



## General Information

### ? What is the purpose of Schedule NR?

Schedule NR allows you, a nonresident or part-year resident of Illinois, to determine the income that is taxed by Illinois during the tax year and to figure your Illinois Income Tax.

You **must** attach Schedule NR to your Form IL-1040.

### ? What if I was a nonresident of Illinois during the entire tax year?

If you were a nonresident of Illinois during the entire tax year, you must complete and file Form IL-1040 and Schedule NR if you

- earned or received income from Illinois sources or
- are entitled to a refund of Illinois Income Tax that was withheld from your pay in error. If you were **not** a resident of Iowa, Kentucky, Michigan, or Wisconsin, you **must** attach a statement from your employer indicating that your wages were not earned in Illinois and Illinois tax was withheld in error. In this case, you must complete Form IL-1040 and Schedule NR, Steps 1, 2, and 5, writing zeros on Lines 45 through 51.

### ? What if I was a resident of a reciprocal state during the tax year?

If you were a resident of a reciprocal state (Iowa, Kentucky, Michigan, or Wisconsin) and earned income in Illinois, you should know that Illinois has a reciprocal agreement with your state that exempts Illinois Income Tax from being withheld on income earned from salaries, wages, tips, and other employee compensation. File Form IL-W-5-NR, Employee's Statement of Nonresidence in Illinois, with your employer to be entitled to this exemption.

If you are a resident of a reciprocal state, you do not have to file Form IL-1040 or Schedule NR unless you

- earned income in Illinois from sources **other than** wages paid to you as an employee or
- had Illinois Income Tax withheld from your pay in error. In this case, you must complete Form IL-1040 and Schedule NR, Steps 1, 2, and 5, writing zeros on Lines 45 through 51.

### ? What if I was a nonresident professional athlete?

If you were a nonresident professional athlete during any part of the tax year, you may be liable for Illinois Income Tax, depending on your team's state of residency.

For more information, call the Illinois Department of Revenue at 1 800 732-8866, 217 782-3336, or TDD (telecommunications device for the deaf) at 1 800 544-5304.

### ? What if I was a resident of Illinois during part of the tax year?

If you were a resident of Illinois during part of the tax year, you are considered a part-year resident and must complete and file Form IL-1040 and Schedule NR if you

- earned or received income from any source while you were a resident,
- earned or received income from Illinois sources while you were not a resident, or
- are entitled to receive a refund of Illinois Income Tax.

As a part-year resident, the rules you use to determine Illinois income and tax depend on whether or not you were a resident of Illinois when you earned the income.

- If you were a resident of Illinois when you received the income, you will (within certain limitations) be taxed on

100 percent of the income you received while you were a resident, regardless of the source.

- If you were a nonresident of Illinois when you received the income, you will be taxed only on the income you received from Illinois sources.

When completing your Schedule NR, you must add the income you received during the time you were a resident, and the Illinois income you received during the time you were not a resident. Refer to the Step-by-Step Instructions for part-year residents.

Use the same method of reporting that you use for filing your federal return. Report your income when you receive it and your deductions when they are paid. However, if you use the accrual method, "received" means "earned or received." Income that you received through partnerships, S corporations, trusts, or estates is considered received on the last day of the business' tax year.

### ? What if I received income from a business or a farm during the tax year?

If, while you were not a resident of Illinois, you received

- business income earned both inside and outside Illinois or
  - farm income earned both inside and outside Illinois,
- you must complete the Business or Farm Income Apportionment Formula (IAF) Worksheet on Page 8.

The IAF Worksheet allows you to figure the Illinois portion of your business or farm income. Be sure to keep a copy of this worksheet with your income tax records.

### ? What is business income?

Business income is income you earned or received from any activity that you took part in during the regular course of your trade or business. It includes income you earned or received from tangible or intangible property if you acquire, manage, and dispose of this property as an essential part of the regular operations of your trade or business. This **does not** include wages you received as an employee.

### ? What if I received income from partnerships, S corporations, trusts, or estates?

If you received income from an Illinois partnership or an S corporation, that entity is required to send you an Illinois Schedule K-1-P, income breakdown for partnerships and S corporations. Also the entity is required to send you the partner's and shareholder's instructions for properly completing Schedule NR.

If you received income from an Illinois estate or trust, that entity is required to send you an Illinois Schedule K-1-T, income breakdown for trusts or estates. Also the entity is required to send you the beneficiary's instructions for properly completing Schedule NR.

### ? What if I need additional forms or schedules?

If you need additional forms or schedules, visit our Web site at [www.revenue.state.il.us](http://www.revenue.state.il.us); call our Illinois Tax Fax at **217 785-3400**; call our 24-hour Forms Order Line at **1 800 356-6302**; or write to us at P.O. Box 19010, Springfield, Illinois 62794-9010. You may use our toll-free number or our Illinois Tax Fax to order forms 24 hours a day, 7 days a week.

### ? What if I need additional assistance?

If you need assistance, visit our Web site at [www.revenue.state.il.us](http://www.revenue.state.il.us); call our Taxpayer Assistance Division at **1 800 732-8866** or **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.

# Nonresidents Step-by-Step Instructions

## Step 1

### Provide the following information

- 1 Print or type your name as shown on your Form IL-1040.
- 2 Print or type your Social Security number as shown on your Form IL-1040.
- 3 Check the nonresident box.
- 4 Nonresidents, skip this line.
- 5 If you were a resident of Iowa, Kentucky, Michigan, or Wisconsin during any part of the tax year, check the boxes identifying where you were a resident.
- 6 If you resided or filed income tax returns in any states other than those listed in Line 5, write the names of those states on the lines provided.

## Step 2

### Complete Form IL-1040

Complete Lines 1 through 12 of your Form IL-1040, Individual Income Tax Return, as if you were a full-year Illinois resident. Follow the instructions in the IL-1040 Booklet. You will use Lines 11 and 12 of your Form IL-1040 to figure your nonresident Illinois exemption allowance.

## Step 3

### Figure the Illinois portion of your federal adjusted gross income

#### Column A — Federal Total

Write the amounts in Column A from your federal income tax return by following the instructions on the schedule. If you TeleFiled your federal return, add the wage amount on all your W-2 forms, and write the total in Column A, Line 7.

#### Column B — Illinois Portion

Write the portion of Column A, Federal Total, that is taxed by Illinois. To determine the taxable amount, you must read and follow the instructions for each line.

#### Income



#### 7 Wages, salaries, tips, etc.

Write the amount shown as Illinois wages on the Illinois copy of the W-2 forms you received while you were a nonresident. Do not include any Illinois wages you received while you were a resident of Iowa, Kentucky, Michigan, or Wisconsin.

If the income you earned in Illinois was entirely from wages, complete Line 7. Then, skip to Step 5, Line 45, and write the Column B amount. Complete Step 5 by following the instructions on the form.

**Note** → If any of your wages are for active-duty military pay, be sure to complete Step 4, Line 40.

#### 8 Interest income

Interest income that you received, other than business interest income, is not taxed by Illinois.

Business interest income that you received from an Illinois source is taxed by Illinois. If this income was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or K-1-T, Beneficiary's Share of Income and Deductions, refer to that form's instructions to figure the amount to include on this line.

#### 9 Dividend income

Dividend income that you received, other than business dividend income, is not taxed by Illinois.

Business dividend income that you received from an Illinois source is taxed by Illinois. If this income was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

#### 10 Taxable refunds, credits, or offsets of state and local income tax

Write the amount of any Illinois Income Tax refund that you included in your taxable income because you claimed this refund as an itemized deduction on a previous year's federal return.

If this refund was received from business taxes, include any refund amount to the extent that the original deduction was allocated to Illinois.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

#### 11 Alimony received

Do not write an amount on this line. As a nonresident, alimony that you received is not taxed by Illinois.

#### 12 Business income or loss

Business income or loss that you received from an Illinois source is taxed by Illinois. If your business income was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

#### 13 Capital gain or loss

Write any capital gains or losses, other than business capital gains or losses, that you received and that were associated with the sale of real property or tangible personal property located in Illinois at the time of the sale or exchange. Non business capital gains or losses that resulted from your sale of intangibles are not taxed by Illinois.

Capital gains or losses that resulted from an Illinois business source are also taxed by Illinois. If you received your capital gain or loss

- entirely from Illinois sources, include the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of your capital gain or loss, and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

#### 14 Other gains or losses

All gains or losses that you included on federal Form 4797, Sales of Business Property, are classified as business income. Any amount you received from Illinois sources is taxed by Illinois.

If you received other gains or losses

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, you must complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

#### 15 Taxable IRA distributions

Do not write an amount on this line. As a nonresident, your IRA distributions are not taxed by Illinois.

#### 16 Taxable pensions and annuities

Do not write an amount on this line. As a nonresident, your pensions and annuities are not taxed by Illinois.

#### 17 Rents, royalties, partnerships, S corporations, estates, and trusts

Figure the total amount to write on this line by adding

- the net amount of income, other than business income, that you received from
  - real estate located in Illinois.
  - tangible personal property, to the extent it was used in Illinois.

**Note** → You can determine the extent of Illinois use of tangible personal property by dividing the number of days the property was in Illinois during the rental or royalty period in the taxable year by the number of days the property was everywhere during all rental or royalty periods in the taxable year. Multiply the resulting fraction by the net amount of rents and royalties received.

- patents and copyrights (the amount that was used in Illinois).

**Note** → A **patent** is used in Illinois when it is employed in the production, fabrication, manufacturing, or other processing, or when a patented product is produced in Illinois. A **copyright** is used in Illinois when the printing or publication originated in Illinois.

- income you received from an Illinois business. If your business income was received
  - entirely from Illinois sources, include the amount from Column A.
  - from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.
- income that you received from partnerships, S corporations, trusts, and estates as directed by the Illinois Schedules K-1-P and K-1-T.

#### 18 Farm income or loss

All farm income or loss that you included on federal Schedule F, Profit or Loss from Farming, and that you received from an Illinois farm is taxed by Illinois. If your farm income or loss was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of your farm income, and include the amount from Line 6 of the worksheet.

#### 19 Unemployment compensation

Do not write an amount on this line. As a nonresident, your unemployment compensation is not taxed by Illinois.

#### 20 Taxable Social Security benefits

Do not write an amount on this line. As a nonresident, your Social Security benefits are not taxed by Illinois.

#### 21 Other income

Write the total amount of income that you received from

- the **Illinois State Lottery** (even if you were a resident of a reciprocal state).
- a business net operating loss from an earlier year that is being carried forward. If your loss was derived
  - from a partnership or an S corporation, the loss is allocated to Illinois to the same extent that business income from that entity is apportioned to Illinois on the Illinois Schedule K-1-P for this year.
  - from a business you conducted entirely within Illinois, the entire amount is allocated to Illinois.
  - from a business you conducted inside and outside Illinois, figure the Illinois portion on the IAF Worksheet, Page 8, and include the amount from Line 6 of the worksheet.
- a recovery or reimbursement for a deduction claimed in a prior year to the extent that the deduction was allocated to Illinois.

22 Follow the instructions on Schedule NR.

### Adjustments to Income

#### 23 Total IRA deduction

Figure the amount of your Illinois IRA deduction as follows, and write the amount on Line 23.

$\frac{\text{Wages, salaries, tips, alimony received from an Illinois source}}{\text{Decimal}}$	$\div$	$\frac{\text{Wages, salaries, tips, alimony received from all sources}}{\text{Column A, Line 23}}$	$=$	$= \$ \text{ Illinois deduction}$
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#### 24 Student loan interest

Write the amount of student loan interest that you deducted this year.

#### 25 Deduction for medical savings account

Write the Illinois portion of contributions and deductions to your Medical Care Savings Account that you established in connection with your Illinois employment.

#### 26 Moving expenses

Write the amount of expenses you paid to take a new job in Illinois.

#### 27 Deduction for one-half of self-employment tax

Complete the following calculation to determine your Illinois self-employment (ISE) decimal for use in Lines 27, 28, 29, and 43.

$\frac{\text{Self-employment income included in Column B}}{\text{ISE decimal}}$	$\div$	$\frac{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}}{\text{Column A, Line 27}}$	$=$	$= \text{Illinois self-employment (ISE) decimal}$
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Figure the amount of your Illinois deduction for one-half of your self-employment tax by completing the following calculation and write the amount on Line 27.

$\frac{\text{ISE decimal}}{\text{Column A, Line 27}}$	$\times$	$\frac{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}}{\text{Column A, Line 27}}$	$=$	$= \$ \text{ Illinois deduction}$
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#### 28 Self-employed health insurance deduction

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 28.

$\frac{\text{ISE decimal}}{\text{Column A, Line 28}}$	$\times$	$\frac{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}}{\text{Column A, Line 27}}$	$=$	$= \$ \text{ Illinois deduction}$
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## 29 Keogh and self-employed SEP plans

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 29.

$$\frac{\cdot}{\text{ISE decimal}} \times \frac{\text{Column A, Line 29}}{\text{Column A, Line 29}} = \$ \frac{\text{Illinois deduction}}{\text{Illinois deduction}}$$

## 30 Penalty on early withdrawal of savings

Write the penalty amount that you paid when you withdrew money from a savings account that earned interest and is allocated to Illinois. If only a portion of the interest on the account is allocated to Illinois, allocate the same portion of this penalty to Illinois.

## 31 Alimony paid

Write the amount of alimony you paid during the tax year.

**32 through 35** – Follow the instructions on Schedule NR.

# Step 4

## Figure your Illinois additions and subtractions

### Column A — Form IL-1040 Total

Write the amounts in Column A from your Form IL-1040 by following the instructions on Schedule NR.

### Column B — Illinois Portion

Write the Illinois portion of Column A, Form IL-1040 Total. To determine the Illinois portion, you must read and follow the instructions for each line.

### Additions

## 36 Federally tax-exempt interest income

Interest and dividends, other than from a business, are not taxed by Illinois.

Federally tax-exempt interest income that you received from an Illinois business source is taxed by Illinois. If this income was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

## 37 Other additions

Identify each of the following items, and write the total amount of income by adding

- withdrawals made from a Medical Care Savings Account that was established in connection with your Illinois employment.
- any distributive share of additions received from partnerships, S corporations, trusts, and estates as reported on Schedules K-1-P and K-1-T. Refer to that form's instructions to figure the amount to include on this line.
- any amount equal to any eligible remediation costs that you deducted in figuring your adjusted gross income and that you claimed as an Environmental Remediation Credit on your Schedule 1299-C for this tax year.

**38** Follow the instructions on Schedule NR.

### Subtractions

## 39 Federally taxed retirement and Social Security

Do not write an amount on this line. As a nonresident, federally

taxed retirement and Social Security income are not taxed by Illinois and should not be included in Column B, Lines 15, 16, or 20.

## 40 Military pay

Write the amount of military pay that you received for active duty in the U.S. Armed Forces. This income must be included in your federal adjusted gross income and in Column B, Line 7.

## 41 Illinois Income Tax refund

Write the amount of any Illinois Income Tax refund that you included in Column A.

## 42 U.S. government obligations

Write the amount of any interest income from U.S. government obligations and U. S. agencies that you included in Column B, Line 8.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to write on this line.

## 43 Other subtractions

Identify each of the items listed below as they relate to Illinois.

**Note** → If any of these items relate to business income received from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion, and include the amount from Line 6 of the worksheet. If any of this income was received entirely from Illinois sources, include the amount from Column A. Include the total Illinois amount from

- your **distributive share** of subtractions from partnerships, S corporations, trusts, or estates to the extent that the related income is included in Column B. Refer to the Illinois Schedule K-1-P or K-1-T instructions to figure the amount to include on this line.
- the **valuation limitation** amount to the extent that the gain is included as income in Column B.
- dividends from an **enterprise zone or a foreign trade zone** that you received and included as income in Column B, Line 9.
- **interest from obligations of state and local governments** that is exempt from Illinois taxation and included as income in Column B, Line 36.
- the **recovery** of itemized deductions from a prior year that you included as income in Column B, Line 21.
- **expenses for federally tax-exempt investments** to the extent that the deduction of these items was disallowed under the Internal Revenue Code, Section 171 or 265, and the related income was included as income in Column B, Line 36.
- the repayment of **claim of right** income if the income was allocated to Illinois in a previous year.
- deductions related to Illinois from any contribution made to a **job training project**.
- interest from a **Medical Care Savings Account** that you included as income in Column B, Line 8.
- **premiums paid for your self-employment health insurance.** This deduction is limited to premiums not already deducted on your U.S. Form 1040 including U.S. 1040, Schedule A, and may not exceed your taxable income attributable to your self-employment income. Figure your Illinois deduction by completing the following formula, and include this amount.

$$\frac{\cdot}{\text{ISE decimal (Line 27)}} \times \frac{\text{Premiums Paid}}{\text{Premiums Paid}} = \$ \frac{\text{Illinois deduction}}{\text{Illinois deduction}}$$

- **any other income** that you received and included in Column B, Line 21, that is exempt from Illinois taxation. Refer to our Publication 101, Income Exempt from Tax.

**44** Follow the instructions on Schedule NR.

# Step 5

## Figure your Illinois income and tax

**45 through 51** - Follow the instructions on Schedule NR.

# Part-Year Residents Step-by-Step Instructions

## Step 1

### Provide the following information

- 1 Print or type your name as shown on your Form IL-1040.
- 2 Print or type your Social Security number as shown on your Form IL-1040.
- 3 Check the part-year resident box.
- 4 Write the beginning and ending dates of your residency in Illinois.
- 5 If you were a resident of Iowa, Kentucky, Michigan, or Wisconsin during any part of the tax year, check all of the boxes identifying where you were a resident.
- 6 If you resided or filed income tax returns in any states other than those listed in Line 5, write the names of those states on the lines provided.

## Step 2

### Complete Form IL-1040

Complete Lines 1 through 12 of your Form IL-1040, Individual Income Tax Return, as if you were a full-year Illinois resident. Follow the instructions in the IL-1040 Booklet. You will use Lines 11 and 12 of your Form IL-1040 to figure your Illinois exemption allowance.

## Step 3

### Figure the Illinois portion of your federal adjusted gross income

#### Column A — Federal Total

Write the amounts in Column A from your federal income tax return by following the instructions on the schedule. If you TeleFiled your federal return, add the wage amount on all your W-2 forms, and write the total on Column A, Line 7.

#### Column B — Illinois Portion

Write the portion of Column A, Federal Total, that is taxed by Illinois. To determine the taxable amount, you must read and follow the instructions for each line. As a part-year resident, you must include the income you received from any source during the time you were a resident, plus the Illinois income you received during the time you were a nonresident.

**Note** → For the purposes of determining if income from a partnership, S corporation, trust, or estate was received by you while you were an Illinois resident, all income from these entities is considered received on the last day of the entity's tax year.

#### Income

#### 7 Wages, salaries, tips, etc.

Write the amount of all wages you received while you were an Illinois resident, including wages received from employment in Iowa, Kentucky, Michigan, or Wisconsin.

Also include all Illinois wages you received while you were a nonresident. These wages are identified as Illinois wages on the Illinois copy of your W-2 forms. Do not include any Illinois wages you received while you were a nonresident of Illinois and a resident of Iowa, Kentucky, Michigan, or Wisconsin.

**Note** → If your wages include active-duty military pay, be sure to complete Step 4, Line 40.

#### 8 Interest income

Write the total amount of interest income from Column A that you received while an Illinois resident. Also include any business interest income that you received while you were a nonresident and that you received from Illinois sources located

- entirely within Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

Interest income that you received while you were a nonresident, other than business interest income, is not taxed by Illinois.

If you received an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or K-1-T, Beneficiary's Share of Income and Deductions, refer to that form's instructions to figure the amount to include on this line.

#### 9 Dividend income

Write the total amount of dividend income from Column A that you received while an Illinois resident. Also include business dividend income that you received while you were a nonresident and that you received from Illinois sources located

- entirely within Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

Any dividend income that you received while a nonresident, other than business dividend income, is not taxed by Illinois.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to write on this line.

#### 10 Taxable refunds, credits, or offsets of state and local income tax

Write the amount of any Income Tax refund from Column A that you received while an Illinois resident and any Illinois Income Tax refund you received while you were a nonresident. Include these refunds **only** if they are included in your taxable income because you claimed them as itemized deductions on a previous year's federal return.

If any refund was received from business taxes, you must include any refund you received as a nonresident to the extent that the original deduction was allocated to Illinois. If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

#### 11 Alimony received

Write the amount of alimony that you received while you were an Illinois resident.

#### 12 Business income or loss

Write the amount of business income or loss from Column A that you received while an Illinois resident. Also include the amount of business income or loss that you received while a nonresident and that you received from Illinois sources located

- entirely within Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of your business income, and include the amount from Line 6 of the worksheet.

### 13 Capital gain or loss

Write any capital gains or losses from Column A that you received while an Illinois resident. Include any capital gains or losses, other than business capital gains or losses, that you received while a nonresident and that were associated with the sale of real property or tangible personal property located in Illinois at the time of the sale or exchange.

Also include any capital gains or losses that you received while a nonresident from Illinois business sources located

- entirely in Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure your Illinois portion, and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

### 14 Other gains or losses

Write the total amount of other gains or losses from Column A that you received while you were an Illinois resident and any amount you received while you were a nonresident from Illinois business sources located

- entirely in Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

### 15 Taxable IRA distributions

Write the amount of IRA distributions from Column A that you received while an Illinois resident, regardless of where you were a resident when you made the contributions.

### 16 Taxable pensions and annuities

Write the amount of pensions and annuities from Column A that you received while an Illinois resident, regardless of the source.

### 17 Rents, royalties, partnerships, S corporations, estates, and trusts

Write the total amount of income from Column A that you received while an Illinois resident. Also include any amount that you received from Illinois sources while you were a nonresident. Add the total

- net amount of income, other than business income, that you received from
  - real estate located in Illinois.
  - tangible personal property, to the extent it was used in Illinois.

**Note** → You can determine the extent of Illinois use of tangible personal property by dividing the number of days the property was in Illinois during the rental or royalty period in the taxable year by the number of days the property was everywhere during all rental or royalty periods in the taxable year. Multiply the resulting fraction by the net amount of rents and royalties received.

- patents and copyrights (the amount that was used in Illinois).

**Note** → A **patent** is used in Illinois when it is employed in the production, fabrication, manufacturing, or other processing, or when a patented product is produced in Illinois. A **copyright** is used in Illinois when the printing or publication originated in Illinois.

- income that you received from an Illinois business source. If you received that income
  - entirely from Illinois sources.
  - from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.
- income from partnerships, S corporations, trusts, and estates as directed on the Illinois Schedules K-1-P and K-1-T.

### 18 Farm income or loss

Write the total amount of farm income or loss from Column A that you received while you were an Illinois resident. Also, include farm income or loss you received while a nonresident if this income or loss was received

- entirely from Illinois sources.
- from both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of your farm income. Include the amount from Line 6 of the worksheet.

### 19 Unemployment compensation

Write the total amount of unemployment compensation from Column A that you received while you were an Illinois resident.

### 20 Taxable Social Security benefits

Write the total amount of Social Security income from Column A that you received while you were an Illinois resident.

### 21 Other income

Write the total amount of other income from Column A that you received while you were an Illinois resident, plus any amount that you received while you were a nonresident from

- the **Illinois State Lottery** (even if you were a resident of a reciprocal state).
- a business net operating loss from an earlier year that is being carried forward. If your loss was derived
  - from a partnership or an S corporation, the loss is allocated to Illinois to the same extent that business income from that entity is apportioned to Illinois on the Illinois Schedule K-1-P for this year.
  - from a business you conducted entirely within Illinois, the entire amount is allocated to Illinois.
  - from a business you conducted inside and outside Illinois, figure the Illinois portion on the IAF Worksheet, Page 8, and include the amount from Line 6 of the worksheet.
- a recovery or reimbursement for a deduction from a prior year to the extent that the deduction was allocated to Illinois.

22 Follow the instructions on the form.

## Adjustments to Income

### 23 Total IRA deduction

Figure the amount of your Illinois IRA deduction as follows, and write the amount on Line 23.

$$\begin{array}{r} \text{Wages, salaries, tips, alimony} \\ \text{included in Column B} \end{array} \div \begin{array}{r} \text{Wages, salaries, tips, alimony} \\ \text{received from all sources} \end{array} = \\ \text{Decimal} \times \text{Column A, Line 23} = \$ \text{Illinois deduction}$$

### 24 Student loan interest

Write the amount of student loan interest that you deducted this year.

### 25 Deduction for medical savings account

Write contributions and deductions from Column A related to your Medical Care Savings Account that you established in connection with your employment while you were an Illinois resident or in connection with your Illinois employment while you were a nonresident.

### 26 Moving expenses

Write the amount of expenses that you paid while you were an Illinois resident or that you paid to take a new job in Illinois.



## 27 Deduction for one-half of self-employment tax

Complete the following calculation to determine your Illinois self-employment (ISE) decimal for use in Lines 27, 28, 29, and 43.

$$\frac{\text{Self-employment income included in Column B}}{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}} = \frac{\text{Illinois self-employment (ISE) decimal}}{\text{Illinois self-employment (ISE) decimal}}$$

Figure the amount of your Illinois deduction for one-half of your self-employment tax by completing the following calculation and write the amount on Line 27.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 27}} \times \text{Column A, Line 27} = \$ \text{Illinois deduction}$$

## 28 Self-employed health insurance deduction

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 28.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 28}} \times \text{Column A, Line 28} = \$ \text{Illinois deduction}$$

## 29 Keogh and self-employed SEP plans

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 29.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 29}} \times \text{Column A, Line 29} = \$ \text{Illinois deduction}$$

## 30 Penalty on early withdrawal of savings

Write the penalty amount from Column A that you paid while an Illinois resident when you withdrew money from a savings account plus any penalty amount that you paid while a nonresident that is allocated to Illinois. If only a portion of the interest on the account is allocated to Illinois, allocate the same portion of this penalty to Illinois.

## 31 Alimony paid

Write the amount of alimony you paid during the tax year.

**32 through 35** - Follow the instructions on the Schedule NR.

# Step 4

## Figure your Illinois additions and subtractions

### Column A — Form IL-1040 Total

Write the amounts in Column A from your Form IL-1040 by following the instructions on Schedule NR.

### Column B — Illinois Portion

Write the Illinois portion of Column A, Form IL-1040 Total. To determine the Illinois portion, you must read and follow the instructions for each line.

### Additions

## 36 Federally tax-exempt interest income

Write the amount of federally tax-exempt interest from Column A that you received while an Illinois resident. Interest and dividends, other than from a business, that you

received while a nonresident are not taxed by Illinois.

Include any federally tax-exempt interest income that you received while a nonresident that came from an Illinois business located

- entirely within Illinois. Include the amount from Column A.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

## 37 Other additions

Refer to the list of other additions on Page 4, Line 37.

Identify each of the items from Column A you received while an Illinois resident. You must include on this line the Illinois portion of any federally tax-exempt interest income reported on federal Form 8814.

Write the total Illinois amount of other additions.

Also identify each of the items and include the amount you received while a nonresident as they relate to Illinois.

**38** Follow the instructions on Schedule NR.

## Subtractions

## 39 Federally taxed retirement and Social Security

Write the amount of federally taxed retirement and Social Security income from Column A that you received while an Illinois resident and that is included in the Illinois portion of your federal adjusted gross income, Line 35.

## 40 Military pay

Write the amount of military pay from Column A included in your federal adjusted gross income that you received for active duty in the U.S. Armed Forces.

## 41 Illinois Income Tax refund

Write the amount of any Illinois Income Tax refund that you included in Column A.

## 42 U.S. government obligations

Write the amount of any interest income from Column A from U.S. government obligations and U. S. agencies that you included in Column B, Line 8.

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on this line.

## 43 Other subtractions

Refer to the list of other subtractions on Page 4, Line 43. Identify each of the items you received while an Illinois resident. You must include on this line the Illinois portion of any deductible interest income reported on federal Form 8814.

Also identify each of the items and include the amount you received while a nonresident as they relate to Illinois.

**Note** → If any of these items relate to income received while a nonresident from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 6 of the worksheet.

Write the total Illinois amount of other subtractions.

**44** Follow the instructions on Schedule NR.

# Step 5

## Figure your Illinois income and tax

**45 through 51** - Follow the instructions on Schedule NR.

# Business or Farm Apportionment Formula (IAF) Worksheet Instructions

## 1 Property factor

### Column A

Write the average value of real and tangible personal property that you owned or rented and used in your trade or business both inside and outside of Illinois.

**Note** → The average value of property is determined by averaging the values at the beginning and the end of the tax year. Property owned by you is valued at its original cost, plus the original cost of any capital additions or improvements.

The average value of rental property is valued at eight times the net annual rental rate you paid.

### Column B

Write the average value of real and tangible personal property that you owned or rented and used in your trade or business in Illinois.

### Column C

Divide Column B by Column A, and carry the decimal six places.

### Column E

Multiply Column C by 8 1/3% (.083333). This is your weighted property factor.

## 2 Payroll factor

### Column A

Write the total compensation that you paid to your employees both inside and outside Illinois.

### Column B

Write the total compensation that you paid to your employees in Illinois.

### Column C

Divide Column B by Column A, and carry the decimal six places.

### Column E

Multiply Column C by 8 1/3% (.083333). This is your weighted payroll factor.

## 3 Sales factor

### Column A

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

### Column B

Write the total sales that you received in Illinois.

## Column C

Divide Column B by Column A, and carry the decimal six places.

## Column E

Multiply Column C by 83 1/3% (.833334). This is your weighted sales factor.

## 4 Apportionment factor

Add Column E, Lines 1, 2, and 3. This is your apportionment factor.

**Note** → If you do not have three factors to figure your apportionment factor (i.e., one of the denominators is zero), you must reweight the factors in order to figure your correct apportionment factor.

To reweight the factor, add weighted totals in Column E for the factors you have. Then, add the weighting factors in Column D. Divide the total from Column E by the total from Column D. This is your reweighted apportionment factor. Write this factor on Line 4.

### Example

Factor	Column C		Column D		Column E
Property	.100000	X	.083333	=	.008333
Payroll	none				
Sales	.500000	X	.833334	=	.416667
Total			.916667		.425000
.425000 ÷ .916667 = .463636 – Write this factor on Line 4.					

**Note** → The apportionment formula will change to a single sales factor for tax years ending on or after December 31, 2000.

## 5 Business or farm income

Write the business or farm income from Schedule NR, Column A.

## 6 Apportioned income

Multiply the amount of your business or farm income, Line 5, by the apportionment factor, Line 4 decimal. Write the result on Line 6 and on the corresponding line of Schedule NR, Column B.

**Note** → If you need more detailed instructions, please see the instructions for Form IL-1120, Part III. If your business income was derived from a transportation service company, an insurance company, or a financial organization, see instructions for Form IL-1120, Part III for "Special Apportionment Formulas."

# Business or Farm Income Apportionment Formula (IAF) Worksheet

You must complete the worksheet below if, while a nonresident of Illinois, you received business or farm income from both inside and outside of Illinois.

Nonresidents who receive business income from both Illinois and another state compute the apportionment formula by weighting the property, payroll, and sales factors. For tax years ending on or after December 31, 1999, and before December 31, 2000, the property and payroll factors are weighted at 8 1/3 percent and the sales factor is weighted at 83 1/3 percent. The sales factor is no longer double weighted.

**Note** → If you have more than one source of business or farm income, make copies of this worksheet before you begin.

	Column A Total everywhere	Column B Inside Illinois	Column C Ratio Column B ÷ Column A	Column D Weighted factors	Column E Weighted totals
1 Property Factor	_____	_____	_____ X _____	_____	_____
2 Payroll Factor	_____	_____	_____ X _____	_____	_____
3 Sales Factor	_____	_____	_____ X _____	_____	_____
4 Apportionment Factor – Add Column E, Lines 1, 2, and 3. This is your apportionment factor.				4	_____
5 Write the amount of your business or farm income from Schedule NR, Column A.				5 \$	_____
6 Apportioned Income – Multiply Line 5 by the Line 4 decimal. Write the result here and on the corresponding line in Column B.				6 \$	_____

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