

 **Illinois Department of Revenue**
Schedule K-1-P(2) Partner's and Shareholder's Instructions

General Information

What is the purpose of Schedule K-1-P?

The partnership or the S corporation listed on the front of Schedule K-1-P has completed and provided you with the schedule which reflects your specific share of the partnership's or the S corporation's income, modifications, and credits. Use this completed schedule and these instructions to help you report the items shown on Schedule K-1-P on your Illinois Income Tax return. **Please keep this schedule for your records. Do not file it with your return, unless instructed otherwise.**

Note: Nonresident partners or shareholders of a partnership or S corporation that are doing business in Illinois may qualify to file a group nonresident return on Form IL-1023-C, Illinois Composite Income and Replacement Tax Return. For more information see Form IL-1023-C Instructions.

What if I am a corporate partner engaged in a unitary business with this partnership?

If you are a corporate partner engaged in a unitary business with this partnership, the partnership should have attached a schedule showing your share of the partnership's apportionment factors and business income. You must determine the portion of your business income taxed by Illinois by adding your share of the partnership's business income and apportionment factors to your own business income and apportionment factors.

What if I believe the partnership or the S corporation has made an error on my Schedule K-1-P?

If you believe the partnership or the S corporation has made an error on your Schedule K-1-P, notify the partnership or the S corporation and ask for a corrected Schedule K-1-P. Do not change any items on your copy.

What does Column A represent?

Column A represents your specific share of the partnership's or the S corporation's income, modifications, and credits. The partnership or the S corporation is required to complete this column if you were a partner or shareholder at any time during the partnership's or the S corporation's tax year. If you were a resident of Illinois on the last day of the partnership's or S corporation's taxable year, only Column A will be com-

pleted and all amounts in Column A must be included as income, modifications, and credits allocated to Illinois. If you were not a resident of Illinois on the last day of the partnership's or S corporation's taxable year, Column B also will be completed. See "What does Column B represent?"

What does Column B represent?

Column B represents the portion of Column A that is allocated or apportioned to Illinois. The partnership or the S corporation is required to complete this column if you were not a resident of Illinois on the last day of the partnership's or the S corporation's tax year. Make sure the amounts reported in Column B are included in the amounts reported on your

- Form IL-1040, Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, Column B;
- Form IL-1041, Schedule NR, Nonresident Computation of Fiduciary Income, Columns 2, 3, and 4;
- Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Base Income (loss) applicable to Illinois.

Step-by-Step Instructions

These instructions are intended to help you report your share of the partnership's or the S corporation's income, credits and modifications on your Illinois Income Tax return.

Steps 3 and 4 - Your share of nonbusiness and business income —

Column A - Member's share —

Lines 10 through 31 - Make sure the amounts reported on these lines are as included on your federal return.

Column B - Nonresident member's share —

Step 3 represents your share of the partnership's or the S corporation's nonbusiness income allocated to Illinois. Step 4 represents your share of the partnership's or the S corporation's business income apportioned to Illinois. To determine the amount to include on specific lines of your Form IL-1065, IL-1120, or IL-1120-ST, or (Form IL-1040 or IL-1041) Schedule NR, add specific lines in Step 3, Column B, to specific lines in Step 4, Column B. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

► *For individuals filing Form IL-1040, Schedule NR —*

Note: Use the following instructions to include the income reported in

Schedule K-1-P, Steps 3 and 4 on your Form IL-1040, Schedule NR, Step 3, Lines 7 through 21.

Interest income - Nonbusiness interest is not taxed by Illinois. Step 3, Line 10, Column B, should be "0." Include the amount on Step 4, Line 23, Column B, on your Schedule NR, Step 3, Line 8, Column B.

Dividend income - Nonbusiness dividends are not taxed by Illinois. Step 3, Line 11, Column B, should be "0." Include the amount on Step 4, Line 24, Column B, on your Schedule NR, Step 3, Line 9, Column B.

Rents, royalties, partnerships, S corporations, estates, and trusts -

Add Step 3, Column B,
 Line 12 _____
 Line 13 _____
 Line 14 _____
 Line 15 _____
 and
 Step 4, Column B,
 Line 20 _____
 Line 21 _____
 Line 22 _____
 Line 25 _____
 Line 28 _____
 Line 29 _____

Total _____

Include this total amount on your Schedule NR, Step 3, Line 17, Column B.

Capital gain or loss - Add Step 3, Lines 16, 17, and 18, Column B, and Step 4, Lines 26 and 27, Column B. Include this total amount on your Schedule NR, Step 3, Line 13, Column B.

Other gains or losses - Include the amount on Step 4, Line 30, Column B, on your Schedule NR, Step 3, Line 14, Column B.

Other income - The partnership or the S corporation is required to identify or send you a breakdown of the items reported on Step 3, Line 19, and Step 4, Line 31. This identification or breakdown will determine on what lines of your federal return you need to report the income in Column A. The amounts reported in Column B need to be reported on the corresponding lines of your Schedule NR, Column B.

► *For trusts or estates filing Form IL-1041, Schedule NR —*

Interest income - Nonbusiness interest is not taxed by Illinois. Step 3, Line 10, Column B, should be "0." Include the amount on Step 4, Line 23, Column B, on your Schedule NR, Part I, Line 1, Column 2.

Dividend income - Nonbusiness dividends are not taxed by Illinois. Step 3,

Line 11, Column B, should be "0." Include the amount on Step 4, Line 24, Column B, on your Schedule NR, Part I, Line 2, Column 2.

Rents and royalties -

Add Step 3, Column B,
 Line 12 _____
 Line 13 _____
 Line 14 _____
 Line 15 _____
 and
 Step 4, Column B,
 Line 21 _____
 Line 22 _____
 Line 25 _____

 Total _____

Include this total amount on your Schedule NR, Part I, Line 5a, Column 3.

Income (loss) from partnerships & S corporations -

Add Step 3, Column B,
 Line 16 _____
 Line 17 _____
 Line 18 _____
 and
 Step 4, Column B,
 Line 20 _____
 Line 26 _____
 Line 27 _____
 Line 28 _____
 Line 29 _____
 Line 30 _____

 Total _____

Include this total amount on your Schedule NR, Part I, Line 5b, Column 3.

Other income - The partnership or the S corporation is required to identify or send you a breakdown of the items reported on Step 3, Line 19, and Step 4, Line 31. This identification or breakdown will determine on what lines of your federal return you need to report the income in Column A. The amounts reported in Column B need to be reported on the corresponding lines of your Schedule NR, Column 3.

► *For partnerships filing Form IL-1065, corporations filing Form IL-1120, or S corporations filing Form IL-1120-ST —*

Include the amounts in Step 3, Column B, in the total amount, you report on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Lines 2a and 7. Include the amounts in Step 4, Column B, in the total amount, you report on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Lines 2b and 8.

Step 5 - Your share of Illinois additions and subtractions —

Column A - Member's share —

Lines 32 through 38e - Make sure the amounts reported on these lines are reported in your Illinois base income by including them on your

- Form IL-1040, Lines 2 through 9;
- Form IL-1041, Part I, Lines 2a through 4g;

- Form IL-1065, Part I, Lines 2a through 5g;
- Form IL-1120, Part I, Lines 2a through 5f; or
- Form IL-1120-ST, Part I, Lines 2a through 5e.

Column B - Nonresident member's share —

► *For individuals filing Form IL-1040, Schedule NR —*

Note: Use the following instructions to include the Illinois additions and subtractions reported in Schedule K-1-P, Step 6, on your Form IL-1040, Schedule NR, Step 4, Lines 36 through 43.

Line 32 - Include this amount on your Schedule NR, Step 4, Line 36, Column B.

Lines 33 and 34 - Add Lines 33 and 34, Column B. Include this total amount on your Schedule NR, Step 4, Line 37, Column B.

Lines 35a and 35b - Add Lines 35a and 35b, Column B. Include this total amount on your Schedule NR, Step 4, Line 42, Column B.

Lines 36 through 38e - Add Lines 36 through 38e, Column B. Include this total amount on your Schedule NR, Step 4, Line 43, Column B.

► *For trusts or estates filing Form IL-1041, Schedule NR —*

Line 32 - Include this amount as an addition on your Schedule NR, Part I, Line 1, Column 4.

Line 33 - Include this amount as an addition on your Schedule NR, Part I, Line 11, Column 4.

Line 34 - Include this amount as an addition on your Schedule NR, Part I, Line 5b, Column 4.

Lines 35a and 35b - Add Lines 35a and 35b, Column B. Include this total amount as a subtraction on your Schedule NR, Part I, Line 1, Column 4.

Lines 36 and 37 - Add Lines 36 and 37, Column B. Include this total amount as a subtraction on your Schedule NR, Part I, Column 4. See Lines 1 through 8, Column 3, to determine on what line in Column 4 you should include this subtraction.

Line 38a - Trusts only - Include this amount as a subtraction on your Schedule NR, Part I, Line 15, Column 4.

Line 38b - Include this amount as a subtraction on your Schedule NR, Part I, Column 4. See Lines 1 through 8, Column 3, to determine on what line in Column 4 you should include this subtraction.

Line 38c - Include the subtraction amount from partnerships and S corporations on your Schedule NR, Part I, Line 5b, Column 4, and the subtraction amounts from trusts and estates on Line 5c, Column 4.

Line 38d - Include this amount as a subtraction on Schedule NR, Part I, Line 8, Column 4.

Line 38e - Include this amount as a subtraction on your Schedule NR, Part I, Column 4. See Lines 1 through 8, Column 3, to determine on what line in Column 4 you should include this subtraction.

► *For partnerships filing Form IL-1065, corporations filing Form IL-1120, or S corporations filing Form IL-1120-ST —*

Lines 32 through 34 - Add Lines 32 through 34, Column B. Include this total amount as an addition on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Lines 2b and 8.

Lines 35a, and 36 through 38e - Add Lines 35a, and 36 through 38e, Column B. Include this total amount on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Lines 2b and 8.

Line 35b - Include this amount on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Lines 2a and 7.

Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —

Column A - Member's share

► *For individuals filing Form IL-1040, Schedule F —*

Line 39 - Include this amount on your Schedule F, Step 2, Line 6, Column H.

Lines 40 and 41 - If Line 41 is blank, include the amount on Line 40 on your Schedule F, Step 2, Line 6, Column I. Otherwise, skip line 40 and include the amount on Line 41 on your Schedule F, Step 2, Line 6, Column I.

Line 42 - Include this amount on your Schedule F, Step 1, Line 2.

► *For trusts or estates filing Form IL-1041, Schedule F —*

Line 39 - Include this amount on your Schedule F, Line 2, Column K.

Line 40 - Include this amount on your Schedule F, Line 2, Column L.

Line 42 - Include this amount on your Schedule F, Line 2, Column M.

► *For partnerships filing Form IL-1065, Schedule F, or S corporations filing Form IL-1120-ST, Schedule F —*

Use the information in Column A when completing Step 6 of the Schedule K-1-P's for your partners or shareholders.

Column B - Nonresident member's share —

► *For individuals filing Form IL-1040, Schedule NR —*

Lines 39 through 42 - If Line 41 is blank, add Lines 39, 40, and 42, Column B; otherwise, add Lines 39, 41, and 42, Column B. Include this total amount as a subtraction on your Schedule NR, Step 4, Line 43.

► *For trusts or estates filing Form IL-1041, Schedule NR —*

Lines 39, 40, and 42 - Include these amounts as subtractions on your Schedule NR, Part I, Line 4, Column 4, or Line 7, Column 4, whichever line is applicable.

► *For partnerships filing Form IL-1065, Schedule F, or S corporations filing Form IL-1120-ST, Schedule F —*

Line 39 - Include this amount on your Schedule F, Line 2, Column K.

Line 40 - Include this amount on your Schedule F, Line 2, Column L.

Line 42 - Include this amount on your Schedule F, Line 2, Column M.

Step 7 - Your share of the Illinois credits and recapture —

Line 43 - Illinois credits — If the partnership or the S corporation has passed through to you any of the following credits, you may include them on the appropriate schedule or form to claim the credit on your Illinois Income Tax return.

- Replacement Tax Investment Credits
Note: For tax years ending **on or after December 31, 2000**, partnerships and S corporations automatically pass-through these credits to their partners or shareholders that are subject to replacement tax.
- Enterprise Zone Investment Credit
- Training Expense Credit
- Research and Development Credit
- Environmental Remediation Tax Credit
- Economic Development for a Growing Economy (EDGE) Tax Credit
- Tax Credit for Affordable Housing Donations

► *For individuals filing Form IL-1040 —*

Line 43a - Since individuals do not pay replacement tax, these credits cannot be passed through to you.

Line 43b - Include this amount on Schedule 1299-C, Section II, Part IV, Line 9.

Line 43c - Include this amount on Schedule 1299-C, Section II, Part V, Line 12.

Line 43d - Include this amount on Schedule 1299-C, Section II, Part VI, Line 22.

Line 43e - If you choose to include this amount on Schedule 1299-C, Section II, Part VII, Line 25, you **must** add back your share of the partnership's or S corporation's federally deducted costs shown on Step 7, Line 43f, as an "other addition."

Line 43f - Include this amount on your Form IL-1040, Step 2, Line 3. If you are filing Form IL-1040, Schedule NR, include this amount on Step 4, Line 43, Column B.

Line 43g - Include this amount on Schedule 1299-C, Section II, Part VIII, Line 29.

Line 43h - Include this amount on Schedule 1299-C, Section II, Part IX, Line 33.

► *For trusts or estates filing Form IL-1041 or corporations filing Form IL-1120 —*

Line 43a - Trusts and corporations — Include this amount on Form IL-477, Part I, Line 4.

Line 43b - Include this amount on Schedule 1299-D, Section II, Part IV, Line 11.

Line 43c - Include this amount on Schedule 1299-D, Section II, Part V, Line 14.

Line 43d - Include this amount on Schedule 1299-D, Section II, Part VI, Line 24.

Line 43e - If you choose to include this amount on Schedule 1299-D, Section II, Part VII, Line 27, you **must** add back your share of the partnership's or S corporation's federally deducted costs shown on Step 7, Line 43f, as an "other addition."

Line 43f - Trusts and estates - Include this amount on your Form IL-1041, Part I, Line 2d. If you are filing Form IL-1041, Schedule NR, include this amount as an addition on Part I, Line 5b, Column 4.

Corporations - Include this amount on your Form IL-1120, Part I, Line 2c.

Line 43g - Include this amount on Schedule 1299-D, Section II, Part VIII, Line 31.

Line 43h - Include this amount on Schedule 1299-D, Section II, Part X, Line 38.

► *For partnerships filing Form IL-1065, or S corporations filing Form IL-1120-ST —*

Line 43a - Include this amount on your Form IL-477, Part I, Line 4.

Line 43b - Include this amount on Schedule 1299-A, Section II, Part I, Line 8.

Line 43c - Include this amount on Schedule 1299-A, Section II, Part II, Line 11.

Line 43d - Include this amount on Schedule 1299-A, Section II, Part III, Line 21.

Line 43e - If you choose to include this amount on Schedule 1299-A, Section II, Part IV, Line 24, you **must** pass the amount of the federally deducted costs on Step 7, Line 43f, to your partners or shareholders.

Line 43f - Include each partner's or shareholder's share of this amount on Schedules K-1-P, Step 7, Line 43f.

Line 43g - Include this amount on Schedule 1299-A, Section II, Part V, Line 28.

Line 43h - Include this amount on Schedule 1299-A, Section II, Part VI, Line 32.

► *For individuals and entities —*

Recapture — Lines 44a and 44b - Your share of recapture is based on your share of the original investment credit. If you shared in the original credit and you are no longer a partner or shareholder of the partnership or the S corporation in the year of recapture, Lines 44a and 44b will be the only lines completed on this schedule. You must complete Schedule 4255, Recapture of Investment Tax Credits, and include this total amount on Part IV, Line 11.

If your share in the year of the original investment credit is different from your share in the year of the recapture, Lines 44a and 44b will be completed and the partnership or the S corporation will attach a sheet explaining the difference. You must complete Schedule 4255 and include this total amount on Part IV, Line 11.



