



Should I complete this form?

You may complete this form if you

- did not make the required estimated payments by the installment due dates;
• have unpaid tax after April 15, 1998; or
• are filing Form IL-1040 after October 15, 1998.

However, we encourage you to let us calculate your penalties.

Step 1: Complete the following information

- 1 This form is for 19___ calendar year or for fiscal year beginning ____, 19___, and ending ____, 19___.
2 Write your name as it appears on your Form IL-1040.
3 Write your Social Security number as it appears on your Form IL-1040.
4 If your prior year Form IL-1040 was filed under a different Social Security number than that shown on Line 3, write the number here.

Step 2: Figure your required installments and any underpayment of estimated tax

Table with 5 rows (5-9) and 4 columns (A This year, B Last year). Rows 10-12 are multi-column tables with 4 columns: Quarter 1 April 15, 1997, Quarter 2 June 16, 1997, Quarter 3 September 15, 1997, Quarter 4 January 15, 1998.

Step 3: Figure your late-payment penalty for underpayment of estimated tax

Complete Lines 13 through 17 of each quarter before proceeding to the next quarter.

Table with 18 rows (13-18) and 4 columns (quarters). Row 13: Do not write on this line. Row 14: Arrows pointing to next quarter. Row 16: Penalty rate is 20% (.20). Row 17: Multiply Line 15 by Line 16. Row 18: Add Quarters 1 through 4, Line 17. This total is your late-payment penalty for underpayment of estimated tax.

If you have unpaid tax after April 15, 1998, or are filing Form IL-1040 after October 15, 1998, you will owe additional penalties. To figure these additional penalties, go to Page 2, Step 4.

Step 4: Figure your late-payment penalty for unpaid tax and your late-filing penalty

Complete this step **only** if you

- have unpaid tax after April 15, 1998; or
- are filing Form IL-1040 after October 15, 1998, even if you show an overpayment or no tax due.

19	Write the amount from Step 2, Column A, Line 7.	19	_____
20	Write the amount from Step 2, Line 9. If you did not complete Step 3, write "0."	20	_____
21	If Line 14 in Step 3, Quarter 4, is a negative amount, write that amount as a positive number without brackets. Otherwise, write "0." If you did not complete Step 3, write "0."	21	_____
22	Write the amount of payments made before the due date. See instructions.	22	_____
23	Add Lines 20, 21, and 22. Write the total amount here.	23	_____
24	Subtract Line 23 from Line 19. If this number is less than zero, write "0."	24	_____
25	If you have unpaid tax after April 15, 1998, multiply Line 24 by 20% (.20). Otherwise, write "0." This is your late-payment penalty for unpaid tax .	25	_____
26	If you are filing Form IL-1040 after October 15, 1998, write the amount from Step 2, Column A, Line 5.	26	_____
27	Multiply Line 26 by 2% (.02).	27	_____
28	Write the lesser of Line 27 or \$250. This is your late-filing penalty .	28	_____
29	Add Lines 25 and 28. Write the total amount here. Also, write this amount and the word "penalty" to the left of Line 28 on your Form IL-1040. Include this amount in the total amount due on Line 28 of Form IL-1040.	29	_____

Step 5: Complete the annualization worksheet for Step 2, Line 10

Complete this worksheet **only** if your income was not received evenly throughout the year and you choose to annualize your income. **Complete Lines 30 through 46 of one column before going to the next, beginning with Column A.**

	A	B	C	D
	1/1/97 to 3/31/97	1/1/97 to 5/31/97	1/1/97 to 8/31/97	1/1/97 to 12/31/97
30	Write your Illinois base income for each period. See instructions.	30	_____	_____
31	Annualization factors.	31	4	2.4
32	Multiply Line 30 by Line 31. This is your annualized income.	32	_____	_____
33	Exemptions. See instructions.	33	_____	_____
34	Subtract Line 33 from Line 32. This is your net income.	34	_____	_____
35	Multiply Line 34 by 3% (.03).	35	_____	_____
36	For each period, write the amount you wrote in Step 2, Column A, Line 6.	36	_____	_____
37	Subtract Line 36 from Line 35.	37	_____	_____
38	Applicable percentage.	38	22.5% (.225)	45% (.45)
39	Multiply Line 37 by Line 38. This is your annualized installment.	39	_____	_____
40	Add the amounts on Line 46 of each of the preceding columns and write the total here.	40	Do not write on this line.	_____
41	Subtract Line 40 from Line 39. If less than zero, write "0."	41	_____	_____
42	Divide Step 2, Line 9, by four (4). Write the result in each column.	42	_____	_____
43	Write the amount from Line 45 of the preceding column.	43	Do not write on this line.	_____
44	Add Lines 42 and 43.	44	_____	_____
45	If Line 44 is greater than Line 41, subtract Line 41 from Line 44. Otherwise, write "0."	45	_____	Do not write on this line.
46	Write the lesser of Line 41 or Line 44 here and on Step 2, Line 10. This is your required installment.	46	_____	_____



General Information

What is the purpose of this form?

The purpose of this form is to calculate any penalties you may owe if you did not make timely estimated payments, pay the tax you owe by the original due date, or file a processable return by the extended due date.

What is late-payment penalty?

Late-payment penalty is a penalty assessed for failure to pay the tax you owe by the prescribed due date, as authorized by the Uniform Penalty and Interest Act (UPIA). This penalty could result from two different underpayment situations and is assessed at the rate of 20 percent for returns due on or after January 1, 1998.

Note For returns due January 1, 1994, through December 31, 1997, this penalty was assessed at the rate of 15 percent.

You will be assessed a **late-payment penalty for underpayment of estimated tax** if you were required to make estimated tax payments and failed to do so, or failed to pay the required amount by the payment due date. The penalty will be assessed if your Illinois Income Tax exceeded the total tax withheld or credited (Line 14 minus the total of Lines 17, 19, 20, and 21) for the tax year by more than \$250.

Note The late-payment penalty for underpayment of estimated tax is figured separately for each quarter. Therefore, you may still owe this penalty, even if you paid enough tax later to make up the underpayment from a previous quarter.

You do **not** owe a late-payment penalty for underpayment of estimated tax if

- you qualify as a farmer for 1997;
- you were not required to file Form IL-1040 for 1996;
- your 1996 Form IL-1040 was for a tax year of 12 months, but had zero tax liability (Form IL-1040, Line 14 minus Lines 19, 20, and 21);
- your 1997 tax liability (Form IL-1040, Line 14 minus Lines 19, 20, and 21) is \$250 or less; or
- you were 65 years of age or older and were permanently living in a nursing home during 1997.

You will be assessed a **late-payment penalty for unpaid tax** if you did not pay the tax you owe by the original due date of the return, even if you have an extension of time to file.

You may be assessed a late-payment penalty, even if your Form IL-1040 is fully paid or shows an overpayment.

What is late-filing or nonfiling penalty?

Late-filing or nonfiling penalty is a penalty assessed for failure to file a processable return by the due date or extended due date, as authorized by the Uniform Penalty and Interest Act (UPIA). Effective January 1, 1996, this penalty is the lesser of \$250 or 2 percent of the tax amount required to be shown due on your return, without regard to any payments and credits.

An additional penalty will be assessed if you fail to timely respond to our original notification that your return cannot be processed or that your return has not been filed. The additional penalty is equal to the greater of \$250 or 2 percent of the tax shown due on your return, determined without regard to any payments and credits, and may be assessed up to a maximum of \$5,000.

Note For returns due January 1, 1994, through December 31, 1995, this penalty was assessed at 5 percent of the tax amount required to be shown due on your return less credits (Form IL-1040, Line 14, minus Lines 19, 20, and 21).

You may be assessed a penalty, even if your Form IL-1040 is fully paid or shows an overpayment.

If I owe penalties, do I need to complete this form?

No, you do not need to complete this form. We will calculate the penalties for you and send you a notice. However, you must complete this form if you

- use the annualized income installment method in Step 5; or
- choose to write the actual amount of tax withheld in each quarter in Step 2, Line 11.

If you prefer to calculate your penalties, complete this form. For more information see our Publication 103, Uniform Penalties and Interest. To receive a copy of this publication, call our Forms Order Line at 1 800 356-6302; call our Illinois Tax Fax at 217 785-3400; visit our Web site at <www.revenue.state.il.us>; or call our TDD – telecommunications device for the deaf at 1 800 544-5304.

Specific Instructions

All instructions are written for calendar-year taxpayers.

Step 1: Complete the following information

Lines 1 through 4 – Follow the instructions on the form.

Step 2: Figure your required installments and any underpayment of estimated tax

Line 5 – In Column A, write the tax shown on your 1997 Form IL-1040, Line 14. In Column B, write the tax shown on your 1996 Form IL-1040, Line 14.

Note For Columns A and B, if a corrected return was filed for either year on or before the automatic six-month extension date, the corrected tax should be used. If an amended return was filed for either year after the automatic six-month extension date, use the most current tax reported **prior** to the extension date.

Line 6 – In Column A, write the total amount of credits you claimed on your 1997 Form IL-1040, Lines 19, 20, and 21. In Column B, write the total amount of credits you claimed on your 1996 Form IL-1040, Lines 19, 20, and 21. Do not include your tax withheld or estimated payments on these lines.

Lines 7 through 9 – Follow the instructions on the form.

Line 10 – Write the amount of your required installment for each due date shown. For most taxpayers, this is the amount shown on Line 9 divided by four. However, if you are annualizing your income, you must complete Step 5.

Note Annualized income installment method: If your income was **not** received evenly throughout the year, you may be able to lower or eliminate the amount of your required installments by using the annualization income installment method in Step 5. If you choose to annualize your income, you must use this method for all installments. When completing the worksheet, select the lesser of the annualized income installment or the regular installment to arrive at the amount of each required installment.

Line 11 – Quarter 1: Write the total amount of estimated payments you paid during this quarter, and include any credit carried forward from your 1996 Form IL-1040, plus one-fourth of the total tax withheld for this year (or the actual tax withheld from your wages for this quarter).

Line 11 – Quarters 2 through 4: Write the total amount of estimated payments you paid during each quarter plus one-fourth of the total tax withheld for this year (or the actual tax withheld from your wages for each quarter).

Note You are considered to have paid any Illinois tax withheld evenly over the whole year unless you can show otherwise. To figure even payments of tax withheld, divide the total amount withheld by four. If you file a joint return, include the tax withheld for both yourself and your spouse.

Line 12 – Subtract Line 11 from Line 10 and write the difference here. If this amount is less than zero, write the amount in brackets “[.]”

If the amount written on Line 12 is “0” or in brackets (less than zero) for **all** quarters, you do not owe a late-payment penalty for underpayment of estimated tax and should skip to Step 4. If the amount written on Line 12 is greater than “0” for any quarter, complete Step 3.

Step 3: Figure your late-payment penalty for underpayment of estimated tax

Complete Lines 13 through 17 of each quarter before proceeding to the next quarter. Follow the instructions on the form.

Line 18 – Add Line 17 of Quarters 1 through 4. Write the total amount here and on your Form IL-1040, Line 27.

Step 4: Figure your late-payment penalty for unpaid tax and your late-filing penalty

You should complete this step **only** if you

- have any unpaid tax after April 15, 1998; or
- are filing Form IL-1040 after October 15, 1998 (even if you show an overpayment or no tax due on Form IL-1040, Line 23).

Lines 19 through 21 – Follow the instructions on the form.

Line 22 – If you **did** complete Step 3, do not include the amount of timely estimated tax payments you made during the year or the amount of Illinois tax withheld from your pay. However, you should include other payments you **made on or before April 15, 1998**.

If you **did not** complete Step 3, you should include on this line the amount of timely estimated tax payments you made during the year, the amount of Illinois tax withheld as shown on your W-2 forms, and any other payments you **made on or before April 15, 1998**.

Lines 23 through 28 – Follow the instructions on the form.

Line 29 – Add Lines 25 and 28. Write the total here. Also, write this amount and the word “penalty” to the left of Line 28 on your Form IL-1040. If you have tax due, include this amount in the total amount written on Line 28 of your Form IL-1040.

Note If your Form IL-1040 shows an overpayment and a penalty is due, your refund or credit to your 1998 estimated tax will be reduced by the penalty amount.

Step 5: Complete the annualization worksheet for Step 2, Line 10

You should complete this worksheet if your income was **not** received evenly throughout the year, and you choose to annualize your income. If you complete Step 5, check the box on your Form IL-1040, Line 27, and attach Form IL-2210.

Complete Lines 30 through 46 of one column before going to the next, beginning with Column A.

Line 30 – In Columns A through C, write the base income that would have been shown on Form IL-1040, Line 11, as if you had completed a Form IL-1040 for the first three months, the first five months, and the first eight months of the tax year. In Column D, write the amount from your Form IL-1040, Line 11. Any income received from a partnership, S corporation, estate, or trust should be treated as if received evenly throughout your tax year.

Part-year and nonresidents – Write the amount in each column that would have been shown on Schedule NR, Part I, Line 1, as if you had completed a Schedule NR at the end of each period.

Lines 31 and 32 – Follow the instructions on the form.

Line 33 – Multiply the number of exemptions claimed on your Form IL-1040 by \$1,000 and write in each column. If the number of exemptions changed during the tax year, determine the number of exemptions you were entitled to claim at the end of each period, multiply by \$1,000 and write in the appropriate column.

Part-year and nonresidents - Prorate your exemptions as follows:

$$\text{Number of exemptions} \times \$1,000 \times \frac{\text{Illinois annualized income}}{\text{total annualized income}}$$

Lines 34 through 46 – Follow the instructions on the form.

