

Step 4 — Net income and tax

		A	B
20	**Net income or loss allocable to Illinois.** **Residents:** Enter the amounts from Line 9 of each column. (IL-1040, Line 9) **Nonresidents and part-year residents:** Add Lines 17, 18, and 19. (Schedule NR, Line 46)	150,000.00	50,000.00
21	**Exemption allowance.** See instructions.	1,442.00	733.00
22	**Net income.** Subtract Line 21 from Line 20. (IL-1040, Line 11 or Schedule NR, Line 51)	148,558.00	49,267.00
23	**If Column B, Line 22 is negative:** enter zero in Column B, Line 23, and enter in Column A, Line 23, the result of adding Column B, Line 22, plus Column A, Line 22. If Column A, Line 22, is also negative do not use this schedule. **If Column B, Line 22 is positive or zero:** enter Column A, Line 22, in Column A, Line 23, and enter Column B, Line 22, in Column B, Line 23. If Column A, Line 23, is negative or zero, do not use this schedule.	148,558.00	49,267.00
24	**Tax.** **Column A:** Multiply Line 23 by 3.75% (.0375). **Column B:** Multiply Line 23 by 4.95% (.0495).	5,571.00	2,439.00
25	Add Columns A and B, Line 24, and enter the total here and on your Form IL-1040, Line 13.		8,010.00

IL-1040 Schedule SA (R-07/17)

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Example 5. Use the same facts as **Example 4,** except Alice earned $50,000 between November 1, 2016, and June 30, 2017, and $150,000 between July 1, 2017, and October 31, 2017. Alice's income tax liability using the specific accounting method is $9,210, as shown on the following Schedule SA. Her liability using the blended rate is still $8,218 (as calculated in **Example 4),** because the income is treated as earned evenly throughout the year. If Alice elects to use the specific accounting method (as shown on the following form), she will pay additional tax of $992 ($9,210 – $8,218). To minimize her tax liability, it is beneficial for Alice to use the blended rate.

Illinois Department of Revenue
Schedule SA (IL-1040)
For fiscal-year filers with tax years ending **on** or **after July 1, 2017** and **on or before December 30, 2017.**

Specific Accounting Method of Computing Net Income for Individuals

Tax year ending 10 (Month) 2017 (Year)
Attach to Form IL-1040 as the first attachment.

Step 1 — Personal Information

Alice Goodman (Your name as shown on Form IL-1040) — 111-22-3333 (Your Social Security number)

Step 2 — Income

		A Pre-7/1/17 figures	B Post-6/30/17 figures
1	Federal adjusted gross income (IL-1040, Line 1)	50,000.00	150,000.00
2	Federally tax-exempt interest and dividend income (IL-1040, Line 2)		
3	Other additions to income (IL-1040, Line 3)		
4	Total income. Add Lines 1, 2, and 3. (IL-1040, Line 4)	50,000.00	150,000.00
5	Income from Social Security benefits and retirement plans if included in Line 1 (IL-1040, Line 5)		
6	Illinois Income Tax overpayment included in federal Form 1040, Line 10 (IL-1040, Line 6)		
7	Other subtractions to income (IL-1040, Line 7)		
8	Total subtractions. Add Lines 5, 6, and 7. (IL-1040, Line 8)		
9	Illinois base income. Subtract Line 8 from Line 4. (IL-1040, Line 9) **Residents:** Skip Step 3 and enter the amounts from Line 9 on Step 4, Line 20. **Nonresidents and part-year residents:** Complete Step 3 and follow the instructions.	50,000.00	150,000.00

Step 4 — Net income and tax

20	**Net income or loss allocable to Illinois.** **Residents:** Enter the amounts from Line 9 of each column. (IL-1040, Line 9) **Nonresidents and part-year residents:** Add Lines 17, 18, and 19. (Schedule NR, Line 46)	50,000.00	150,000.00
21	**Exemption allowance.** See instructions.	1,442.00	733.00
22	**Net income.** Subtract Line 21 from Line 20. (IL-1040, Line 11 or Schedule NR, Line 51)	48,558.00	149,267.00
23	**If Column B, Line 22 is negative:** enter zero in Column B, Line 23, and enter in Column A, Line 23, the result of adding Column B, Line 22, plus Column A, Line 22. If Column A, Line 22, is also negative do not use this schedule. **If Column B, Line 22 is positive or zero:** enter Column A, Line 22, in Column A, Line 23, and enter Column B, Line 22, in Column B, Line 23. If Column A, Line 23, is negative or zero, do not use this schedule.	48,558.00	149,267.00
24	**Tax.** **Column A:** Multiply Line 23 by 3.75% (.0375). **Column B:** Multiply Line 23 by 4.95% (.0495).	1,821.00	7,389.00
25	Add Columns A and B, Line 24, and enter the total here and on your Form IL-1040, Line 13.		9,210.00

IL-1040 Schedule SA (R-07/17)

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CALENDAR YEAR FILERS

Guidance and instructions for calculating taxes using the new rates will be provided to 2017 calendar year filers when the 2017 Illinois income tax forms are published in January 2018.[25]

> **Note.** Although calendar year 2017 Illinois income tax forms were not available at the time this material was written, it is expected that the apportionment and specific accounting methods previously described will be similarly available to calendar year taxpayers.

TAX CREDITS

EARNED INCOME CREDIT

Illinois taxpayers who qualify for the federal earned income credit (EIC) also qualify for the Illinois EIC.[26] The Illinois EIC is calculated on Schedule ICR, *Illinois Credits,* and is determined as a percentage of the federal EIC. Applicable percentages for the Illinois EIC are provided in the following table.[27]

Tax Year	% of Federal EIC
Beginning on or after Jan. 1, 2017, and before Jan. 1, 2018	14
Beginning on or after Jan. 1, 2018	18

EDUCATION EXPENSE CREDIT

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 (K-12).** There is a single credit per family, regardless of the number of qualifying students within that family. The credit can only be claimed for qualifying expenses (tuition, books, and lab fees) that exceed $250 for the year and is calculated on Schedule ICR, *Illinois Credits*.[28]

For tax years ending on or after December 31, 2017, the maximum amount of the K-12 education expense credit has been increased from $500 to $750 per family. This tax credit is not available to taxpayers whose adjusted gross income (AGI) for the tax year exceeds $500,000 if their federal filing status is married filing jointly (MFJ) or $250,000 for all other returns.[29]

> **Note.** For a detailed explanation of this credit, including an example with forms, see the 2014 Illinois Update chapter. This can be found at **uofi.tax/arc** [resources.taxschool.illinois.edu/taxbookarchive].

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[25] IDOR Informational Bulletin FY 2018-02 (Jul. 2017).
[26] *Earned Income Credit*. 2017. IDOR. [tax.illinois.gov/Individuals/Credits/earnedincomecredit.htm] Accessed on Sep. 21, 2017.
[27] IDOR Informational Bulletin FY 2018-01 (Jul. 2017).
[28] 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.*
[29] IDOR Informational Bulletin FY 2018-01 (Jul. 2017).

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ILLINOIS PROPERTY TAX CREDIT[30]

For tax years beginning on or after January 1, 2017, the Illinois property tax credit is not available to taxpayers whose AGI for the tax year exceeds $500,000 for the MFJ federal filing status or $250,000 for all other returns.

INSTRUCTIONAL MATERIALS AND SUPPLIES CREDIT[31]

Effective for tax years beginning on or after January 1, 2017, a **new** tax credit is available to a taxpayer who is a teacher, instructor, counselor, principal, or aide in a qualified school for at least 900 hours during a school year. The amount of the credit is the lesser of $250 or the amount paid during the tax year for instructional materials and supplies with respect to classroom-based instruction in a qualified school. A **qualified school** is a public school or non-public school located in Illinois.[32] **Materials and supplies** are amounts paid for instructional materials or supplies that are designated for classroom use in any qualified school.[33]

If the amount of the credit exceeds the taxpayer's tax liability for the year, the excess credit may be carried forward to the five succeeding tax years. There are no carryback provisions nor can the credit reduce tax liability below zero.[34]

RESEARCH AND DEVELOPMENT CREDIT[35]

The research and development credit, which previously expired on December 31, 2015, has been retroactively reinstated for the 2016 tax year. It is also available for subsequent tax years ending prior to January 1, 2022.

This nonrefundable credit is equal to 6.5% of qualifying expenditures for increasing research activities in Illinois. **Qualifying research expenditures** are those that qualify under IRC §41. These include employee wages for qualified in-house research services, supplies used conducting qualified in-house research, and contract research performed by a third party within the state of Illinois. Qualifying expenditures for **increasing** research activities in Illinois means the excess of qualifying expenditures for the tax year in which incurred over the qualifying expenditures for the base period. The **base period** amount is the average qualifying expenditures for the three years immediately preceding the research credit year.

For partners, shareholders, and members of LLCs treated as partnerships, the credit is passed through in accordance with each partner's or shareholder's distributive share of income.

A credit in excess of the taxpayer's tax liability for the tax year can be carried forward for up to five years.

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[30] Ibid.
[31] Ibid.
[32] 35 ILCS 5/225.
[33] Ibid.
[34] Ibid.
[35] Illinois PA 100-0022 (Jul. 6, 2017).

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The research and development credit is claimed on Schedule 1299-C (R&D), *Research and Development Credit Supplemental Schedule (for individuals)*. Taxpayers who have already filed their 2016 Form IL-1040, *Individual Income Tax Return*, and want to claim the research and development credit, must file an amended tax return. This is done by filing Form IL-1040-X, *Amended Individual Income Tax Return*, and attaching the supplemental Schedule 1299-C (R&D) directly behind the amended 2016 Schedule 1299-C, *Income Tax Subtractions and Credits (for individuals)*.[36] Additionally, taxpayers who did not claim the research and development credit on their 2015 return because their tax year ended after December 31, 2015, can amend that return and the 2015 Schedule 1299-C to claim the credit, if applicable.[37]

MISCELLANEOUS PROVISIONS

PERSONAL EXEMPTION ALLOWANCE

Effective for tax years beginning on or after January 1, 2017, the personal exemption allowance cannot be claimed if the taxpayer's AGI for the tax year exceeds $500,000 for the MFJ federal filing status or $250,000 for all other returns.[38]

The personal exemption allowance for individuals will remain at $2,175 for the tax year ending on December 31, 2017.[39]

DOMESTIC PRODUCTION ACTIVITIES DEDUCTION[40]

For tax years ending on or after December 31, 2017, the IRC §199 domestic production activities deduction must be added back to AGI (for individuals) or taxable income (for all other taxpayers).

UNITARY BUSINESSES[41]

For tax years ending on or after December 31, 2017, the noncombination rule is abolished. Consequently, starting in 2017, calendar year taxpayers will file as a single unitary business group, even if required to use different IITA §304 apportionment methodologies. A company to which the noncombination rule applies is one that would be a member of a unitary business group with a taxpayer if not for the prohibition in IITA §1501(a)(27) against including in a single unitary business group persons who use different apportionment formulas under IITA §304.[42] A **unitary business group** refers to a group of persons related through common ownership whose business activities are integrated with, dependent upon, and contribute to each other. The group does not include those members whose business activity outside the United States is 80% or more of any such member's total business activity.[43] The apportionment methodologies under IITA §304 refer to the apportionment of business income using factors like payroll, property, and sales.[44]

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[36] 2016 Schedule 1299-C (R&D) Instructions.
[37] Ibid.
[38] IDOR Informational Bulletin FY 2018-01 (Jul. 2017).
[39] IDOR Informational Bulletin FY 2017-12 (Jan. 2017).
[40] IDOR Informational Bulletin FY 2018-01 (Jul. 2017).
[41] Ibid.
[42] Illinois Income Tax Regulation §100.2430(b)(8).
[43] Illinois PA 100-0022 (Jul. 6, 2017).
[44] Ibid.

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For this purpose, the "United States" is redefined to cover "any area over which the United States has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources."[45] However, this does not include territories or possessions of the United States. Thus, unitary businesses must now include members operating in this redefined area.

SALES AND USE TAXES

Machinery and Equipment Exemption

The retailers' occupation tax (sales or use tax) does not apply to wholesale or retail sales or leases of machinery and equipment used primarily in the manufacturing or assembling of tangible personal property.[46] Effective July 1, 2017, the exemption for manufacturing and assembling machinery and equipment is expanded to include graphic arts machinery and equipment.[47] **Graphic arts machinery and equipment** is defined as:[48]

> *… including repair and replacement parts, both new and used, and including that manufactured on special order, certified by the purchaser to be used primarily for graphic arts production, and including machinery and equipment purchased for lease. Equipment includes chemicals or chemicals acting as catalysts but only if the chemicals or chemicals acting as catalysts effect a direct and immediate change upon a graphic arts product.*

Note. Illinois previously exempted graphic arts machinery and equipment from the retailers' occupation tax. However, this exemption expired on August 30, 2014.[49]

Tax on Fuels[50]

Effective July 1, 2017, sales and use tax is imposed on 100% of the proceeds from sales of **gasohol.** Previously, a 20% exemption applied. Gasohol is defined as a motor fuel that is no more than 90% gasoline and at least 10% denatured ethanol that contains no more than 1.25% water by weight.[51]

The 100% exemption from sales and use tax is extended through December 31, 2023, for the following types of fuel.

- Majority-blended ethanol fuel
- 100% biodiesel (Biodiesel is defined as a renewable diesel fuel derived from biomass that is intended for use in diesel engines.[52])
- Biodiesel blends with more than 10% but not more than 99% biodiesel

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[45] Ibid.
[46] 86 IL Admin. Code §130.330.
[47] IDOR Informational Bulletin FY 2018-01 (Jul. 2017).
[48] 35 ILCS 105/3-5(6).
[49] 86 IL Admin. Code §130.325.
[50] IDOR Informational Bulletin FY 2018-01 (Jul. 2017).
[51] 20 ILCS 689/10.
[52] Ibid.

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INVEST IN KIDS ACT OF 2017[53]

The Invest in Kids Act[54] allows income tax credits for taxpayers who make **authorized contributions** to a scholarship granting organization (SGO). The act became effective August 31, 2017, and is scheduled to be repealed on January 1, 2024.[55]

SGOs are IDOR-approved nonprofit organizations[56] that receive qualified contributions that are then disbursed to qualified nonpublic schools in Illinois in the form of scholarships for eligible students. Applications for SGO status for the 2018–2019 school year must be submitted electronically through IDOR's website at **www.tax.illinois.gov** between December 1, 2017, and January 15, 2018. SGOs must apply for approval each year. SGO-approved scholarships for the 2018–2019 school year must be granted no later than February 1, 2018.

Starting in 2018, IDOR can issue up to $75 million in tax credits for authorized contributions to scholarships each calendar year. These credits will be awarded annually on a first-come, first-served basis in a way that is geographically proportionate to enrollment in recognized nonpublic Illinois schools. For purposes of awarding the credits, Illinois will be divided into five regions with the same boundaries as those for the Illinois Appellate court districts. A listing of the counties in each court district can be found at **illinoiscourts.gov.**

ELIGIBLE STUDENTS

An eligible student for purposes of this act is a member of a household whose federal adjusted gross income (AGI) for the year prior to the year the student initially receives a scholarship does not exceed 300% of the federal poverty level (FPL). Once the child receives a scholarship, the household AGI cannot exceed 400% of the FPL.

> **Note.** FPLs are measures of income issued each year by the Department of Health and Human Services. The FPLs can be found at **https://aspe.hhs.gov/poverty-guidelines.**

The student must be eligible to attend an Illinois public elementary school or high school in the semester immediately preceding the semester for which the student first receives a scholarship. Alternatively, the student may be starting school in Illinois for the first time when they first receive a scholarship. These scholarships may only be used for eligible students attending **nonpublic schools**, recognized under Section 2-3.25o of the Illinois School Code.[57] In addition, the student must reside in Illinois during the time they receive a scholarship.

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[53] IDOR Informational Bulletin FY 2018-07 (Oct. 2017).
[54] IL PA 100-0465; 35 ILCS 40/1.
[55] 35 ILCS 40/5.
[56] Under IRC §501(c)(3).
[57] According to IDOR Informational Bulletin FY 2018-07 (Oct. 2017), the Illinois State Board of Education is responsible for identifying eligible nonpublic schools.

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Example 6. Jason and Jill Brown are Illinois residents with two children aged 11 and 12. In 2017, the Browns' federal AGI was $60,000 and their children attended the local public school. The Browns expect their federal AGI to increase to $75,000 in 2018 and would like their children to obtain a scholarship to attend a local **nonpublic** school for the 2018–2019 school year.

The applicable 2017 FPL for the Browns is $24,600.[58] Their 2017 AGI is less than 300% of the FPL ($24,600 × 3 = $73,800). Their expected 2018 AGI is less than 400% of the FPL ($24,600 × 4 = $98,400). Consequently, they meet the income requirements for 2017–2018.

ALLOWABLE COSTS[59]

The scholarship may only be used to cover necessary costs and fees of eligible students. This includes the customary charge for instruction and use of facilities in general and the additional fixed fees charged for specified purposes that are generally required of nonscholarship recipients (e.g., costs associated with student assessments).

TAXPAYER BENEFITS

Illinois taxpayers who are approved by IDOR can receive state income tax credits of 75% of the total qualified contributions they made to SGOs during a tax year. A taxpayer's credit cannot exceed $1 million per year. For this purpose, the definition of Illinois taxpayers includes any individual, corporation, partnership, trust, or other entity subject to the Illinois income tax.[60]

Individual Illinois taxpayers **may** specify that their qualified contributions be directed to a particular school or subset of schools but **not** to a particular student or group of students. Corporations (including S corporations), partnerships, and trusts **cannot** specify that their qualified contributions be directed to a particular school or subset of schools or to a particular student or group of students.[61]

APPROVAL PROCESS

To obtain IDOR approval to make such contributions, the taxpayer must apply online through MyTax Illinois at **tax.illinois.gov.** Accordingly, the taxpayer must have a registered MyTax Illinois account to apply for the credit. IDOR encourages taxpayers to create a MyTax Illinois account as soon as possible to avoid processing delays when the application system becomes available.

Approval is automatic as long as the regional and state thresholds have not been met. Taxpayers should include the name of the SGO and identify the region the taxpayer wants their contribution to benefit.

APPLICATION

The application for the Invest in Kids tax credit will be available through MyTax Illinois on **January 2, 2018**.

A taxpayer must apply in January of each year in which they want to be approved for a new tax credit.

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[58] *Poverty Guidelines.* U.S. Dept. of Health & Human Services. [https://aspe.hhs.gov/poverty-guidelines] Accessed on Oct. 23, 2017.
[59] 35 ILCS 40/5.
[60] Ibid.
[61] 35 ILCS 40/10.

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CLAIMING A CREDIT

Once a taxpayer is approved by IDOR, they are issued a contribution authorization certificate (CAC) by IDOR. The taxpayer must provide a copy of the CAC with their contribution to the SGO within 60 days. The SGO will then issue a certificate of receipt (COR) within 30 days of receiving the taxpayer's contribution. The taxpayer can then use the approved credit when they file their 2018 income tax return.

If the taxpayer's credit exceeds their tax liability for the year, the unused amount can be carried forward and applied to the taxpayer's tax liability in the subsequent five tax years. The credit cannot be carried back to previous tax years.

> **Example 7.** On January 8, 2018, Katy Goodfellow files an online application indicating she intends to contribute $100,000 to an approved SGO. Katy's expected 2018 Illinois tax liability is $25,000. As long as the regional or the total statewide maximums have not been reached, Katy will receive a CAC from IDOR authorizing her $100,000 contribution to the SGO, which equates to a $75,000 ($100,000 qualified contribution × 75%) tax credit. Katy must obtain a COR from the SGO within 30 days of receipt of her $100,000 contribution. Katy can then claim the Invest in Kids tax credit on her 2018 Illinois tax return. The remaining tax credit amount is carried forward until fully utilized (for a maximum of five tax years).

CREDIT LIMITATION

If a taxpayer claims a federal income tax deduction for any qualified contribution, they cannot also claim an Invest in Kids credit with respect to the same contribution.

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SECURE CHOICE SAVINGS PROGRAM[62]

On January 5, 2015, the Secure Choice Savings Program (Secure Choice) was signed into law. Secure Choice is a retirement savings instrument to help the estimated two million workers in Illinois without access to employer-sponsored plans to save for retirement.[63] Full and part-time employees in Illinois who are 18 years and older[64] are automatically enrolled into a Roth IRA[65] with a default 5% payroll deduction.[66] An employer that is required to enroll employees in the plan:[67]

- Is either for-profit or not-for-profit;
- Has 25 or more employees;
- Has not offered a qualified retirement plan for federal purposes in the preceding two years; and
- Has been in business for at least two years.

Note. The Illinois State Treasurer expects that 12,000 employers will need to be enrolled in the program.[68]

Employees may opt out of the program or opt for a payroll deduction other than the default percentage. However, their payroll deduction may not exceed the maximum annual qualified retirement contribution amount allowed under IRC §219(b)(1)(A), which is currently $5,500 (for 2017 and 2018).[69] Employees can manage their investments choosing from the investment options selected by the Illinois Secure Choice Savings Board (Board).[70] When an enrollee fails to select an investment option, the enrollee's contributions will be placed in the default investment option selected by the Board.[71] Enrollees can change their investment option at any time.[72]

Every year, the Board must prepare a written statement of the investment policy that includes a risk management and oversight program. This risk management and oversight program will be designed to ensure that an effective risk management system is in place to monitor risk levels and ensure proper management of any assumed risks.[73]

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[62] IL Pub. Act 98-1150.
[63] *Feasibility Study: Illinois Secure Choice.* Mar. 2017. Center for Retirement Research at Boston College. [http://illinoistreasurer.gov/TWOCMS/media/doc/Illinois%20Secure%20Choice%20Feasibility%20FINAL.pdf] Accessed on Nov. 1, 2017.
[64] 820 ILCS 80/5.
[65] *Secure Choice Fact Sheet.* [http://illinoistreasurer.gov/TWOCMS/media/doc/SecureChoiceBizFactSheet.20171006.pdf] Accessed on Nov. 1, 2017.
[66] Default percentage provided for under 820 ILCS 80/30(o); Rate approved by Board; see Illinois Secure Choice Board Meeting Minutes July 20, 2017. [http://illinoistreasurer.gov/TWOCMS/media/doc/July%2020%202017%20Secure%20Choice%20Board%20Meeting%20Minutes.pdf].
[67] 820 ILCS 80/5.
[68] *Feasibility Study: Illinois Secure Choice.* Mar. 2017. Center for Retirement Research at Boston College. [http://illinoistreasurer.gov/TWOCMS/media/doc/Illinois%20Secure%20Choice%20Feasibility%20FINAL.pdf] Accessed on Nov. 1, 2017.
[69] 820 ILCS 80/60(c); IRS News Release IR-2017-177 (Oct. 19, 2017).
[70] 820 ILCS 80/60(d).
[71] Ibid.
[72] Ibid.
[73] 820 ILCS 80/35.

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The Board will put together packets for employees and employers with background information on the program and relevant disclosures. These information packets must be supplied to employees when the program is launched and each time a new employee is hired.[74]

The information packet will include a form for the employee to note their decision to opt out of participation in the program or to elect an employee contribution other than the default of 5%. The information packet will also include a disclosure form that will explain, at a minimum, the following points.[75]

1. Benefits and risks associated with making contributions
2. Mechanics of making contributions
3. Process for opting out
4. Mechanics of participating with a level of employee contribution other than the 5% default rate
5. Process for withdrawing retirement savings
6. Resources for obtaining additional information

The information packet will also include the following disclaimers.

1. That an employee seeking financial advice should contact a financial advisor, that a participating employer is not in a position to provide financial advice, and that a participating employer is not liable for the financial decisions an employee makes
2. That the program is not an employer-sponsored retirement plan
3. That the program fund is not guaranteed by Illinois

An employee who opts out of the program may only reenroll during an employer-designated open enrollment period or at an earlier time if established by the employer.[76] Secure Choice accounts are Roth IRA accounts owned by the employee and so remain with the employee after they leave their place of employment.[77]

[74] 820 ILCS 80/55.
[75] Ibid.
[76] 820 ILCS 80/60(f).
[77] 820 ILCS 80/10; *SecureChoice FAQ's*. Illinois Treasurer. [http://illinoistreasurer.gov/TWOCMS/media/doc/SecureChoiceFAQfinal.pdf] Accessed on Nov. 2, 2017.

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The program is being phased in over two years, with a pilot program occurring in spring 2018. Following the pilot program, the program will be enrolled in the following three waves. [78]

	Employer Registration Date	Participant Contribution Start Date
Wave 1	Fall of 2018	January 1, 2019
Wave 2	Summer of 2019	September 2019
Wave 3	Early 2020	May 2020

The Board has approved the rollout dates, however the breakdown of which employers will participate in each wave is not yet finalized.[79]

> **Note.** It is expected that the first wave will include employers with more than 100 employees, the second wave will include employers with more than 50 employees, and the third wave will include employers with between 25 and 49 employees. The expected size of each pool was proposed in the Feasibility Study: Illinois Secure Choice.[80] As of the September 14, 2017 Board meeting, the Board is still discussing the ideal sizes.[81]

Penalties for employers who fail to enroll an employee in the program are $250 per employee per year or portion of year and $500 per employee in future years when enrollment failure persists.[82]

[78] 820 ILCS 80/60; Approved by Board at Sep. 14, 2017 Meeting. [http://illinoistreasurer.gov/TWOCMS/media/doc/September%2014%202017%20Secure%20Choice%20Board%20Meeting%20Minutes.pdf].
[79] Ibid.
[80] *Feasibility Study: Illinois Secure Choice.* Mar. 2017. Center for Retirement Research at Boston College. [http://illinoistreasurer.gov/TWOCMS/media/doc/Illinois%20Secure%20Choice%20Feasibility%20FINAL.pdf] Accessed on Nov. 1, 2017.
[81] Approved by Board at Sep. 14, 2017 Meeting. [http://illinoistreasurer.gov/TWOCMS/media/doc/September%2014%202017%20Secure%20Choice%20Board%20Meeting%20Minutes.pdf].
[82] 820 ILCS 80/85(a).

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DISASTER RELIEF

TAX CREDIT FOR FLOOD VICTIMS[83]

On November 16, 2017, Governor Rauner signed into law a nonrefundable tax credit of up to $750 or the allowed deduction for damaged property for taxpayers impacted by flood damages earlier in the year. The credit is available for qualified taxpayers during taxable years that begin on or after January 1, 2017 and prior to January 1, 2018. Eligible taxpayers suffered damage to qualified real property in one of the counties declared a disaster area by the Governor after the July 2017 floods. Property owners in the following counties may be eligible.[84]

Cook	Lake	Kane
McHenry	Alexander	Clinton
Jackson	Marshall	Union
Woodford	Carroll	Henry
Jo Daviess	Lee	Ogle
Rock Island	Stephenson	Whiteside

Qualified real property is:

- Real property that is the taxpayer's principal residence, or is owned by a small business;
- Damaged during the taxable year as a result of a disaster; and
- Not used in a rental or leasing business.

To claim the credit, the township assessor or chief county assessment officer of the county in which the property is located must issue a certificate to the taxpayer. The certificate identifies the property as damaged as a result of the disaster and must be attached to the taxpayer's return for the year in which the credit is allowed. The certificate includes the following information.

- Name and address of property owner
- Property index number or permanent index number of damaged property

Eligible partnerships and S corporations pass the credit through to partners or shareholders in accordance with the determination of income and distributive share of income.

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[83] 35 ILCS 5/226.
[84] *Gov. Rauner signs tax credit bill to help property owners affected by July floods.* Nov. 16, 2017. Office of the Governor. [www2.illinois.gov/Pages/news-item.aspx?ReleaseID=15074] Accessed on Nov. 17, 2017.

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If the credit exceeds the taxpayer's liability for the year, the excess credit may be carried forward for the next five years.

Taxpayers who receive Natural Disaster Homestead Exemption on the damaged qualified real property are not entitled to the credit.

PENALTY AND INTEREST WAIVER[85]

The Department of Revenue will waive penalties and interest for taxpayers who cannot file or pay on time as a result of the July 2017 flooding. The waiver applies to affected taxpayers with payments or returns due between July 11, 2017 and December 31, 2017. These include annual, monthly, and quarterly returns due during the period as well as estimated, semi-weekly, and accelerated payments for:

- Individual income tax;
- Business income tax;
- Withholding taxes;
- Sales and use taxes;
- Motor fuel and excise taxes;
- Bingo tax;
- Pull tabs tax; and
- Charitable games tax.

Taxpayers should file and pay as soon as possible. Paper filers claiming the waiver should write "Flood-July 2017" **in red** on the outside of their envelope and at the top of each page of the return. The return should include a brief written explanation of why the taxpayer could not file or pay timely. Filers using MyTax Illinois should log onto their MyTax Illinois account, navigate to the account for which they are claiming disaster relief, and click "Claim Disaster Relief" under "Account Maintenance" in the right sidebar. Electronic filers should notify the Department of Revenue by email at REV.DisasterRelief@illinois.gov. The email should include the following information.

- Taxpayer's name and account identification number (if using a social security number, only include the last 4 digits)
- Mailing address on the return
- Period affected
- Brief explanation of why the return or payment will be late, along with an estimate of when the taxpayer can file or pay

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[85] *July 2017 Flood Affected Taxpayers.* Illinois Department of Revenue. [tax.illinois.gov/News/2017_July_Flood_Affected_Taxpayers.htm.] Accessed on Nov. 17, 2017.

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