



Schedule 1299-D Instructions

General Information

Complete this schedule if you are filing Form IL-1120, Form IL-1041, or Form IL-990-T and are entitled to the following credits:

- TECH-PREP Youth Vocation Programs Credit
- Dependent Care Assistance Programs Credit
- Coal Research and Coal Utilization Investment Credits (Form IL-1120 filers only)
- Employee Child Care Tax Credit (Form IL-1120 filers only)
- Jobs Tax Credit
- High Impact Business Investment Credit
- Enterprise Zone Investment Credit
- Training Expense Credit
- Tax Credit for Affordable Housing Donations
- Economic Development for a Growing Economy (EDGE) Credit
- Research and Development Credit

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

Note See Illinois Schedule 1299-S, Enterprise Zones, Foreign Trade Zones, and Sub-Zones, for a listing of these zones in Illinois, as well as their definitions.

Step 1: Figure your credits (which can be carried for 2 years)

If there is any excess of these credits, you may carry it forward for two years. This will be figured in Step 4. You must use this excess credit in proportion to its share of the total excess 2-year credit available for the year in which the credit was earned.

TECH-PREP Youth Vocational Programs Credit

You may take this credit if

- your tax year ending is on or after June 30, 1995,
- you are primarily engaged in manufacturing, and
- you have direct payroll expenses for qualifying cooperative secondary school youth vocational programs in Illinois, or you pay for personal services performed 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 not take this credit

- for 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.
- if your direct payroll expenses have been claimed for the Training Expense Credit.

Definitions "Qualifying TECH-PREP programs" are those certified by the Illinois State Board of Education.

Line 1 – Add the amount of direct payroll expenses for cooperative secondary school youth vocational programs and the amount paid to a TECH-PREP student or instructor employed by you for personal services performed. Write the total amount on the line provided.

Multiply this total amount by 20 percent (.20), and write the result on Line 1. This is your *TECH-PREP Youth Vocational Programs Credit*.

Dependent Care Assistance Program Tax Credit

To qualify for this credit,

- you must be primarily engaged in manufacturing,
- your tax year ending is 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.

Line 2 – Write the amount of your expenses, reported under the Internal Revenue Code (IRC), Section 129(d)(7), that were used for on-site dependent care.

Multiply this amount by 5 percent (.05), and write the result on Line 2. This is your *Dependent Care Assistance Program Tax Credit*.

Line 3 – Total credits that may be carried forward for two years. Add Lines 1 and 2. Write this amount in Step 3, Line 46.

Step 2: Figure your credits (which can be carried for 5 years)

If there is any excess of these credits, you may carry it forward for five years. This will be figured in Step 4. 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.

Note Form IL-1120 filers only are allowed to claim the Coal Research and Coal Utilization Investment Credits and the Employee Child Care Tax Credit.

Coal Research and Coal Utilization Investment Credits

To qualify for the credit, you must

- file Form IL-1120, and
- have made a donation to the Illinois Center for Research on Sulfur in Coal, or
- have purchased qualified equipment.

Definitions "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.

Line 4

Column A – Describe each item of qualified equipment placed in service in Illinois.

Column B – Write the date, including the month and year, each item of qualified equipment 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 – For each item of equipment, write the basis as determined according to IRC, Section 167(g). Generally, the adjusted basis will be the purchase price of the equipment, plus any capital expenditures, less any rebates.

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

Line 5 – Add the amounts in Column D, Lines 4a through 4c, and write the result.

Line 6 – Write 20 percent (.20) of the amount you donated to the Illinois Center for Research on Sulfur in Coal.

Line 7 – Add Lines 5 and 6, and write the result. This is the amount of your *Coal Research and Coal Utilization Investment Credits*.

Employee Child Care Tax Credit

You may take this credit if

- you file Form IL-1120,
- your tax year **ending is on or after** December 31, 2000, and
- you provide a child care facility, located in Illinois, for the children of your employees.

Note → You must keep records documenting all costs for which the credit is being claimed.

This is a two-part income tax credit.

Part one – Allows a credit of 30 percent (.30) of the “start-up costs” spent by you to provide a child care facility for the children of your employees.

Line 8 – Write the total amount of “start-up costs” to provide the child care facility.

Multiply this amount by 30 percent (.30), and write the result on Line 8.

Note → “start-up costs” include planning, site-preparation, construction, renovation, or acquisition of a child care facility.

Part two – Allows a credit of 5 percent (.05) of the annual amount paid by you to provide the child care facility for your employees’ children.

Line 9 – Write the annual amount paid to provide the child care facility.

Multiply this amount by 5 percent (.05), and write the result on Line 9.

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

Line 10 – Add Lines 8 and 9, and write the result. This is your *Employee Child Care Tax Credit*

Jobs Tax Credit

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.

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

- increased the total number employed within the enterprise zone or foreign trade zone (or sub-zone) this tax year by five or more full-time eligible employees beyond the total employed in the zone as of the end of the base year, and
- employed eligible employees for 180 consecutive days during that tax year.

Definitions “Base year” means the last tax year in which you properly claimed the Jobs Tax Credit or 1985, whichever is later.

“Eligible employee” is an employee who was

- certified by the Department of Commerce and Community Affairs (DCCA) as “eligible for services;”
- hired after the enterprise zone or foreign trade zone (or sub-zone) was designated or after the trade or business was located in the zone, whichever is later;
- employed in the enterprise zone or foreign trade zone (or sub-zone); and,
- a full-time employee, working 30 or more hours per week.

“Employed” means that services were performed in the zone or that the zone was the base of operations for services performed.

Line 11

Column A – Write the name of the zone where the employees were hired.

Column B – Write the total number of full-time persons you employed at the end of this tax year.

Column C – Write the total number of full-time persons you employed in the base year.

Column D – Subtract Column C from Column B.

Column E – Write the total number of eligible employees included in Column D that you hired this year.

Note → The number of employees in Column D and Column E must equal five or more to claim this credit.

Attach 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*.

Enterprise Zone Investment Credit

You may take this credit if you

- placed qualified property in service in an Illinois enterprise zone within the tax year,
- placed it in service on or after the date the zone was officially designated as an enterprise zone, and
- continued to use the qualified property on the last day of your tax year.

High Impact Business Investment Credit

You may take this credit if

- your business has been designated as a high impact business,
- you placed qualified property 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, and
- you continued to use the qualified property on the last day of your tax year.

You may not take this credit

- if the property is eligible for the enterprise zone investment credit, and
- 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.

Definitions “Qualified property” is property that

- is tangible;
- is depreciable according 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 does not qualify for the Enterprise Zone Investment Credit if it was previously used in Illinois in a manner that qualified for that credit or for the Replacement Tax Investment Credit on Form IL-477. 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.

Line 12 and Line 15

Column A

Enterprise Zone Investment Credit: Describe each item of qualified property you placed in service in an Illinois enterprise zone.

High Impact Business Investment Credit: Describe each item of qualified property placed in service in Illinois.

Column B – Both credits

Write the date, including the month and year, each item of qualified property 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 assigned to each item of qualified property. 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 qualified property is new or used. If the property was previously used, write the abbreviation of the state where the property was located.

Column E

Enterprise Zone Investment Credit: Write the name of the enterprise zone in which the property is used.

High Impact Business Investment Credit: Leave this column blank.

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

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

Line 13 – Write the distributive share of enterprise zone investment credit distributed from partnerships and S corporations.

Line 14 – Add the amounts in Column G, Lines 12a through 12c, and Line 13, and write the result. This is your *Enterprise Zone Investment Credit*.

Line 16 – Add the amounts in Column G, Lines 15a through 15c, and write the result. This is your *High Impact Business Investment Credit*.

Training Expense Credit

You may take this credit if

- you paid for educational or vocational training in semi-technical or technical fields, or semi-skilled or skilled fields to provide educational, technical, or vocational training to an employee; and
- this employee was employed in Illinois or was an Illinois resident employed outside Illinois.

Line 17 – Write the total amount of training expenses that you paid or that were accrued for the tax year on the line provided.

Multiply this amount by 1.6 percent (.016), and write the result.

Line 18 – Write any distributive share of training expense credit that was distributed to you from partnerships and S corporations.

Line 19 – Add the amounts on Lines 17 and 18, and write the result. This is your *Training Expense Credit*.

Tax Credit for Affordable Housing Donations

You may take this credit if you

- have made a donation under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in Illinois, and
- made the donation in tax years **ending on or after** December 31, 2001.

You may also take this credit if it was transferred to you under IITA, Section 214(c).

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

Line 20 – Write the total amount of your donation to eligible sponsors on the line provided.

Multiply this amount by 50 percent (.50) and write the result.

Line 21 – Write any distributive share of tax credit for affordable housing donations that was distributed to you from partnerships and S corporations.

Line 22 – Add the amounts on Lines 20 and 21, and write the result. This is your *Tax Credit for Affordable Housing Donations*.

Line 23 – Add the amount on Lines 7, 10, 11, 14, 16, 19, and 22. This is the amount of your credits from Page 1, Step 2. Write this amount here and on Page 2, Line 24.

Line 24 – Follow the instructions on the form.

Research and Development Credit

You may take this credit if

- you have certain qualifying expenses for increasing qualified research activities in Illinois.

You may not take this credit 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).

Definitions “*Qualifying expenses*” 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 expenses for increasing research activities in Illinois*” are the excess of qualifying expenses incurred for the current tax year over qualifying expenses incurred for the base period.

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

“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.

Lines 25 through 28

Follow the instructions on the form for the amount to write in Column A and Column B.

Column A – Write the average of the base period qualified expenses 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 expenses 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 expenses.

Note → If you were doing business in Illinois for less than an entire year during any tax year in the base period, the qualifying expenses (Lines 25 through 29) must be annualized as follows:

$\text{qualified expenses} \times 365 \div \text{number of days taxable by Illinois}$

Line 29 – Corporations only: Write the total amount of research payments made to qualified organizations following the directions for Columns A and B.

Lines 30 and 31 – Following the instructions on the form.

Line 32 – Multiply Line 31 by 6.5 percent (.065), and write the result.

Line 33 – Write the distributive share of research and development credit distributed to you from your partnerships and S corporations.

Line 34 – Add the amounts on Lines 32 and 33, and write the result. This is your *Research and Development Credit*.

Economic Development for a Growing Economy (EDGE) Tax Credit

You may take this credit if

- you 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;
- you meet the conditions stated in your agreement with DCCA;
- your business is engaged in interstate or intrastate commerce; and
- your tax year **beginning is on or after** January 1, 1999.

The EDGE 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 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 regarding the EDGE Program, applications, and tax credit, 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.

Lines 35 and 36 – Follow the instructions on the form.

Line 37 – Add the amounts on Lines 35 and 36, and write the result. This is your *Economic Development for a Growing Economy (EDGE) Tax Credit*.

Line 38 – Total credits that may be carried forward for five years. Add Lines 24, 34, and 37. Write this amount in Step 3, Line 48.

Step 3: Figure your credit

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 carryforward* from your prior year Schedule 1299-D. Include only excess credit earned in the prior two tax years.

Line 43 – Follow the instructions on the form.

Line 44 – Write the amount of *five-year carryforward* from your prior year Schedule 1299-D. Include only excess credit earned in the prior five tax years.

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 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.

Step 4: Figure your credit available to be carried forward

Two year credit carryforward.

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 two years.

Do not write this amount on your current year return.

Five year credit carryforward.

Line 52 – 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.

