Schedule 1299-D Instructions 2001

General Information

A new income tax credit is available for tax years ending **on or after** December 31, 2001. The Tax Credit for Affordable Housing Donations is available to taxpayers who make a donation under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in this state.

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.

Note If you are filing an Illinois combined return, complete one Schedule 1299-D for the entire unitary business group.

Section I

Part I — TECH-PREP Youth Vocational Programs Credit

The TECH-PREP Youth Vocational Programs Credit allows a credit against income tax to taxpayers primarily engaged in manufacturing and whose tax year ending is **on or after** June 30, 1995. The programs must be certified as qualifying TECH-PREP programs by the State Board of Education and the department.

The credit does not apply to those programs with national standards that have been or will be approved by the U.S. Department of Labor, Bureau of Apprenticeship Training, or any federal agency succeeding to the responsibilities of that bureau.

The credit is for an amount equal to 20 percent (.20) of your direct payroll expenditures for cooperative secondary school youth vocational programs in Illinois. The direct payroll expenditures must not have been claimed for the Training Expense Credit.

You may also claim an additional credit for personal services rendered by a TECH-PREP student or instructor who would be subject to withholding if they were employed by you and no other credit is claimed by the actual employer.

You may carry any excess credit forward for two years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 1

Column A — Add the amount of direct payroll expenditures for cooperative secondary school youth vocational programs, and the amount paid to a TECH-PREP student or instructor, employed by you, for personal services rendered and write the result.

Column C — Multiply the amount in Column A by 20 percent (.20), and write the result. This is your TECH-PREP Youth Vocational Programs Credit.

Part II — Dependent Care Assistance Program Tax Credit

The Dependent Care Assistance Program Tax Credit allows a credit of 5 percent (.05) of the expenditures, reported pursuant to Internal Revenue Code (IRC), Section 129(d)(7), used to provide, in your Illinois workplace, an on-site facility dependent care assistance program, under IRC, Section 129.

To qualify for the credit

- you must be primarily engaged in manufacturing,
- your tax year ending must be **on or after** June 30, 1995, and
- your on-site facility dependent care assistance program must be in Illinois and on the premises of your workplace.

You may carry any excess credit forward for two years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 2

Column A — Write the amount of your expenditures, reported under IRC, Section 129(d)(7), that was used for on-site dependent care.

Column C — Multiply the amount in Column A by 5 percent (.05), and write the result. This is your Dependent Care Assistance Program Tax Credit.

Section II

Part I — Coal Research and Coal Utilization Investment Credits-Form IL-1120 filers only

To qualify for the credit, you must have

- made a donation to the Illinois Center for Research on Sulfur in Coal, or
- purchased qualified equipment.*

***Qualified equipment"** is direct coal combustion equipment or necessary pollution control equipment that was purchased for the purpose of maintaining or increasing the use of Illinois coal at any Illinois facility you owned, leased, or operated.

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 3

Column A — Describe each item of qualified equipment placed in service in Illinois on or before the last day of your tax year. Write only qualified equipment that continues to be used in Illinois on the last day of your tax year.

Column B— Write the date each item of qualified equipment listed in Column A was placed in service in Illinois.

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

Column C — Write the adjusted basis of each item of equipment as determined pursuant to IRC, Section 167(g). Generally, the adjusted basis will be the purchase price of the property, plus any capital expenditures, less any rebates.

Column D — Multiply each entry in Column C by 5 percent (.05), and write the result.

Line 4 — Add the amounts in Column D, Lines 3a through 3c, and write the result.

Line 5 — Write 20 percent (.20) of the amount you donated to the Illinois Center for Research on Sulfur in Coal during your tax year.

Line 6 — Add Lines 4 and 5, and write the result. This is the amount of your Coal Research and Coal Utilization Investment Credits.

Part II — High Impact Business Investment Credit

Note: You cannot claim a credit for property placed in service in Illinois if the property is eligible for the enterprise zone investment credit. You cannot claim this credit until the minimum investments in qualified property required under Section 5.5 of the Illinois Enterprise Zone Act have been satisfied. You should take the credit applicable to the minimum investments in the tax year the minimum investments were completed. Credit for additional investments (beyond the minimum investments) is available only in the year the qualified property is placed in service.

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 7

Column A — Describe each item of qualified property* you placed in service in Illinois. The property must have been placed in service on or after the date the business was designated as a high impact business, and on or before the last day of your tax year. Write only qualified property that continues to be used 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 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 a manner and by a person who would qualify for this credit.

Column E — If your business was designated as a high impact business prior to January 1, 1989, write the name of the foreign trade zone/sub-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 Illinois, write the adjusted basis as of the date you placed it in service in Illinois.

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

Line 8 — Add the amounts on Lines 7a through 7c, and write the result. This is your High Impact Business Investment Credit.

Part III — Jobs Tax Credit

To qualify for the credit, you **must be an employer** who

- increased the total number employed within the enterprise zone or foreign trade zone/sub-zone during your previous tax year by five or more full-time eligible employees beyond the total employed in the zone as of December 31, 1985, or the end of the base year,* whichever is later, and
- employed eligible employees for 180 consecutive days during that tax year.

***Base year** means the last tax year ending in which you properly claimed the Jobs Tax Credit.

"Eligible employee" is an employee who

- was certified by the Department of Commerce and Community Affairs (DCCA) as "eligible for services";
- was hired after the enterprise zone or foreign trade zone/sub-zone was designated or after the trade or business was located in the zone, whichever is later;
- was employed in the enterprise zone or foreign trade zone/sub-zone (Employed means that services were rendered in the zone or that the zone was the base of operations for services performed.); and
- was a full-time employee, working 30 or more hours per week.

Note You must be an employer in order to take this credit. The Jobs Tax Credit cannot be passed through to partners of partnerships or shareholders of S corporations.

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 9

Column A — Write the name of the zone in which the employees were hired.

Column B — Write the total number of persons you employed full-time at the end of the tax year immediately preceding the current tax year.

Column C — Write the total number of persons you employed full-time in the last tax year ending in which you properly claimed the Jobs Tax Credit (base year) or as of December 31, 1985, whichever is later.

Column D — Subtract Column C from Column B and write the result.

Column E — Write the total number of eligible employees included in Column D. In order to claim this credit, the numbers shown in Column D and Column E must equal five or more. **You must attach a list of the Social Security numbers of those eligible employees.**

Column F — Multiply the number in Column E by $500, and write the result. This is your Jobs Tax Credit.

Part IV — Enterprise Zone Investment Credit

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 10

Column A — Describe each item of qualified property* you placed in service in an Illinois enterprise zone. The property must have been placed in service on or after the date 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.

See the definition of qualified property in Section II, Part II.

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 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 a manner and by a person who 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 11 — Write the distributive share of enterprise zone investment credit distributed from partnerships and S corporations.

Line 12 — Add the amounts in Column G, Lines 10a through 10c, and Line 11, and write the result. This is your Enterprise Zone Investment Credit.

Part V — 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.

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 13

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

Line 15 — Add the amounts on Lines 13 and 14, and write the result. This is your Training Expense Credit.

Part VI — 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 base period expenditures.

"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. 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.

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Lines 16 through 20

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 **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 16 through 20) must be annualized as follows:

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

Line 20 — Corporations only - Write the total amount of research payments you made to qualified organizations.

Lines 21 and 22 — Follow the instructions on the form.

Line 23 — Multiply Line 22 by 6.5 percent (.065), and write the result.

Line 24 — Write the distributive share of research and development credit distributed from partnerships and S corporations.

Line 25 — Add the amounts on Lines 23 and 24, and write the result. This is your Research and Development Credit.

Part VII — 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. You may claim the credit for eligible remediation costs deducted from your taxable income on your federal return. However, you must add those costs (including costs deducted in prior years for which you are claiming the credit this year) back on your Illinois return to include them in your 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.

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

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 26

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

Line 28 — Add the amounts on Lines 26 and 27.

Line 29 — Write the lesser of Line 28 or $40,000. This is your Environmental Remediation Tax Credit.

Part VIII — 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 may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

You **must attach** 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 30 — Write the amount of EDGE tax credit awarded to you for this tax year under your agreement with DCCA.

Line 31 — Write the distributive share of EDGE tax credit distributed from partnerships and S corporations.

Line 32 — Add the amounts on Lines 30 and 31, and write the result. This is your Economic Development for a Growing Economy (EDGE) Tax Credit.

Part IX — Employee Child Care Tax Credit - Form IL-1120 filers only

The Employee Child Care Tax Credit is a two-part income tax credit available for tax years ending **on or after** December 31, 2000. It allows a credit for corporations who provide a child care facility, located in Illinois, for the children of its employees.

The first portion allows a credit of 30 percent (.30) of the "start-up costs" spent by the corporation to provide a child care facility for the children of its employees. "Start-up costs" include planning, site-preparation, construction, renovation, or acquisition of a child care facility.

The second portion allows a credit of 5 percent (.05) of the annual amount paid by the corporation to provide the child care facility for employees' children.

Note This 5 percent (.05) credit cannot be claimed if the Dependent Care Assistance Program Tax Credit is claimed.

The corporation claiming the credit must maintain records documenting all costs for which the credit is being claimed.

You may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Line 33

Column A — Write the total amount of "start-up costs" to provide the child care facility.

Column C — Multiply the amount in Column A by 30 percent (.30) and write the result.

Line 34

Column A — Write the annual amount paid to provide the child care facility.

Column C — Multiply the amount in Column A by 5 percent (.05) and write the result.

Line 35 — Add the amounts on Lines 33 and 34, and write the result. This is your Employee Child Care Tax Credit.

Part X — 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 may carry any excess credit forward for five years. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

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

Line 36

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

Line 38 — Add the amounts on Lines 36 and 37, and write the result. This is your Tax Credit for Affordable Housing Donations.

Part XI — Summary

Line 39 — Write the tax, after recapture of investment tax credit, from your Form

- IL-1120, Part V, Line 3,
- IL-1041, Part IV, Line 3, or
- IL-990-T, Part IV, Line 2.

Lines 40 and 41 — Follow the instructions on the form.

Line 42 — Write the amount of two-year credit carryforward from your prior year Schedule 1299-D. Do not include any excess credit earned prior to December 31, 1998.

Line 43 — Follow the instructions on the form.

Line 44 — Write the amount of five-year carryforward from your prior year Schedule 1299-D. Do not include any excess credit earned prior to December 31, 1995.

Lines 45 through 49 — Follow the instructions on the form.

Line 50 — Stop at the first applicable line and follow the instructions listed on that line. This is the amount of excess credit you have available to carry forward for two years. Do not write this amount on your current year return.

Line 51 — Stop at the first applicable line and follow the instructions listed on that line. This is the amount of excess credit you have available to carry forward for five years. Do not write this amount on your current year return.

Line 52 — Stop at the first applicable line and follow the instructions listed on that line. This is the amount of credit you may use this year. Write the amount here and on your Form

- IL-1120, Part V, Line 4a,
- IL-1041, Part IV, Line 4b, or
- IL-990-T, Part IV, Line 3a.