

Form IL-843 Instructions

What is new?

- For returns due on or after January 1, 1998, the late-payment penalty increased from 15 percent to 20 percent. This penalty is provided for in the Uniform Penalty and Interest Act. See "Penalties and Interest" in these instructions for more information.
- Effective for tax years ending on or after December 31, 1998, the three-factor apportionment formula (property, payroll, and sales) changes. The weighting given to the sales factor increases during the next three years, ending with a single sales factor in the third year. See Part III — Base Income (loss) allocable to Illinois, of the form you are amending.

General Information

Who must file Form IL-843?

You must file Form IL-843 if you are a trust, estate, exempt organization, partnership, or S corporation and you have a change in any item of income, deduction, tax liability, or any tax credit reported on your original tax return. In addition, the respective beneficiaries, partners, or shareholders must be furnished with the information necessary to reflect any change in their Illinois tax liabilities. Amendments or corrections to your federal income tax return that result in a change to any items that enter into the computation of your or your partners' or shareholders' net income, net loss, or credits must also be reported.

If you are a corporation, you must use Form IL-1120-X to claim a refund or report a change. If you are an individual, you must use Form IL-1040-X to claim a refund or report a change.

When should I file Form IL-843?

You should file Form IL-843 if you are amending a previously filed, processable Form

- IL-1120-ST, Small Business Corporation Replacement Tax Return,
- IL-1065, Partnership Replacement Tax Return,
- IL-1041, Fiduciary Income and Replacement Tax Return,
- IL-1023-C, Composite Income and Replacement Tax Return, or
- IL-990-T, Exempt Organization Income and Replacement Tax Return.

Your change can occur from a state or federal change, such as

- an amendment of your federal income tax return,

- an adjustment made by the Internal Revenue Service (IRS), or
 - any other recomputation or redetermination, and
- your change affects items used to compute your Illinois net income, net loss or credits.

A separate Form IL-843 must be filed for each tax year you need to amend.

What if I need to correct my return before the extended due date expires?

If you filed your original return and a state or federal correction or change needs to be made before the automatic extension due date has expired (see instructions on your original return), you should file a corrected Form IL-1120-ST, Form IL-1065, Form IL-1041, Form IL-1023-C, or Form IL-990-T, and write "CORRECTED" at the top. Due to the automatic extension, any additional return filed after the original return and prior to the extended due date will be considered a "corrected return" rather than an amended return.

How long do I have to amend my return?

The amount of time you have to amend your return depends on whether your Form IL-843 is being filed to report a state or federal change.

State change — If your change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-843 within

- three years after the due date of the return (including extensions),
- three years after the date your original return was filed, or
- one year after the date your Illinois tax was paid, whichever is latest.

Note: If you are reporting an Illinois net loss deduction (NLD) carryback, Form IL-843 must be filed within three years of the extended due date for the loss year return.

If your change increases the tax due to Illinois, you should file Form IL-843 and pay the tax, penalty, and interest, promptly.

Federal change — You should not file this form until you receive a federal finalization notification from the IRS stating that they have accepted your change, either by refund, agreement, or judgment.

If your federal change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-843 within two years of federal finalization.

If your federal change increases the tax due to Illinois, you must file Form IL-843 and pay any additional tax within 120 days of IRS partial agreement or finalization, or you will be assessed a late payment penalty.

Note: If you fail to notify us of your change by filing Form IL-843, we may issue a notice of deficiency at any time. Once you file your change, we may issue a notice of deficiency within two years.

What if my amended return involves an Illinois net loss deduction (NLD)?

The following information does not apply to Form IL-1023-C filers.

If you have an Illinois NLD carryback or carryforward from any loss year ending on or after December 31, 1986, it is subtracted from and limited to base income allocable to Illinois.

To determine your "Illinois net loss" start with federal taxable, or ordinary income, without regard to any federal NOLD, and apply all addition and subtraction modifications, and all allocation and apportionment provisions. This Illinois net loss is allowed as a carryback or carryforward deduction in the manner allowed under IRC, Section 172, including, for example, the conditions and limitations of IRC, Sections 381 and 382. **Effective for losses in tax years beginning after August 5, 1997**, IRC, Section 172, has been amended to allow federal NOLs to be carried back 2 years, and carried forward 20 years.

Illinois net losses in tax years **beginning on or before August 5, 1997**, must be carried back 3 years, then forward 15 years. Illinois net losses in tax years **beginning after August 5, 1997**, must be carried back 2 years, then forward 20 years. However, **for tax years ending on or after December 31, 1996**, you may make the election to forgo the Illinois NLD carryback period. This election should have been made on your timely filed original return. However, if your previously filed return was timely filed and showed income, and you are filing Form IL-843 to report

- a finalized federal change that eliminates your Illinois income and creates an Illinois net loss for the year, you may make the election to forgo the carryback period by checking the box below Part II, Line 1a, or Part III, Line 1a, whichever line is appropriate for the return you are amending. This

election must be made within 120 days of IRS partial agreement or finalization.

- an Illinois audit or other Illinois change that eliminates Illinois income and creates an Illinois net loss for the year, you may make the election to forgo the carryback period by checking the box below Part II, Line 1a, or Part III, Line 1a, whichever line is appropriate for the return you are amending. This election must be made at the time the loss is first reported.

Do not file Form IL-843 to report an Illinois NLD until **after** you have filed the loss year return. When you file Form IL-843, you must attach a corrected copy of the return you are amending and a completed Illinois Schedule NLD. **Failure to attach the completed schedule could result in partial or total denial of your claim.**

If you need further information, write to Illinois Department of Revenue, Legal Services Office, 101 West Jefferson Street, Springfield, IL 62702, and request the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330.

What must I attach to my Form IL-843?

This form must contain a complete explanation of the reasons for filing the claim or amendment. You **must** attach a revised copy of the return you are amending and copies of any required schedules from that form (or reasonable facsimiles) to support your claim. If Form IL-843 is submitted without the proper attachments it may be partially or totally denied.

If you are filing Form IL-843 because

- you filed a federal amended return, you must include a copy of the federal form, plus any other related forms, schedules, or attachments.
- of a change by the IRS, you must include all copies of the federal examining officer's reports, including preliminary, revised, corrected, and superseding reports.
- you copied information incorrectly from your federal tax return onto your Illinois return, you must include a copy of the appropriate pages of your federal return.
- of a change in, or audit of, another state's tax return, you must include a copy of the other state's corrected return or the examining officer's reports.
- of an Illinois net loss carryback, you must include an Illinois Schedule NLD.

Trusts, estates, exempt organizations, partnerships, and S corporations are required to attach a schedule showing the beneficiaries', partners' or shareholders' names, addresses, Social Security

numbers, and the corrected amount of any item of income or deduction that enters into the computation of the Illinois tax liabilities.

What if my claim is denied?

If we deny your claim by a written notice of denial, you may file a written protest within 60 days and request a hearing. If we fail to approve or deny your claim within six months of the date it was filed, you may file a written protest at any time and request a hearing.

What if I need additional assistance?

If you need additional assistance, visit our Web site at www.revenue.state.il.us; or 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. If you prefer, you may write to us at P.O. Box 19044, Springfield, Illinois 62794-9044.

If you need additional forms or schedules visit our Web site at www.revenue.state.il.us; call our 24-hour Forms Order Line at **1 800 356-6302**; call our Illinois Tax Fax at **217 785-3400**; or write to us at P.O. Box 19010, Springfield, Illinois 62794-9010.

Specific Instructions

Check the appropriate box and write the tax year you are amending in the space provided at the top of Form IL-843.

Part 1: Provide the following information

Line 1 — Print or type your name, current address, and FEIN.

Line 2 — Check the box if your name, address, or FEIN is different from your original return.

Line 3 — Check the appropriate box for the reason you are filing this return. If you are amending due to a federal change, you **must** check the appropriate box for partial agreed or finalized and include the date of IRS finalization, **not** the date the federal change was filed. If you do not provide this date, you may be assessed penalties and interest incorrectly.

Line 4 — Explain, in detail, why you are filing this amended form.

Line 5 — Check the type of Illinois return you originally filed.

Part 2: Report changes in your federal ordinary or taxable income

Note: Complete Part 2 only if you are reporting a change in federal ordinary or taxable income; otherwise go to Part 3.

Line 6 — Write your income as originally reported. Refer to your originally filed return to determine if this should be ordinary income or taxable income.

Line 7 — Write your corrected income.

Line 8 — Subtract Line 6 from Line 7. This is your net change.

Part 3: Figure your refund or balance due

Line 11 — Write the tax paid with your original Illinois return.

Line 12 — Write the total amount of any subsequent tax payments you made for the year being amended. Do not include any penalty and interest you previously paid.

Line 14 — Write the total amount of any overpayment, credit, or refund (whether received or not) reported on your previously filed Illinois tax return. Do not include interest that you received.

Lines 15 through 17 — Follow the instructions on the form. We will calculate any interest that may be due you and include it in your refund check. Any refund may be reduced to satisfy any outstanding liability.

Note: Overpayments from Form IL-843 cannot be credited to estimated tax.

Line 18 — Follow the instructions on the form. This is your amount of tax due that must be paid in full if \$1 or more. Make your check or money order payable to "**Illinois Department of Revenue.**" We will compute any penalty or interest due and notify you.

Note: We will apply all payments against tax first, penalty second, and interest third.

Line 19 — We will bill you for penalties and interest. If you prefer, you may calculate the penalties and interest you owe and write the total amount on this line. See "Penalties and Interest" below.

Penalties and Interest

The following penalties must be paid unless you can show that your failure to file and pay was due to reasonable cause and not willful neglect.

Note: Changes resulting from a net operating loss (NOL) carryback will not eliminate the following penalties.

Late-filing or nonfiling penalty

For returns due **on or after January 1, 1996**, you owe this penalty if you failed to file a processable original return by the due date, including any extended due date. This penalty is the lesser of \$250 or 2 percent of the tax required to be shown due on your return, without regard to any payments and credits. You will be penalized even if your return is fully paid or shows an overpayment. This penalty is recomputed if your tax decreases or increases.

An additional penalty will be assessed if you do not file a processable return within 30 days of the date we originally notify you that your return is unprocessable. This 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. This additional penalty is not recomputed based on the amended figures.

For returns due **on or after January 1, 1994, through December 31, 1995**, you owe this penalty if you failed to file a processable original return by the due date, including any extended due date. This penalty is 5 percent of the tax required to be shown due on your return, less credits. Prior overpayments and other payments cannot be applied to reduce the amount subject to the penalty. You will be penalized even if your return is fully paid or shows an overpayment. This penalty is recomputed if your tax liability decreases or increases.

For returns due **prior to January 1, 1994**, you owe this penalty if you failed to file an original return by the prescribed due date, including any extended due date. This penalty is 7.5 percent per month or fraction of a month on any unpaid tax remaining after the due date. This penalty may be assessed up to a maximum of 37.5 percent. This penalty is recomputed if your tax liability decreases or increases, or if your original return was filed late and no penalty was assessed because you had an overpayment and you are now reporting an increase in tax.

Late-payment penalty for unpaid tax

For returns due **on or after January 1, 1994**, you owe this penalty if you failed to pay the tax you owed by the **original** due date of your return, even if you had an extension of time to file.

Penalty percentage rates

- Returns due **on or after January 1, 1998**: the penalty rate is 20 percent.
- Returns due **January 1, 1994, through December 31, 1997**: the penalty rate is 15 percent.

This penalty is calculated on the amount required to be shown due on your return minus timely payments and credits.

Note: If you are reporting a federal change, this penalty is not assessed if you file Form IL-843 and pay the tax you owe within 120 days of the federal finalization date.

For returns due **prior to January 1, 1994**, you owe this penalty if you failed to pay the tax you owed by the **original** due date of your return, even if you had an extension of time to file. The penalty is 6 percent per year on the amount of unpaid tax remaining after the original due date and will accrue until the tax is paid. This penalty does not apply to tax years ending before January 1, 1986.

Interest

For returns due **on or after January 1, 1994**, interest is calculated on tax and penalties from the day after the original due date of your return through the date you pay the tax and penalties. Interest is simple interest figured using a daily rate. We review the rate twice each year - on January 1 and July 1 - and adjust the rate as necessary in accordance with the underpayment rate established in Section 6621 of the IRC.

If your original return resulted in an overpayment and you are now increasing your tax, interest will be assessed on

- the refund amount - from the date the refund was issued, or
- the amount credited to a subsequent year - from the original return due date of that year.

We will bill you for interest due. However, if you want to calculate your interest, contact us for the interest rates that were in effect at that time.

For returns due **July 1, 1986, through December 31, 1993**, the interest rate is 9 percent per year. For returns due prior to July 1, 1986, contact us and we will provide you with the rates that were in effect at that time. Interest is calculated on tax from the day after the original due date of the return through the date you pay the tax. Interest is calculated on penalty from the date of notification of the penalty until you pay the penalty.

We pay interest on overpayments and charge interest on underpayments at the same rate.

It is to your advantage to pay the tax as soon as possible, rather than waiting for a notice and demand for payment, since interest begins to accrue from the day after the due date of the original return.

Note: For more information, refer to Publication 103, Uniform Penalties and Interest. To receive a copy of this publication, see "What if I need additional assistance?" for our phone numbers and addresses.

Who should sign the return?

Your Form IL-843 must be signed by the fiduciary, partner, authorized officer, or corporate officer, whichever applies for the return you are amending. If you paid someone to prepare your return, that individual must also provide a handwritten signature, date the return, and provide his or her tax identification number. If the preparer is an employee or partner of a firm or corporation, he or she must also provide the firm's name, address, and instead of the preparer's taxpayer identification number he or she must provide the firm's FEIN. A self-employed preparer must check the "self-employed" box and provide his or her name, address, and taxpayer identification number in the appropriate spaces.

Be sure to attach all required copies of forms, schedules, and any powers of attorney.