



Read this information first

You should file this schedule if

- you paid income tax to another taxing jurisdiction on income you earned while you were a resident of Illinois; and
- you did **not** deduct any income tax paid from federal taxable income on U.S. Form 1041, Line 11, **or** you did deduct it from federal taxable income, but you added it back on Form IL-1041, Part I, Line 2d.
- the base income subject to tax in another taxing jurisdiction is included in the amount shown as Illinois base income (Form IL-1041, Part I, Line 5).

You should **not** file this schedule if

- you did **not** pay income tax to Illinois and another taxing jurisdiction on the same income; or
- you took a deduction on U.S. Form 1041, Line 11, but did not add back this amount on Form IL-1041, Part I, Line 2d, Column A; or
- you are trying to take a credit for the Michigan Single Business Tax.

For purposes of this schedule, "state" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico,

any territory or possession of the United States, or political subdivision of any of these (e.g., county, city). The term "state" does not refer to any foreign country.

Note → If you have received any employee compensation (i.e., salary received as income on behalf of a decedent) from a source in Iowa, Kentucky, Michigan, or Wisconsin, refer to the instructions for Form IL-1040 (Individual Income Tax Return), Schedule CR (Credit for Taxes Paid to Other States) for rules concerning compensation in states with reciprocal agreements.

Step 1: Provide the following information

Write your name as shown on your Form IL-1041.

Write your federal employer identification number (FEIN).

Step 2: Figure your credit

1 Residents: Write your Illinois base income from Form IL-1041, Line 5.

1 _____

2 See instructions before completing Columns A, B, and C.

A
Name of state
(do not include Illinois)

B
Illinois base income
taxed by other state

C
Income tax paid
to other state

a _____

b _____

c _____

d _____

e _____

3 Add Column C, Lines 2a through 2e. This is the total income tax paid to other states on Illinois base income.

3 _____

4 Write your double-taxed base income from Column B. This amount **may not** exceed Line 1. (See instructions.)

4 _____

5 Write the amount of Illinois income tax due from Form IL-1041, Part IV, Line 2a.

5 _____

6 Divide Line 4 by Line 1. (Carry to five decimal places.) This figure should never be greater than 1.00000.

6 _____

7 Multiply Line 5 by Line 6.

7 _____

8 Write the lesser of Line 3, Line 5, or Line 7. This is your tax credit.

8 _____

Write this amount on Form IL-1041, Part IV, Line 4.

Attach this schedule, copies of your out-of-state tax returns, and a copy of your U.S. Form 1041, Page 1, with a detailed breakdown of the amount on U.S. Form 1041, Line 11, to your Form IL-1041.





Schedule CR (IL-1041) Instructions

General Information

What is the purpose of Schedule CR?

Schedule CR allows you to take an Illinois Income Tax credit for income taxes you paid to another state on income you received while a resident of Illinois. You are allowed this credit **only** if you file a tax return with that state and if the same income is taxed by both Illinois and the other state during the same taxable year. In Illinois, this income is considered to be "double-taxed" income. This credit is limited to the amount of Illinois tax that you have also paid to the other state(s) (*i.e.*, the double-taxed income). **This credit cannot be taken against replacement tax.**

What taxes qualify for the credit?

Taxes that qualify for the credit are taxes you paid to another state of the United States, the District of Columbia, Puerto Rico, or any territory or possession of the United States, or to a political subdivision (such as a city or county) of one of these jurisdictions. No credit is allowed for taxes paid to the federal government or to foreign countries or to their political subdivisions.

To qualify for this credit, a tax must be deductible on Page 1, Line 11, of your U.S. Form 1041, Income Tax Return for Estates and Trusts, whether or not you actually claimed the deduction. The Michigan Single Business Tax is not an income tax and does not qualify for the credit.

Note → No credit is allowed for interest or penalties imposed on you, even in connection with an income tax. You may claim the credit for income taxes paid on your behalf (*e.g.*, by withholding or with a composite return), but only if you are the person legally liable for the tax (*i.e.*, if you would be required to pay the tax if it had not been paid on your behalf).

What forms must I attach to receive this credit?

You must attach complete copies of the tax return(s) you filed with the other state(s), and a copy of your U.S. Form 1041, Page 1, with a detailed breakdown of the amount on Line 11.

If you are a partner in a partnership or a shareholder in an S corporation that pays taxes for you in another taxing jurisdiction, attach a copy of the letter or statement (not the federal Schedule K-1) furnished to you by them. This letter must include the partnership or S corporation name and FEIN, the income, and the tax paid on your behalf.

What if I need additional assistance?

If you need additional assistance,

- visit our Web site at www.ILtax.com;
- call our Taxpayer Assistance Division Monday through Friday, 8 a.m. to 5 p.m. at **1 800 732-8866, 217 782-3336**; or our TDD (telecommunications device for the deaf) at **1 800 544-5304**.
- write to us at P.O. Box 19044, Springfield, Illinois 62794-9044.

Specific Instructions

Step 1: Provide the following information

Write your name and federal employer identification number as shown on Form IL-1041.

Step 2: Figure your credit

Line 1 - Follow the instructions on the schedule.

Line 2

Column A - Write the name of each state or taxing jurisdiction in which you paid tax on income that you received while you were an Illinois resident. The state should only be listed if the income tax paid in the other state was for the same income included on Form IL-1041, Part I, Line 5.

Column B - Write the amount of base income that is being taxed by both Illinois and the state or taxing jurisdiction listed in Column A. When determining your double-taxed income, apply the following rules:

- An item of income is double-taxed only to the extent both Illinois and the other state or taxing jurisdiction include it as income. *For example*, if State A allows you to deduct 60 percent of a long-term capital gain, only 40 percent of the capital gain is double-taxed even if Illinois taxes 100 percent of the capital gain.
- An expense is subtracted in figuring double-taxed income only to the extent it is deducted when figuring both Illinois base income and the taxable income of the other state.
- Some states determine income by first figuring income as if the person were a resident of that state and then
 - multiplying the income or the resulting tax by a fraction equal to the percentage of income from sources in that state. **or**
 - allowing a credit equal to the tax imposed on a resident times a fraction equal to the percentage of income from sources outside the state.

Double-taxed income for any of these states is figured by first figuring income according to the rules above, and then multiplying that income by a fraction equal to the percentage of income from sources in that state, figured in the manner prescribed by that state's laws.

- If a state imposes an alternative minimum tax, the determination of double-taxed income is made using alternative minimum taxable income of the state only if you actually pay alternative minimum tax. Otherwise, use the regular taxable income.

Note → See the "Examples for Column B" on the back page of these instructions.

Column C - Write the tax you paid to the other state on income shown in Column B. Only taxes paid to another state on income that is also taxed by Illinois (*i.e.*, double-taxed income) qualify for this credit and can be included in Column C. The tax paid amount is the net amount of all credits allowed, except credits for payments you actually made to the other state or payments made on your behalf.

For example, you must reduce the amount of tax paid to the other state by any credit allowed by that state for taxes you paid to Illinois.

If the amount in Column B is less than the total income on which you paid tax to the other state, you paid tax to the other state on income that is not taxed by Illinois. Therefore, you are not allowed a credit for the full amount of tax, and you must prorate the tax imposed on income taxed by Illinois.

To prorate the amount of tax imposed by Illinois, figure the total amount of tax you paid times a fraction equal to the amount in Column B divided by the net income on which you paid tax to the other state.

Note → See the "Proration Example for Column C" on the back page of these instructions.

Line 3 - Add the amounts in Column C, Lines 2a through 2e. This is the total amount of income tax that you paid to the other states on Illinois base income.

Line 4 - Add the amounts in Column B. Write the amount of double-taxed base income on Line 4. If the same income is taxed by more than one state outside Illinois, include that income **only once** in Line 4. Line 4 may not exceed the Illinois base income reported on Form IL-1041, Part I, Line 5.

Lines 5 through 8 - Follow the instructions on the form.

Examples for Column B

Example 1 for Column B

You are an Illinois resident and your federal taxable income is \$80,000. You owe \$6,000 in federal income tax on this income.

Your **federal taxable income** consists of

$$\begin{aligned}
 & \$75,000 \text{ -- distributions from mutual funds} \\
 + & \$ 1,000 \text{ -- in taxable interest -- which equals } \$800 \text{ in} \\
 & \text{bank interest plus } \$200 \text{ in interest on} \\
 & \text{federal government obligations, and} \\
 & \text{excludes } \$500 \text{ in municipal bond interest} \\
 + & \$ 4,000 \text{ -- rental income from State X property} \\
 \hline
 = & \$80,000 \text{ -- } \mathbf{Federal\ taxable\ income}
 \end{aligned}$$

Your **Illinois base income** consists of

$$\begin{aligned}
 & \$80,000 \text{ -- federal taxable income} \\
 + & \$ 500 \text{ -- municipal bond interest} \\
 - & \$ 200 \text{ -- federal government obligation interest} \\
 \hline
 = & \$80,300 \text{ -- } \mathbf{Illinois\ base\ income}
 \end{aligned}$$

State X figures **income subject to its tax** by

- starting with \$4,000 in net rental income that is included in federal taxable income,
- adding \$3,000 for depreciation (in excess of straight-line) that was allowed on the rental property on the federal return,
- subtracting the State X portion of the federal income tax liability, and
- subtracting an exemption of \$1,000.

Your Illinois **double-taxed income** consists of

$$\begin{aligned}
 & \$4,000 \text{ -- net rental income} \\
 + & \$3,000 \text{ -- State X addition for excess depreciation} \\
 & \text{(which is a deduction allowed by Illinois} \\
 & \text{but not by State X and only the amount of} \\
 & \text{depreciation deductible in both states is} \\
 & \text{taken into account)} \\
 \hline
 = & \$7,000 \text{ -- } \mathbf{double-taxed\ income}
 \end{aligned}$$

The subtractions for federal income tax and the exemption are not taken into account when figuring Illinois base income.

Therefore, they are not taken into account when figuring the double-taxed income.

Example 2 for Column B

This example uses the same information as Example 1 for federal taxable income.

State X requires you, a nonresident, to

- figure income tax as if you were a resident of State X, and
- multiply the result by a fraction equal to your federal taxable income from State X sources divided by your total federal taxable income.

State X **taxable income** consists of

$$\begin{aligned}
 & \$80,000 \text{ -- taxable income} \\
 + & \$ 500 \text{ -- municipal bond interest} \\
 + & \$ 3,000 \text{ -- excess depreciation} \\
 - & \$ 6,000 \text{ -- federal income taxes} \\
 - & \$ 200 \text{ -- federal government obligation interest} \\
 - & \$ 1,000 \text{ -- exemption} \\
 \hline
 = & \$76,300 \text{ -- } \mathbf{State\ X\ taxable\ income}
 \end{aligned}$$

Percentage of income from State X sources

$$\frac{\$ 4,000 \text{ -- federal taxable income from State X sources}}{\$80,000 \text{ -- total federal taxable income}} = 5\% (.05)$$

Your **Illinois double-taxed income** consists of:

$$\begin{aligned}
 & \$80,000 \text{ -- taxable income} \\
 + & \$ 500 \text{ -- municipal bond interest} \\
 + & \$ 3,000 \text{ -- excess depreciation} \\
 - & \$ 0 \text{ -- federal income taxes -- } \mathbf{not\ subtracted}^* \\
 - & \$ 200 \text{ -- federal government obligation interest} \\
 - & \$ 0 \text{ -- exemption -- } \mathbf{not\ subtracted}^* \\
 \hline
 = & \$83,300 \text{ -- } \mathbf{State\ X\ taxable\ income} \\
 \times & .05 \text{ -- percentage of income from State X sources} \\
 \hline
 = & \$ 4,165 \text{ -- } \mathbf{double-taxed\ income}
 \end{aligned}$$

* Standard deductions and general exemptions are never subtracted in computing double-taxed income.

Proration Example for Column C

You are an Illinois resident whose only income is a \$50,000 gain realized on the sale of property in State Y. State Y taxes the entire \$50,000 gain, resulting in a tax liability of \$1,000.

However, Illinois taxes you only on \$10,000 of your gain because of the deduction for valuation limitation. For Illinois purposes, your double-taxed income is \$10,000.

Since the \$40,000 gain was taxed in State Y and not in Illinois, you must prorate your income as follows:

$$\frac{\$10,000 \text{ income reported in Column B}}{\$50,000 \text{ in State Y taxable income}} = 20\% (.20)$$

Prorate your **State Y tax** as follows:

$$\begin{aligned}
 & \$1,000 \text{ -- tax you paid to State Y} \\
 \times & .20 \text{ -- prorated percentage} \\
 \hline
 = & \$ 200 \text{ -- } \mathbf{Tax\ paid\ to\ the\ other\ state\ on\ income\ in} \\
 & \text{Column B.}
 \end{aligned}$$