Illinois Department of Revenue

Schedule 1299-A Instructions 2001

General Information

See Illinois Schedule 1299-S, Enterprise Zones, Foreign Trade Zones, and Sub-Zones, for a list of the enterprise zones and foreign trade zone/sub-zones in Illinois, as well as their definitions.

Section I

Part I — Enterprise Zone or Foreign Trade Zone/Sub-Zone Dividend Subtraction

You may claim a subtraction modification for dividends received from a corporation that

- conducts substantially all of its business operations in an Illinois enterprise zone or zones, or
- is designated by the Department of Commerce and Community Affairs (DCCA) as a "High Impact Business" and conducts business operations in a federally designated foreign trade zone/sub-zone located in Illinois.

Line 1
Column A — Write the name of the corporation whose dividends you received.

Column B — Write the name of the enterprise or foreign trade zone/sub-zone in which the corporation is located.

Note You may deduct 100 percent of these dividends that are included in Illinois base income. However, dividends eligible for the enterprise zone subtraction are not eligible for the foreign trade zone/sub-zone subtraction.

Column C — Write the amount of dividends you received from the corporation.
Line 2 — Add Column C, Lines 1a through 1c, and write here and on your Form IL-1065, Part I, Line 5e or Form IL-1120-ST, Part I, Line 5b.

Part II — Contribution Subtraction - Form IL-1120-ST filers only

Line 3 — You may deduct twice the amount of any contribution made during your tax year to a designated zone organization to be used for an enterprise zone project approved by DCCA, provided that the contribution qualifies as a charitable contribution under Internal Revenue Code (IRC), Section 170(c).

Column A — Write the name of the enterprise zone that is the site of the project for which the contribution was made.

Column B — Write the name of the designated zone organization to which the contribution was made.

Column C — Write the amount of contribution.

Column D — Multiply each entry in Column C by 2.

Line 4 — Add Column D, Lines 3a through 3c, and write here and on your Form IL-1120-ST, Part I, Line 5b.

Part III — Interest Subtraction - Form IL-1120-ST financial organizations only

A **financial organization,** as defined in Illinois Income Tax Act (IITA), Section 1501(a)(8), may subtract any interest income received during its tax year from a loan made to a borrower, but only to the extent the loan is secured by qualified property that is eligible for the enterprise zone or high impact business investment credit.

Line 5
Column A — Write the name of the borrower eligible to claim the enterprise zone or high impact business investment credit on its Illinois tax return.

Column B — Write a description of each item of qualified property used to secure the loan.

Column C — Write the year the borrower claimed or will claim the credit on the qualified property.

Column D — Write the name of the foreign trade zone/sub-zone (if applicable) or enterprise zone in which the property used as security is located.

Column E — Write the basis of each item of property listed in Column B, used to compute the depreciation deduction for federal income tax purposes.

Column F — Write the amount of the loan.

Column G — Write the interest received for the loan during the tax year.

Column H — Divide each entry in Column E by Column F (cannot exceed one), and multiply the result by Column G.

Line 6 — Add Column H, Lines 5a through 5c, and write here and on your Form IL-1120-ST, Part I, Line 5b.

Section II

Part I — Enterprise Zone Investment Credit

Line 7
Column A — Describe each item of qualified property* placed in service in an Illinois enterprise zone. The property must have been placed in service on or after the date on which the zone was officially designated. Write only qualified property placed in service during the tax year that continues to be used in the zone on the last day of your tax year.

*__Qualified property__ is property that is tangible; depreciable pursuant to IRC, Section 167; has a useful life of four or more years as of the date placed in service in Illinois; and is acquired by purchase as defined in IRC, Section 179(d). Qualified property can be new or used but cannot have been previously used in Illinois. Such property includes buildings, structural components of buildings, and signs that are real property. It does not include land or improvements to real property that are not a structural component of a building, such as landscaping, sewer lines, local access roads, fencing, parking lots, and other appurtenances.

Any improvement or addition made on or after the date the enterprise zone was designated or the business was designated as a high impact business is considered to be qualified property to the extent that the improvement or addition is of a capital nature, which increases the adjusted basis of the property previously placed in service in Illinois, and otherwise meets the requirements of qualified property.

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

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

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

Column C — If you are using the federal accelerated cost recovery system (ACRS) to depreciate the property, write the ACRS class each item of qualified property listed in Column A was assigned. Property assigned to an ACRS class of less than four years is not qualified.

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

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

Column E — Write the name of the enterprise zone in which the property is used.

Column F — For each item of property listed in Column A, write the basis used to compute the depreciation deduction for federal income tax purposes. If you used the property prior to placing it in service in an Illinois enterprise zone, write the adjusted basis as of the date you placed it in service in an Illinois enterprise zone.

Column G — Multiply each entry in Column F by .5 percent (.005), and write the result.

Line 8 — Write the distributive share of enterprise zone investment credit distributed from other partnerships and S corporations.

Line 9 — Add the amounts in Column G, Lines 7a through 7c, and Line 8, and write here and on Schedule K-1-P, Step 7, Line 43b. This is your Enterprise Zone Investment Credit.

Part II — Training Expense Credit

A credit of 1.6 percent (.016) is allowed for all amounts paid or accrued for educational or vocational training in semi-technical or technical fields, or semi-skilled or skilled fields to provide educational, technical, or vocational training.

Line 10
Column A — Write the total amount of training expenses for the tax year, paid or accrued on behalf of all persons you employed in Illinois or for Illinois residents employed outside Illinois.

Column C — Multiply the amount in Column A by 1.6 percent (.016), and write the result.

Line 11 — Write the distributive share of training expense credit distributed from other partnerships and S corporations.

Line 12 — Add the amounts on Lines 10 and 11, and write here and on Schedule K-1-P, Step 7, Line 43c. This is your Training Expense Credit.

Part III — Research and Development Credit

A credit of 6.5 percent (.065) is allowed for increasing research activity in Illinois. The amount of increased research activities is computed by comparing the current tax year expenditures to the expenditures in the base period.

"Qualifying expenditures" are amounts you paid or incurred during the tax year, for qualified research expenses and certain payments to qualified organizations for basic research in Illinois. These expenditures are reported on Part III, Lines 13 through 17. Expenses and basic research payments must be directly related to your trade or business and are limited by IRC, Section 41.

"Qualifying expenditures for increasing research activities in Illinois" are the excess of qualifying expenditures incurred for the current tax year over qualifying expenditures incurred for the base period.

"Qualified research" is research or experimental activities that create or improve a function, performance, reliability, or quality. Research must be performed in Illinois and be of a technical nature and be intended to be useful in the development of a new or improved business component held for sale, lease, license, or use by you in your business.

The research credit is generally **not** allowed for the following types of activities

- research conducted after the beginning of commercial production;
- research adapting an existing product or process to a particular customer's need;
- duplication of an existing product or process;
- surveys or studies;
- research relating to certain internal-use computer software;
- research conducted outside Illinois;
- research in the social sciences, arts, or humanities; or
- research funded by another person (or governmental entity).

"Base period" is the **three** tax periods immediately preceding the determination year.

Lines 13 through 17
Column A — Write the average of the base period qualified expenditures resulting from activities that were conducted in the **state of Illinois** and were included in the comparable lines on U.S. Form 6765, **either** Part 1, Section A, Line 1, and Lines 4 through 7, or Part 1, Section B, Line 17, and Lines 21 through 24.

Column B — Write the current year qualified expenditures resulting from activities that were conducted in the **state of Illinois** and were included in the comparable lines on U.S. Form 6765, **either** Part 1, Section A, Line 1, and Lines 4 through 7, or Part 1, Section B, Line 17, and Lines 21 through 24.

If you were **not** doing business in Illinois during one or more of the tax years included in the base period, use "0" as the factor for that tax year when computing the average base period qualified expenditures.

Short tax year — If you were doing business in Illinois for less than an entire year during any tax year in the base period, the qualifying expenditures (Lines 13 through 17) must be annualized as follows:

(qualified expenditures **x** 365) ÷ number of days taxable by Illinois

Line 17 — Corporations only - Write the total amount of research payments you made to qualified organizations.

Lines 18 and 19 — Follow the instructions on the form.

Line 20 — Multiply Line 19 by 6.5 percent (.065), and write the result.

Line 21 — Write the distributive share of research and development credit distributed from other partnerships and S corporations.

Line 22 — Add the amounts on Lines 20 and 21, and write here and on Schedule K-1-P, Step 7, Line 43d. This is your Research and Development Credit.

Part IV — Environmental Remediation Tax Credit

The Environmental Remediation Tax Credit allows a credit for tax years ending on or after January 1, 1998, through tax years ending on or before December 31, 2001, for certain amounts paid for unreimbursed eligible remediation costs. Your partners or shareholders may claim their share of the credit for eligible remediation costs deducted on your federal return. However, your partners or shareholders must add those costs back on their Illinois return to include them in their Illinois base income.

The credit cannot be taken by any taxpayer if the taxpayer or any related party caused or contributed to, a release of regulated substances on, in, or under the site that was identified and addressed by the remedial action taken under the Site Remediation Program of the Environmental Protection Act.

To qualify for this credit you **must have received approval** of the unreimbursed eligible remediation costs from the Illinois EPA. You **must attach** Form ETC-RCA, Environmental Tax Credit—Remediation Cost Approval, to this form.

The credit allowed is 25 percent (.25) of the amount of unreimbursed eligible remediation costs in excess of $100,000 per site. However, the $100,000 threshold does not apply to sites located in an enterprise zone certified by DCCA. The maximum credit you may claim is $40,000 annually, with a maximum total of $150,000 per site.

Remediation costs must be

- approved by the Illinois EPA,
- incurred in performing environmental remediation at a Site Remediation Program site for which a No Further Remediation letter (NFR) was issued by the Illinois EPA and recorded by the site owner, and
- claimed for the tax year in which the Illinois EPA approval is granted.

Any unused credit and remaining carryforward period may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The seller must record the transfer in the chain of title for the site and notify the director of the Illinois Department of Revenue, in writing, of the intent to sell the remediation site and the amount of tax credit that will be transferred as a portion of the sale.

For more information regarding the Site Remediation Program, applications, and tax credit review, you may call the Illinois EPA at 217 782-6760 or write to Illinois Environmental Protection Agency, Bureau of Land, 1021 North Grand Avenue East, Springfield, Illinois 62794-9276.

Line 23

Column A — Write the total amount of unreimbursed eligible remediation costs that were approved by the Illinois EPA.

Column B— Write the $100,000 threshold **or** the name of the enterprise zone where your site, certified by DCCA, is located.

Column C — Subtract Column B from Column A.

Column E — Multiply the amount in Column C by 25 percent (.25), and write the result.

Line 24 — Write the distributive share of environmental remediation tax credit distributed from other partnerships and S corporations.

Line 25 — Add Column E, Line 23 and Line 24.

Line 26 — Write the lesser of Line 25 or $40,000 here and on Schedule K-1-P, Step 7, Line 43e. This is your Environmental Remediation Tax Credit.

Part V — Economic Development for a Growing Economy (EDGE) Tax Credit

The Economic Development for a Growing Economy (EDGE) Tax Credit allows a credit for tax years beginning **on or after** January 1, 1999, to taxpayers who have entered into an agreement with DCCA, either under the Economic Development for a Growing Economy Tax Credit Act or the Corporate Headquarters Relocation Act. The business must be engaged in interstate or intrastate commerce.

The credit is subject to the conditions stated in your agreement with DCCA, in addition to the following limitations. The credit

- cannot exceed the incremental income tax, which is the total amount withheld during the tax year from the compensation of new employees who are employed at a project that is the subject of the agreement.
- amount allowed during the tax year, plus the total of all amounts allowed in prior years, cannot exceed 100 percent of the total amount spent on approved costs (defined in the agreement) by the taxpayer during all prior tax years.
- is determined on an annual basis.
- cannot exceed the amount of income tax for the tax year.
- may be applied against income tax in no more than 10 tax years for businesses that qualify under the Economic Development for a Growing Economy Tax Credit Act.
- may be applied against income tax in more than 10 tax years, but no more than 15 tax years for businesses that qualify under the Corporate Headquarters Relocation Act, and have undertaken a qualifying project within the time frame specified by DCCA, and apply no more than 60 percent of the maximum credit per year.

You **must attach** to this form a copy of the certificate of verification you received from the director of DCCA or a copy of your agreement with DCCA.

For more information, you may call DCCA at 1 800 252-2923 or write to Illinois Department of Commerce and Community Affairs, First Stop Business Information Center of Illinois, 620 East Adams, Third Floor, Springfield, Illinois 62701.

Line 27 — Write the amount of EDGE tax credit awarded to you for this tax year under your agreement with DCCA.

Line 28 — Write the distributive share of EDGE tax credit distributed from other partnerships and S corporations.

Line 29 — Add the amounts on Lines 27 and 28, and write here and on Schedule K-1-P, Step 7, Line 43g. This is your Economic Development for a Growing Economy (EDGE) Tax Credit.

Part VI — Tax Credit for Affordable Housing Donations

The Tax Credit for Affordable Housing Donations is available for tax years ending **on or after** December 31, 2001. It is available to any taxpayer who makes a donation under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in this state. The amount of the credit is equal to 50 percent of the value of the donation.

You **must attach** a copy of proof of the credit issued by the Illinois Housing Development Authority or the city of Chicago.

Line 30

Column A — Write the total amount of your donation to eligible sponsors.

Column C — Multiply the amount in Column A by 50 percent (.50) and write the result.

Line 31 — Write the distributive share of tax credit for affordable housing donations distributed from other partnerships and S corporations.

Line 32 — Add the amounts on Lines 30 and 31, and write here and on Schedule K-1-P, Step 7, Line 43h. This is your Tax Credit for Affordable Housing Donations.