



Replacement Tax Investment Credits

Year ending

Month Year

Name as shown on your return

Federal employer identification number (FEIN)

Part I — Investment credit for qualified property placed in service during the tax year

Table with 8 columns (A-H) and 10 rows for property entries and calculations. Includes instructions for each line.

Part II — Base employment calculation worksheet

Note: If your business is new to Illinois, check this box. You automatically qualify for the additional credit. Do not complete Lines 1 through 7. See instructions for Part I, Line 3.

Table with 4 columns (Month, A, B) and 7 rows for base employment calculation steps.



# Form IL-477 Instructions

## General Information

Effective for tax years ending on or after August 17, 1997, partnerships may elect to pass through their replacement tax investment credits to their partners. A partnership must make this election on Form IL-1065, Partnership Replacement Tax Return. Once made, this election is irrevocable.

**Note:** The credits can be applied only against Personal Property Tax Replacement Income Tax, not Illinois Income Tax.

### Who must file?

If you are a corporation, S corporation, partnership, trust, or exempt organization subject to replacement income tax and you placed qualified property into service in Illinois during the tax year, you may be entitled to a replacement tax investment credit. These include

- an amount equal to .5 percent (.005) of the basis of qualified property placed in service in Illinois during your tax year;
- an additional credit equal to .5 percent (.005) of the basis of qualified property placed in service after July 1, 1986, and your Illinois base employment increased by 1 percent (.01) or more over the preceding year, or if your business is new to Illinois.

Complete Form IL-477, Replacement Tax Investment Credits, to compute the replacement tax investment credit. You must attach Form IL-477 to your return.

### What if I am a unitary filer?

Corporations that are part of a unitary business group must file an Illinois combined return. If you are filing an Illinois combined return, complete one Form IL-477 for the entire unitary business group.

### How do I qualify for a credit?

To qualify, you must be primarily engaged in manufacturing, in mining coal or fluorite, or in retailing and your property must be used in Illinois. All of your qualified property is eligible for the credit providing you are primarily, (more than 50 percent) engaged in these operations.

### What is qualified property?

In order for property to qualify, it must

- be used in Illinois by the taxpayer primarily engaged in manufacturing, retailing, or mining of coal or fluorite;
- be tangible;
- be depreciable, as defined in IRC Section 167;
- have a useful life of four or more years as of the date placed in service in Illinois; and
- be acquired by purchase as defined in IRC Section 179(d).

Qualified property can be new or used, but cannot have been previously used in Illinois. Such property includes buildings, structural components of buildings, and signs that are real property. It does not include land or improvements to real property that are not a structural component of a building, such as landscaping, sewer lines, local access roads, fencing, parking lots, and other appurtenances.

Any improvement or addition made is considered to be qualified property to the extent that the improvement or addition is of a capital nature, which increases the adjusted basis of the property previously placed in service in Illinois, and otherwise meets the requirements of qualified property.

## Specific Instructions

### Part I — Investment credit for qualified property placed in service during the tax year

**Lines 1a through 1d** — Follow the instructions for each column.

**Column A** — Describe each item of qualified property placed in service in Illinois. Write only qualified property that continues to be used on the last day of your tax year.

**Column B** — Write the date each item of qualified property listed in Column A was placed in service in Illinois. An item is placed in

service on the earlier of

- the date the property is placed in a condition or state of readiness and availability for its specifically assigned function; or,
- the date the depreciation period of the item begins.  
(Generally, this will be the same date the property is placed in service for purposes of the federal depreciation deduction.)

**Note:** The date placed in service in Illinois must be written in Column B or your basis in Column G will be reduced to zero.

**Column C** — Write the useful life of each item of qualified property. If you are using the modified accelerated cost recovery system, (MACRS) to depreciate the property, write the MACRS recovery class each item of property listed in Column A was assigned. Property assigned to a MACRS class of less than four years is not qualified.

If you are not using the MACRS method to depreciate the property, write the useful life assigned to the property for federal depreciation purposes. The useful life of the property, when placed in service, must be four or more years to qualify.

**Column D** — Indicate whether each item of property written in Column A is new or used. If the property is used, write the abbreviation of the state the property was previously used. Property previously used in Illinois does not qualify if the property was used in a manner and by a person who would qualify for this credit.

**Column E** — Indicate how each item of property listed is being used. Write the corresponding number of the following functions on the line: 1) retailing; 2) manufacturing; 3) coal mining; or 4) fluorite mining.

**Column F** — Write the municipality, or county, if the area is unincorporated, where each item of qualified property was used.

**Column G** — Write the basis of each item of property as defined by IRC Section 167(g). Generally, the adjusted basis will be the purchase price of the property, plus any capital expenditures, less any rebates.

**Column H** — Multiply each amount in Column G by .5 percent (.005).

**Line 2** — Write the total of each Column G and H.

**Line 3** — If your business is new to Illinois, write the amount from Part I, Line 2, Column H, and check the box above Line 1 of Part II. Do not complete Lines 1 through 7 of Part II.

If your business is not new to Illinois and your base employment

- did not increase over the preceding year, write "0" and continue to Line 4.
- increased from the preceding year, complete Part II before making an entry.

**Line 4** — Write any distributive share of replacement tax investment credit distributed from partnerships and S corporations.

**Line 5** — Follow the instructions on the form.

**Line 6** — Write the amount of credit carryforward from your prior year Form IL-477. Do not include any excess credit earned prior to December 31, 1992.

**Line 7** — Follow the instructions on the form.

**Line 8** — Write the total replacement tax (after recapture of the replacement tax investment credit) from your

- Form IL-1120, Part IV, Line 9
- Form IL-1041, Part III, Line 5
- Form IL-1120-ST, Part II, Line 7
- Form IL-990-T, Part III, Line 4
- Form IL-1065, Part II, Line 7

**Line 9** — Write the lesser of Line 7 or Line 8 here and on your

- Form IL-1120, Part IV, Line 10
- Form IL-1041, Part III, Line 6
- Form IL-1120-ST, Part II, Line 8
- Form IL-990-T, Part III, Line 5
- Form IL-1065, Part II, Line 8

**Line 10** — Subtract Line 9 from Line 7. This is the amount of your excess credit available to be carried forward five years.

### Part II — Base employment calculation worksheet

**Lines 1 through 7** — Follow the instructions on the form.