



General Information

Who may file Form IL-1023-C?

Effective for tax years **ending on or after December 31, 1999**, persons transacting an insurance business organized under a Lloyds plan of operation may file a composite return on behalf of all its underwriters, including corporations and residents. You must refer to Illinois Income Tax Regulations, Section 100.5130, for specific instructions on how to properly complete Form IL-1023-C and determine what you need to attach to your return.

A partnership or S corporation may choose to act as authorized agent and file Form IL-1023-C for selected partners or shareholders.

You, as authorized agent, are not required to notify the Illinois Department of Revenue (IDOR) that you will start or stop filing Form IL-1023-C. In addition, you are not required to give advance notice of changes from year to year of the members included on Form IL-1023-C. However, for any year a Form IL-1023-C is filed, you are responsible for

- filing any petitions required,
- paying estimated tax,
- paying tax, penalty or interest assessed,
- responding to notices,
- filing amended returns, and
- participating in any audit of the return.

Who may be included in a composite return?

Effective for tax years **ending on or after December 31, 1999**, all underwriters who are members of an insurance business organized under a Lloyds plan of operation may be included on Form IL-1023-C.

Individuals, estates, or trusts that are members of the same partnership or S corporation may be included on Form IL-1023-C. The form is generally for nonresidents of Illinois who have no Illinois income other than the income reported on Form IL-1023-C. **All** eligible members of the partnership or S corporation do not have to be included. The

decision of whether or not to include a member on Form IL-1023-C must be made by that member and you, the authorized agent. All members **not** included on Form IL-1023-C are required to meet their Illinois filing obligations independently.

The department may grant approval to include a member who is an Illinois resident, or a member whose residency cannot be determined if you petition for their inclusion (See "Do I need to file a petition?").

Example: The Acme partnership consists of a general partner and 50 limited partners. The general partner is a regular corporation, and the limited partners consist of 26 nonresident individuals, 20 resident individuals, an S corporation, a partnership, a nonresident estate, and a nonresident trust. The 26 nonresident individuals, the nonresident estate, and the nonresident trust may be included on Form IL-1023-C. The 20 resident individuals **may** be included if you submit a petition and we grant approval. None of the other partners may be included.

Do I need to file a petition?

You must file a petition and receive approval if you wish to include

- a member who is a resident of Illinois,
- a member whose residency cannot be determined, or
- a member who is a nonresident required to file an independent Form IL-1040, Individual Income Tax Return, or Form IL-1041, Fiduciary Income and Replacement Tax Return, to report other Illinois income and who will claim a **credit** on that return for its share of the composite tax paid on Form IL-1023-C.

Note No petition needs to be filed by a Lloyds plan of operation to include any of its underwriters. Also, no credit is allowed to any underwriter for its share of composite tax paid on Form IL-1023-C

You must file the petition **prior to** the end of the partnership's or S corporation's tax year. We will notify you

of the approval or denial of the petition prior to the original due date for filing Form IL-1023-C.

We will grant a petition if you clearly demonstrate that no other method of filing would achieve the same degree of compliance and administrative ease, or if you provide sufficient evidence that residency cannot be accurately determined. Mail petitions to:

ATTN IL-1023-C PETITION
BUSINESS PROCESSING DIVISION
PO BOX 19014
SPRINGFIELD IL 62794-9014

When should I file?

Form IL-1023-C is due on or before the 15th day of the 4th month following the close of the authorized agent's tax year.

If you are operating as a business organized under the Lloyds plan of operation, your due date is the same as your federal return due date.

Automatic Illinois extension — We grant an automatic six-month extension of time to file Form IL-1023-C, whether or not the automatic extension was requested. You are not required to file Form IL-505-B, Automatic Extension Payment, in order to obtain this automatic six-month extension. However, if you expect tax to be due, you must use Form IL-505-B to pay any tentative tax you owe to avoid interest and penalty on tax not paid by the original due date of the return (determined without regard to filing extensions).

Note Do not use Form IL-505-I, Automatic Extension Payment for Individuals, to submit composite tax payments.

Where should I file?

Mail your Form IL-1023-C to:
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19009
SPRINGFIELD IL 62794-9009

If you are operating as a business organized under the Lloyds plan of operation, you should mail your Form IL-1023-C to:

ATTN LLOYD'S OF LONDON
BUSINESS PROCESSING DIVISION
PO BOX 19014
SPRINGFIELD IL 62794-9014

Note Mail your Form IL-1023-C to us separately. **Do not** attach it to Forms IL-1065 or IL-1120-ST.

When should I pay?

Estimated tax payments — You must make estimated payments on the basis of the income tax expected to be shown on the composite return. Estimated payments must be submitted with Form IL-1023-CES. **Do not** use Forms IL-1040-ES or IL-1120-ES to pay composite tax.

Note Payments submitted to the department for any other type of tax or overpayments of tax from any other type of tax return, **cannot** be transferred to Forms IL-1023-CES or IL-1023-C to satisfy your composite tax payment requirements.

Payment of tax — You must pay your Illinois income and replacement tax in full on or before the original due date of the return. This payment date applies even though an automatic extension for filing your return has been granted.

Who should sign the return?

If you are filing Form IL-1023-C to report distributed

- partnership income, a general partner must sign the return.
- S corporation income, a corporate officer must sign the return.

If you are operating as a business organized under the Lloyds plan of operation, an officer of that plan must sign Form IL-1023-C.

Preparer information — Any person paid to prepare your return must provide a handwritten signature, date the return, and indicate the preparer's taxpayer identification number. If the preparer is an employee or partner of a firm or corporation, the preparer must also provide the firm's name, address, and instead of the preparer's taxpayer identification number, the preparer must provide the firm's FEIN. Self-employed preparers must check the "self-employed" box and provide their name, address, and taxpayer identification number in the appropriate spaces.

Note If your return is not signed, any overpayment of tax is considered forfeited if, after notice and demand for signature, you fail to provide a signature within three years from the date your return was filed.

What are the penalties and interest?

Penalties and interest — You owe a **late-filing penalty** if you do not file a processable return by the due date, a **late-payment penalty** if you do not pay the tax you owe by the original due date of the return, and a **bad check penalty** if your remittance is not honored by your financial institution. Interest is calculated on tax from the day after the original due date of your return through the date you pay the tax.

We will bill you for penalties and interest. For more information about penalties and interest, see 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 needs to file an independent return?

Nonresident members that do not have Illinois income, other than the income included on Form IL-1023-C, are generally **not required** to file an independent Form IL-1040 or Form IL-1041 return. However, if a nonresident member made tax payments on Forms IL-1040-ES, Estimated Income Tax Payments for Individuals, the payments can **only** be claimed by filing the appropriate independent return. These payments cannot be transferred to Form IL-1023-C.

To recover these payments, a Form IL-1040 or Form IL-1041 must be filed with an attached Schedule NR. In these cases, the Schedule NR should report zero Illinois income and must identify the Form IL-1023-C that includes the member's Illinois income by providing the name and FEIN of the authorized agent who filed the return.

Members (resident or nonresident) that have Illinois income, in addition to the income included in Form IL-1023-C, are **required** to file an independent Form IL-1040 or Form IL-1041. The member's share of income reported on Form IL-1023-C (except in the case of a Form IL-1023-C filed by a Lloyds plan of operation) must also be included on the independent return. If the proper petition is filed and approved prior to filing, these members are allowed to claim a credit on their independent Form IL-1040 or Form IL-1041 for their share of the composite tax paid on Form IL-1023-C. Specific instructions for filing indepen-

dent Forms IL-1040 or IL-1041 are provided with the approval of the petition (see "Do I need to file a petition?").

What if I need to correct or change my return?

Corrected — If you need to correct or change your return after it has been filed, but before the automatic extension due date has passed, you must file a corrected Form IL-1023-C, and mark the form "Corrected" at the top. Any correction made may cause a recalculation of penalties and interest.

Amended — If you need to correct or change your return after it has been filed, and the automatic extension due date has passed, you must file Form IL-843, Illinois Amended Return or Notice of Change in Income. If the associated Form IL-1065, Illinois Partnership Replacement Tax Return, or Form IL-1120-ST, Illinois Small Business Corporation Replacement Tax Return, original figures are amended, you must also file Form IL-843 to amend that return.

A copy of the original Form IL-1023-C showing revisions and amended figures must be attached to any Form IL-843 filed. For further information, refer to Form IL-843.

Note Form IL-1023-C **cannot** be amended to transfer tax payments or overpayments from (or to) any other type of return, or to claim a net operating loss carryforward or carryback.

What attachments do I need?

You must attach a list to your Form IL-1023-C that reports the following information for **each member** included in the composite return:

- name, address, and Social Security number, or FEIN,
- the percentage of ownership held in the partnership or S corporation, and
- the share of Illinois income reported on Form IL-1023-C.

If you are operating as a business organized under the Lloyds plan of operation, refer to Illinois Income Tax Regulations, Section 100.5130, to determine what you need to attach to your Form IL-1023-C.

Note Include **only** forms and schedules that are required to support Form IL-1023-C. If you need to send us

additional correspondence, please mail it separately to P.O. Box 19044, Springfield, Illinois 62794-9044.

What if I need additional assistance?

If you need additional assistance, visit our Web site at

www.revenue.state.il.us; 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.

What if I need additional forms?

If you need additional forms or schedules, visit our Web site at

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.

Specific Instructions

Name, address, and FEIN — If your Illinois Composite Income and Replacement Tax Return is preprinted, check to make sure all of the information is correct. If any of the information is not correct, cross through it and write the correct information next to it. If you did not receive a preprinted return, type or print the required information clearly in the spaces provided.

If your name or address has changed, or if this is your first or final return, check the appropriate boxes.

Individual, estate, and trust members may be included on the same composite return. If the composite return includes **trust members**, you **must** mark the box for "Trusts/individuals/estates." If the return includes **only individuals and/or estates**, you **must** mark the box for "Individuals/estates only."

If you are operating a business organized under a Lloyds plan of operation, you **must** refer to Illinois Income Tax Regulations, Section 100.5130, for specific instructions on how to properly complete Form IL-1023-C.

You must complete Form IL-1023-C itself. Do not send a computer printout of line numbers and dollar amounts attached to a blank copy of the return.

Part 1 — Figure your composite income and income tax due

Note Composite income cannot be reduced by the standard exemption, nor by any type of net operating loss deduction. Additionally, there are no provisions for any tax credits on Form IL-1023-C.

Line 1 — Write the partnership's or S corporation's modified base income allocable to Illinois. Figure this modified income by using information from your Form IL-1065 or Form IL-1120-ST, and eliminating certain additions and subtractions from Part I.

- **Partnerships** — Use a blank Form IL-1065 as a worksheet and complete Part I and Part III. Write the amount from Part I, Line 1, of the partnership's return. Write zeros on Part I, Lines 2e, 5c, and 5d. On Part I, Line 2c, write the amount of any guaranteed payments made to a partner included in this composite return.

Copy the amounts for all other lines (except total lines) from the partnership's return. Recalculate the Form IL-1065 worksheet and write the recalculated amount from Part III, Line 10, on Part 1, Line 1, of Form IL-1023-C.

- **S corporations** — Use a blank Form IL-1120-ST as a worksheet and complete Part I and Part III. Write the amount from Part I, Line 1, of the corporation's return. On Part I, Line 2c, do not include any additions for the share of losses distributed to shareholders subject to replacement tax. Write zeros on Part I, Lines 5c and 5d. On Part I, Line 5e, do not include any subtractions allowed to you for foreign dividend gross-up, Subpart F income, or foreign dividends received.

Copy the amounts for all other lines (except total lines) from the corporation's return. Recalculate the Form IL-1120-ST worksheet and write the recalculated amount from Part III, Line 10, on Part 1, Line 1, of Form IL-1023-C.

Line 2 — Write the total percentage for all members included in the composite return.

Line 3 — Follow the instructions on the form.

Note If a partnership agreement provides for a specific allocation of certain items that differs from that used to allocate income or loss, such as

guaranteed payments, compute the amount on Line 3 in accordance with this allocation. You **must** write the special items and percentage allocation on a separate sheet and attach it to your return.

Line 4 — Follow the instructions on the form.

Part 2 — Figure your replacement tax due

Members that are **trusts** are also subject to Illinois replacement tax. If your return includes any trust members, you must complete Part 2. If your return includes only individual and/or estate members, do not complete Part 2.

Line 5 — Write the portion of Part 1, Line 3, that is attributable to the **trust** members included in the return.

Line 6 — Follow the instructions on the form.

Part 3 — Figure your total tax

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

Line 10 — Write the total amount of any tax previously paid with Form IL-1023-CES and any overpayment credited from your 1999 Form IL-1023-C, Part 3, Line 12.

Note Do not include payments made with any other type of form. Do not include any overpayment from an independent Form IL-1040 or Form IL-1041, or from your Form IL-1065 or Form IL-1120-ST. These payments **cannot** be transferred to Form IL-1023-C.

Lines 11 through 12 — Follow the instructions on Form IL-1023-C. Your refund will not be issued if you do not file a processable return.

Line 13 — Subtract Line 10 from Line 9. 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 (see "What are the penalties and interest?"). If you prefer to calculate and pay any penalties and interest when you file, write "penalty" and the amount to the left of Line 13. Include this penalty amount and any interest in your payment.

Mail your Form IL-1023-C to us separately. Do not attach it to Forms IL-1065 or IL-1120-ST.



