



Schedule NR IL-1040 Instructions

General Information

? What is the purpose of Schedule NR?

Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, allows you, a nonresident or part-year resident of Illinois, to determine the income that is taxed by Illinois during the tax year and to figure your Illinois Income Tax.

Attach Schedule NR to your Form IL-1040, Individual Income Tax Return.

? What if I was a nonresident of Illinois during the entire tax year?

If you were a nonresident of Illinois during the entire tax year, you must complete and file Form IL-1040 and Schedule NR if you

- ◆ earned enough taxable income from Illinois sources to have a tax liability, or
- ◆ are entitled to a refund of Illinois Income Tax that was withheld from your pay in error.

Note If you were not a resident of Iowa, Kentucky, Michigan, or Wisconsin, you **must** attach a statement from your employer indicating that your wages were not earned in Illinois and Illinois tax was withheld in error. In this case, you must first complete Form IL-1040, Lines 1-12. Then, complete Schedule NR, Steps 1 and 5, writing zeros in Step 5, Lines 47 through 53. Then, finish completing Form IL-1040, Lines 14 through 34.

? What if I was a resident of a reciprocal state during the tax year?

If you were a resident of Iowa, Kentucky, Michigan, or Wisconsin, which are Illinois' reciprocal states, and earned income in Illinois, you are exempt from paying Illinois Income Tax on income you earned from salaries, wages, tips, and other employee compensation. You are exempt because Illinois has a reciprocal agreement with these states. You must file Form IL-W-5-NR, Employee's Statement of Nonresidence in Illinois, with your employer to be entitled to this exemption.

If you are a resident of a reciprocal state, you do not have to file Form IL-1040 and Schedule NR unless you

- ◆ earned income in Illinois from sources **other than** wages paid to you as an employee, or
- ◆ had Illinois Income Tax withheld from your pay in error. In this case, you must first complete Form IL-1040, Lines 1-12. Then, complete Schedule NR, Steps 1 and 5, writing zeros in Step 5, Lines 47 through 53. Then, finish completing Form IL-1040, Lines 14 through 34.

? What if I was a nonresident professional athlete?

If you were a nonresident professional athlete during any part of the tax year, you may be liable for Illinois Income Tax, depending on your team's state of residency. For more information, refer to "What if I need assistance, forms or schedules?" for our telephone numbers.

? What if I was a resident of Illinois during part of the tax year?

If you were a resident of Illinois during part of the tax year, you are considered a part-year resident and must complete and file Form IL-1040 and Schedule NR if you

- ◆ earned or received income from any source while you were an Illinois resident,
- ◆ earned or received income from Illinois sources while you were not an Illinois resident, or
- ◆ are entitled to receive a refund of Illinois Income Tax.

As a part-year resident, the rules you use to determine Illinois income and tax depend on whether or not you were a resident of Illinois when you earned the income.

If you were a **resident of Illinois** when you received the income, you will (within certain limitations) be taxed on 100 percent of the income you received while you were a resident, regardless of the source.

If you were a **nonresident of Illinois** when you received the income, you will be taxed only on the income you received from Illinois sources.

When completing Schedule NR, you must add the income you received during the time you were a resident, and the Illinois income you received during the time you were not a resident. Refer to the Step-by-Step Instructions for part-year residents.

Use the same method of reporting that you use for filing your federal return. Report your income when you receive it and your deductions when they are paid. However, if you use the accrual method, "received" means "earned or received." Income that you received through partnerships, S corporations, trusts, or estates is considered received on the last day of the business' tax year.

? What if I received income from a business or a farm during the tax year?

If, while you were a **nonresident of Illinois**, you received

- ◆ business income earned both inside and outside Illinois, or
- ◆ farm income earned both inside and outside Illinois,

you must complete the Business or Farm Income Apportionment Formula (IAF) Worksheet on Page 8.

The IAF Worksheet allows you to figure the Illinois portion of your business or farm income. Be sure to keep a copy of this worksheet with your income tax records.

? What is business income?

Business income is income you earned or received from any activity that you took part in during the regular course of your trade or business. It includes income you earned or received from tangible or intangible property if you acquire, manage, and dispose of this property as an essential part of the regular operations of your trade or business. This **does not** include wages you received as an employee.

? What if I received income from partnerships, S corporations, trusts, or estates?

If you received income from an Illinois partnership or S corporation, that entity is required to send you an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture. Also the entity is required to send you the partner's and shareholder's instructions for completing Schedule NR.

If you received income from an Illinois estate or trust, that entity is required to send you an Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions. Also the entity is required to send you the beneficiary's instructions for completing Schedule NR.

? What if I need assistance, forms, or schedules?

If you need assistance, visit our Web site at www.ILtax.com or call our Taxpayer Assistance Division at **1 800 732-8866** or **217 782-3336**. Our office hours are 8 a.m. to 5 p.m.

If you need forms or schedules, visit our Web site, call our Illinois Tax Fax at **217 785-3400**, call our 24-hour Forms Order Line at **1 800 356-6302**, or write to us at P.O. Box 19010, Springfield, Illinois 62794-9010. Our TDD (telecommunications device for the deaf) number is **1 800 544-5304**.

Nonresident Step-by-Step Instructions

Step 1

Provide the following information

Line 1: Print or type your name(s) as shown on your Form IL-1040.

Lines 2a and b: Write your Social Security number(s) as shown on your Form IL-1040.

Line 3: Check the “Yes” box if

- ◆ you were a full-year resident of Illinois during the tax year, or
- ◆ your filing status is “married filing jointly” and your spouse was a full-year resident of Illinois during the tax year.

Check the “No” box if

- ◆ you were not a full-year resident of Illinois, or
- ◆ your filing status is “married filing jointly” and neither you nor your spouse were full-year residents of Illinois during the tax year.

Note → If you check the “Yes” box on Line 3, do not use Schedule NR. If you file your Illinois return indicating your filing status as “married filing jointly” and one spouse is a full-year resident of Illinois, you must file your return using full-year residency status, and you can not use this form. However, if you are filing a joint federal return and one spouse is an Illinois resident while the other is a full-year nonresident, you may choose to file “married filing separately.” In this case each person must determine income and exemptions as if he or she had filed separate federal returns.

Lines 4a and b: Nonresidents, skip these lines.

Line 5: If you were a resident of Iowa, Kentucky, Michigan, or Wisconsin, during any part of the tax year, check the boxes to identify where you were a resident.

Line 6: If you earned income or filed an income tax return in any states other than those listed on Line 5, write the name of those states on the lines provided.

Step 2

Complete Form IL-1040

Complete Lines 1 through 12 of your Form IL-1040 as if you were a full-year Illinois resident. Follow the IL-1040 instructions. You will use Lines 11 and 12 of your Form IL-1040 to figure your Illinois exemption allowance.

Step 3

Figure the Illinois portion of your federal adjusted gross income

Column A – Federal Total

Write the amounts from your federal income tax return in Column A by following the instructions on the schedule. If you TeleFiled your federal return, add the wage amounts in box 1 of all your W-2, Wage and Tax Statement, forms, and write the total in Column A, Line 7.

Column B – Illinois Portion

Write the portion of Column A, Federal Total, that is taxed by Illinois. To determine the taxable amount, you must read and follow the instructions for each line.

Note → Partnerships, S corporations, trusts, or estates

If you received an Illinois Schedule K-1-P, Partner’s or Shareholder’s Share of Income, Deductions, Credits, and Recapture, or K-1-T, Beneficiary’s Share of Income and Deductions, refer to that form’s instructions to figure the amount to include on each line.

Income

Line 7: Wages, salaries, tips, etc.

Write the amount shown as Illinois wages on the Illinois copy of the

W-2 forms you received while you were a nonresident. Do not include any Illinois wages you received while you were a resident of Iowa, Kentucky, Michigan, or Wisconsin.

Note → If any of your wages are for military pay, be sure to complete Step 4, Line 42.

Line 8: Interest income

Interest income that you received, other than business interest income, is not taxed by Illinois.

Business interest income that you received as part of a business

conducted in Illinois is taxed by Illinois. If this income was received

- ◆ entirely from Illinois sources, write the amount from Column A.
- ◆ from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Line 9: Dividend income

Dividend income that you received, other than business dividend income, is not taxed by Illinois.

Business dividend income that you received as part of a business conducted in Illinois is taxed by Illinois. If this income was received

- ◆ entirely from Illinois sources, write the amount from Column A.
- ◆ from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Line 10: Taxable refunds, credits, or offsets of state and local income tax

Write the amount of any Illinois Income Tax refund that you included in your taxable income because you claimed this refund as an itemized deduction on a previous year’s federal return. If you received this refund from business taxes, include any refund amount to the extent that the original deduction was allocated to Illinois.

Line 11: Alimony received

Do not write an amount on this line. As a nonresident, alimony that you received is not taxed by Illinois.

Line 12: Business income or loss

Business income or loss that you received as part of a business conducted in Illinois is taxed by Illinois. If your business income or loss was received

- ◆ entirely from Illinois sources, write the amount from Column A.
- ◆ from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Line 13: Capital gain or loss

Write any capital gains or losses, other than business capital gains or losses, that you received from the sale of real property or tangible personal property located in Illinois at the time of the sale or exchange. Nonbusiness capital gains or losses that resulted from your sale of intangibles are not taxed by Illinois.

Capital gains or losses that you received as part of a business conducted in Illinois are taxed by Illinois. If you received your business income or loss

- ◆ entirely from Illinois sources, write the amount from Column A.
- ◆ from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of your capital gain or loss, and include the amount from Line 3 of the worksheet.

Line 14: Other gains or losses

Other gains or losses that you received as part of a business conducted in Illinois are taxed by Illinois. All gains or losses that you included on federal Form 4797, Sales of Business Property, are classified as business income.

If this income or loss was received

- ◆ entirely from Illinois sources, write the amount from Column A.
- ◆ from both inside and outside Illinois, you must complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Nonresident Instructions

Line 15: Taxable IRA distributions

Do not write an amount on this line. As a nonresident, your IRA distributions are not taxed by Illinois.

Line 16: Taxable pensions and annuities

Do not write an amount on this line. As a nonresident, your pensions and annuities are not taxed by Illinois.

Line 17: Rents, royalties, partnerships, S corporations, estates, and trusts

Figure the total amount to write on this line by adding

- ◆ the net amount of income or loss, other than business income, that you received from
 - real estate located in Illinois.
 - tangible personal property, to the extent it was used in Illinois.

Note → You can determine the extent of Illinois use of tangible personal property by dividing the number of days the property was in Illinois during the rental or royalty period in the taxable year by the number of days the property was everywhere during all rental or royalty periods in the taxable year. Multiply the resulting fraction by the net amount of rents and royalties received.

- patents and copyrights (the amount that was used in Illinois).

Note → A **patent** is used in Illinois when it is employed in the production, fabrication, manufacturing, or other processing of a product, or when a patented product is produced in Illinois. A **copyright** is used in Illinois when the printing or publication originated in Illinois.

- ◆ income or loss you received from an Illinois business. If your business was conducted
 - entirely within Illinois, include the amount from Column A.
 - both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.
- ◆ income or loss that you received from partnerships, S corporations, trusts, and estates as directed by Illinois Schedules K-1-P and K-1-T.

Line 18: Farm income or loss

All farm income or loss that you included on federal Schedule F, Profit or Loss from Farming, and that you received from an Illinois farm is taxed by Illinois. If your farm income or loss was received

- ◆ entirely from Illinois sources, write the amount from Column A.
- ◆ from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of your farm income, and include the amount from Line 3 of the worksheet.

Line 19: Unemployment compensation

Do not write an amount on this line. As a nonresident, your unemployment compensation is not taxed by Illinois.

Line 20: Taxable Social Security benefits

Do not write an amount on this line. As a nonresident, your Social Security benefits are not taxed by Illinois.

Line 21: Other income

Write the total amount of income that you received from

- ◆ the **Illinois State Lottery** (even if you were a resident of a reciprocal state).
- ◆ a business net operating loss from an earlier year that is being carried forward. If your loss was derived
 - from a partnership or an S corporation, the loss is allocated to Illinois to the same extent that business income from that entity is apportioned to Illinois on the Illinois Schedule K-1-P for this year.

- from a business you conducted entirely within Illinois, the entire amount is allocated to Illinois.
- from a business you conducted inside and outside Illinois, figure the Illinois portion on the IAF Worksheet, Page 8, and include the amount from Line 3 of the worksheet.
- ◆ a recovery or reimbursement for a deduction claimed in a prior year to the extent that the deduction was allocated to Illinois.

Line 22: Follow the instructions on Schedule NR.

Adjustments to Income

Line 23: Follow the instructions on Schedule NR.

Line 24: Educator expenses

Write the amount of educator expenses that you deducted this year as shown in Column A. These expenses must have been incurred in connection with your Illinois employment.

Line 25: Total IRA deduction

Figure the amount of your Illinois IRA deduction by completing the calculation below, and write the result on Line 25, Column B.

$$\frac{\text{Wages, salaries, tips, earned income received from an Illinois source}}{\text{Wages, salaries, tips, alimony, earned income received from all sources}} = \frac{\text{Decimal}}{\text{Column A, Line 25}} \times \text{Column A, Line 25} = \$ \text{Illinois deduction Column B, Line 25}$$

Line 26: Student loan interest

Write the amount of student loan interest that you deducted this year as shown in Column A.

Line 27: Tuition and fees

Write the amount of tuition and fees that you deducted this year as shown in Column A.

Line 28: Moving expenses

Write the amount of expenses you paid to take a new job in Illinois.

Line 29: Deduction for one-half of self-employment tax

Complete the following calculation to determine your Illinois self-employment (ISE) decimal for use on Lines 29, 30, 31, and 45. The ISE decimal may not exceed 1.0 or be less than zero.

$$\frac{\text{Self-employment income included in Column B}}{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}} = \frac{\text{Illinois self-employment (ISE) decimal}}{\text{Illinois self-employment (ISE) decimal}}$$

Figure the amount of your Illinois deduction for one-half of your self-employment tax by completing the following calculation, and write the amount on Line 29, Column B.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 29}} \times \text{Column A, Line 29} = \$ \text{Illinois deduction Column B, Line 29}$$

Line 30: Self-employed health insurance deduction

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 30, Column B.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 30}} \times \text{Column A, Line 30} = \$ \text{Illinois deduction Column B, Line 30}$$

Line 31: Self-employed (SEP), SIMPLE, and qualified plans

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 31, Column B.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 31}} \times \text{Column A, Line 31} = \$ \text{Illinois deduction Column B, Line 31}$$

Nonresident Instructions

Line 32: Penalty on early withdrawal of savings

Write the penalty amount you paid when you withdrew money from a business savings account earning interest that is allocated to Illinois. If only a portion of the interest on the account is allocated to Illinois, allocate the same portion of this penalty to Illinois.

Line 33: Alimony paid

Write the amount of alimony you paid during the tax year as shown in Column A.

Line 34: Other adjustments

Write the amount of other adjustments to your income that are reported on your federal 1040, Line 33.

Lines 35 through 37: Follow the instructions on Schedule NR.

Step 4

Figure your Illinois additions and subtractions

Column A – Form IL-1040 Total

Write the amounts in Column A from your Form IL-1040 by following the instructions on Schedule NR.

Column B – Illinois Portion

Write the Illinois portion of Column A, Form IL-1040 Total. To determine the Illinois portion, you must read and follow the instructions for each line.

Note Partnerships, S corporations, trusts, or estates

If you received an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or K-1-T, Beneficiary's Share of Income and Deductions, refer to that form's instructions to figure the amount to include on each line.

Additions

Line 38: Federally tax-exempt interest income

Interest and dividends, other than from a business, are not taxed by Illinois.

Federally tax-exempt interest income that you received as part of a business conducted in Illinois is taxed by Illinois. If this income was received

- ◆ entirely from Illinois sources, write the amount from Column A.
- ◆ both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Line 39: Other additions

Identify each of the following items, and write the total amount of income by adding

- ◆ any amount that you reported on Form IL-4562, Special Depreciation, that resulted from Illinois property. If this depreciation was incurred in a business conducted
 - entirely within Illinois, include the amount from Column A.
 - both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.
- ◆ withdrawals made from a Medical Care Savings Account that was established in connection with your Illinois employment.
- ◆ any distributive share of additions received from partnerships, S corporations, trusts, and estates as reported on Schedules K-1-P and K-1-T.

Line 40: Follow the instructions on Schedule NR.

Subtractions

Line 41: Federally taxed Social Security and retirement

Do not write an amount on this line. As a nonresident, federally taxed Social Security and retirement income are not taxed by Illinois and should not be included in Column B, Lines 15, 16, or 20.

Line 42: Military pay

Write the amount of military pay that you received for duty in the U.S. Armed Forces. This income must be included in your federal adjusted gross income and in Column B, Line 7.

Line 43: Illinois Income Tax refund

Write the amount of any Illinois Income Tax refund that you included in Column B, Line 10.

Line 44: U.S. government obligations

Write the amount of any interest income from U.S. Treasury bonds, bills, notes, savings bonds, and U. S. agency interest that you included in Column B, Line 8.

Line 45: Other subtractions

Identify each of the items listed below to the extent that they are related to income sourced to Illinois and included in Column B on any of the lines above.

Note If any of these items relate to business income received from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion, and include the amount from Line 3 of the worksheet. If any of this income was received entirely from Illinois sources, include the amount from Column A.

Include the total Illinois amount from

- ◆ **expenses for federally tax-exempt investments** to the extent that the deduction of these items was disallowed under the Internal Revenue Code, Section 171 or 265.
- ◆ contributions you made during the tax year, to the **"Bright Start"** College Savings Pool. You must exclude any income earned in another college savings program and rolled over into "Bright Start."
- ◆ **interest from obligations of state and local governments** that is exempt from Illinois taxation.
- ◆ any amount you reported on **Form IL-4562, Special Depreciation**, that resulted from Illinois property.
- ◆ the **recovery** of itemized deductions from a prior year.
- ◆ your **distributive share** of subtractions from partnerships, S corporations, trusts, or estates. Refer to the Illinois Schedule K-1-P or K-1-T instructions to figure the amount to include.
- ◆ **the valuation limitation** amount.
- ◆ dividends you received from an **enterprise zone or a foreign trade zone**.
- ◆ the repayment of **claim of right** income if the income was allocated to Illinois in a previous year.
- ◆ deductions related to Illinois from any contribution made to a **job training project**.
- ◆ interest from a **Medical Care Savings Account**.
- ◆ **any other income** that you received and included in Column B that is exempt from Illinois taxation. Refer to Publication 101, Income Exempt from Tax.

Lines 46 through 53 – Follow the instructions on Schedule NR.

Part-Year Resident Step-by-Step Instructions

Step 1

Provide the following information

Line 1: Print or type your name(s) as shown on your Form IL-1040.

Lines 2a and b: Write your Social Security number(s) as shown on your Form IL-1040.

Line 3: Check the “Yes” box if

- ◆ you were a full-year resident of Illinois during the tax year, or
- ◆ your filing status is “married filing jointly” and your spouse was a full-year resident of Illinois during the tax year.

Check the “No” box if

- ◆ you were not a full-year resident of Illinois, or
- ◆ your filing status is “married filing jointly” and neither you nor your spouse were full-year residents of Illinois during the tax year.

Note → If you check the “Yes” box on Line 3, do not use Schedule NR. If you file your Illinois return indicating your filing status as “married filing jointly” and one spouse is a full-year resident of Illinois, you must file your return using full-year residency status, and you can not use this form. However, if you are filing a joint federal return and one spouse is an Illinois resident while the other is a part-year resident, you may choose to file “married filing separately.” In this case each person must determine income and exemptions as if he or she had filed separate federal returns.

Line 4a: Write the dates that you lived in Illinois during the tax year, the name of the other state where you lived during the tax year, and the dates you lived in the other state. Attach a separate sheet of paper with this information if you need more room.

Line 4b: If your filing status is “married filing jointly,” write the dates your spouse lived in Illinois during the tax year, the name of the other state where your spouse lived during the tax year, and the dates your spouse lived in the other state. Attach a separate sheet of paper with this information if you need more room.

Line 5: If you were a resident of Iowa, Kentucky, Michigan, or Wisconsin, during any part of the tax year, check the boxes identifying where you were a resident.

Line 6: If you earned income or filed an income tax return in any states other than those listed on Lines 4 and 5, write the name of those states on the lines provided.

Step 2

Complete Form IL-1040

Complete Lines 1 through 12 of your Form IL-1040 as if you were a full-year Illinois resident. Follow the IL-1040 instructions. You will use Lines 11 and 12 of your Form IL-1040 to figure your Illinois exemption allowance.

Step 3

Figure the Illinois portion of your federal adjusted gross income

Column A – Federal Total

Write the amounts in Column A from your federal income tax return by following the instructions on the schedule. If you TeleFiled your federal return, add the wage amount on all your W-2 forms, and write the total in Column A, Line 7.

Column B – Illinois Portion

Write the portion of Column A, Federal Total, that is taxed by Illinois. To determine the taxable amount, you must read and follow the instructions for each line. As a part-year resident, you must include

the income you received from any source during the time you were a resident, plus the Illinois income you received during the time you were a nonresident.

Note → Partnerships, S corporations, trusts, or estates

If you received an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or K-1-T, Beneficiary's Share of Income and Deductions, refer to that form's instructions to figure the amount to include on each line.

For the purposes of determining if income was received by you while you were an Illinois resident, all income from these entities is considered received on the last day of the entity's tax year.

Income

Line 7: Wages, salaries, tips, etc.

Write the amount of all wages you received while you were an Illinois resident, including wages received from employment in Iowa, Kentucky, Michigan, or Wisconsin.

Also include all Illinois wages you received while you were a nonresident. These wages are identified as Illinois wages on the Illinois copy of your W-2 forms. Do not include any Illinois wages you received while you were a nonresident of Illinois and a resident of Iowa, Kentucky, Michigan, or Wisconsin.

Note → If your wages include military pay, be sure to complete Step 4, Line 42.

Line 8: Interest income

Write the total amount of interest income from Column A that you received while an Illinois resident. Also include any business interest income that you received while you were a nonresident and that you received from Illinois sources located

- ◆ entirely within Illinois.
- ◆ both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Interest income that you received while you were a nonresident, other than business interest income, is not taxed by Illinois.

Line 9: Dividend income

Write the total amount of dividend income from Column A that you received while an Illinois resident. Also include business dividend income that you received while you were a nonresident and that you received from Illinois sources located

- ◆ entirely within Illinois.
- ◆ both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Any dividend income that you received while a nonresident, other than business dividend income, is not taxed by Illinois.

Line 10: Taxable refunds, credits, or offsets of state and local income tax

Write the amount of any income tax refund from Column A that you received while an Illinois resident and any Illinois Income Tax refund you received while you were a nonresident. Include these refunds **only** if they are included in your taxable income because you claimed them as itemized deductions on a previous year's federal return.

If you received a refund from business taxes, you must include any refund you received as a nonresident to the extent that the original deduction was allocated to Illinois.

Line 11: Alimony received

Write the amount of alimony that you received while you were an Illinois resident.

Part-Year Resident Instructions

Line 12: Business income or loss

Write the amount of business income or loss from Column A that you received while an Illinois resident. Also include the amount of business income or loss that you received while a nonresident and that you received from Illinois sources located

- ◆ entirely within Illinois.
- ◆ both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of your business income, and include the amount from Line 3 of the worksheet.

Line 13: Capital gain or loss

Write any capital gains or losses from Column A that you received while an Illinois resident. Include any capital gains or losses, other than business capital gains or losses, that you received while a nonresident and that were associated with the sale of real property or tangible personal property located in Illinois at the time of the sale or exchange.

Also include any capital gains or losses that you received while a nonresident from Illinois business sources located

- ◆ entirely in Illinois.
- ◆ both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure your Illinois portion, and include the amount from Line 3 of the worksheet.

Line 14: Other gains or losses

Write the total amount of other gains or losses from Column A that you received while you were an Illinois resident and any amount you received while you were a nonresident from Illinois business sources located

- ◆ entirely in Illinois.
- ◆ both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income and include the amount from Line 3 of the worksheet.

Line 15: Taxable IRA distributions

Write the amount of IRA distributions from Column A that you received while an Illinois resident, regardless of where you were a resident when you made the contributions.

Line 16: Taxable pensions and annuities

Write the amount of pensions and annuities from Column A that you received while an Illinois resident, regardless of the source.

Line 17: Rents, royalties, partnerships, S corporations, estates, and trusts

Write the total amount of income or loss from Column A that you received while an Illinois resident. Also include any amount that you received from Illinois sources while you were a nonresident. Add the total

- ◆ net amount of income or loss, other than business income, that you received from
 - real estate located in Illinois.
 - tangible personal property, to the extent it was used in Illinois.

Note → You can determine the extent of Illinois use of tangible personal property by dividing the number of days the property was in Illinois during the rental or royalty period in the taxable year by the number of days the property was everywhere during all rental or royalty periods in the taxable year. Multiply the resulting fraction by the net amount of rents and royalties received.

- patents and copyrights (the amount that was used in Illinois).

Note → A **patent** is used in Illinois when it is employed in the production, fabrication, manufacturing, or other processing of a product, or when a patented product is produced in Illinois. A **copyright** is used in Illinois when the printing or publication originated in Illinois.

- ◆ income or loss that you received from an Illinois business source if you received that income or loss
 - entirely from Illinois sources.
 - from both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.
- ◆ income or loss from partnerships, S corporations, trusts, and estates as directed on Illinois Schedules K-1-P and K-1-T.

Line 18: Farm income or loss

Write the total amount of farm income or loss from Column A that you received while you were an Illinois resident. Also, include farm income or loss you received while a nonresident if this income or loss was received

- ◆ entirely from Illinois sources.
- ◆ from both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of your farm income, and include the amount from Line 3 of the worksheet.

Line 19: Unemployment compensation

Write the total amount of unemployment compensation from Column A that you received while you were an Illinois resident.

Line 20: Taxable Social Security benefits

Write the total amount of Social Security income from Column A that you received while you were an Illinois resident.

Line 21: Other income

Write the total amount of other income from Column A that you received while you were an Illinois resident, plus any amount that you received while you were a nonresident from

- ◆ the **Illinois State Lottery** (even if you were a resident of a reciprocal state).
- ◆ a business net operating loss from an earlier year that is being carried forward. If your loss was derived
 - from a partnership or an S corporation, the loss is allocated to Illinois to the same extent that business income from that entity is apportioned to Illinois on the Illinois Schedule K-1-P for this year.
 - from a business you conducted entirely within Illinois, the entire amount is allocated to Illinois.
 - from a business you conducted inside and outside Illinois, figure the Illinois portion on the IAF Worksheet, Page 8, and include the amount from Line 3 of the worksheet.
- ◆ a recovery or reimbursement for a deduction from a prior year to the extent that the deduction was allocated to Illinois.

Line 22: Follow the instructions on Schedule NR.

Adjustments to Income

Line 23: Follow the instructions on Schedule NR.

Line 24: Educator expenses

Write the amount of educator expenses from Column A that you established this year in connection with your

- ◆ employment while you were an Illinois resident, or
- ◆ Illinois employment while you were a nonresident.

Line 25: Total IRA deduction

Figure the amount of your Illinois IRA deduction as follows, and write the amount on Line 25, Column B.

$$\begin{array}{r}
 \text{Wages, salaries, tips, alimony,} \\
 \text{earned income included in Column B}
 \end{array}
 \div
 \begin{array}{r}
 \text{Wages, salaries, tips, alimony, earned} \\
 \text{income received from all sources}
 \end{array}
 =$$

$$\begin{array}{r}
 \text{Decimal}
 \end{array}
 \times
 \begin{array}{r}
 \text{Column A, Line 25}
 \end{array}
 =
 \$
 \begin{array}{r}
 \text{Illinois deduction} \\
 \text{Column B, Line 25}
 \end{array}$$

Part-Year Resident Instructions

Line 26: Student loan interest

Write the amount of student loan interest that you deducted this year as shown in Column A.

Line 27: Tuition and fees

Write the amount of tuition and fees that you deducted this year as shown in Column A.

Line 28: Moving expenses

Write the amount of expenses that you paid while you were an Illinois resident or that you paid to take a new job in Illinois.

Line 29: Deduction for one-half of self-employment tax

Complete the following calculation to determine your Illinois self-employment (ISE) decimal for use on Lines 29, 30, 31, and 45. The ISE decimal may not exceed 1.0 or be less than zero.

$$\frac{\text{Self-employment income included in Column B}}{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}} = \text{Illinois self-employment (ISE) decimal}$$

Figure the amount of your Illinois deduction for one-half of your self-employment tax by completing the following calculation, and write the amount on Line 29, Column B.

$$\text{ISE decimal} \times \text{Column A, Line 29} = \$ \text{Illinois deduction Column B, Line 29}$$

Line 30: Self-employed health insurance deduction

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 30, Column B.

$$\text{ISE decimal} \times \text{Column A, Line 30} = \$ \text{Illinois deduction Column B, Line 30}$$

Line 31: Self-employed (SEP), SIMPLE, and qualified plans

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 31, Column B.

$$\text{ISE decimal} \times \text{Column A, Line 31} = \$ \text{Illinois deduction Column B, Line 31}$$

Line 32: Penalty on early withdrawal of savings

Write the amount from Column A that you paid while an Illinois resident when you withdrew money from a savings account plus any penalty amount that you paid while a nonresident that is allocated to Illinois. If only a portion of the interest on the account is allocated to Illinois, allocate the same portion of this penalty to Illinois.

Line 33: Alimony paid

Write the amount of alimony you paid during the tax year as shown in Column A.

Line 34: Other adjustments

Write the amount of other adjustments to your income that are reported on your federal 1040, Line 33.

Lines 35 through 37 - Follow the instructions on Schedule NR.

Step 4

Figure your Illinois additions and subtractions

Column A — Form IL-1040 Total

Write the amounts in Column A from your Form IL-1040 by following the instructions on Schedule NR.

Column B — Illinois Portion

Write the Illinois portion of Column A, Form IL-1040 Total. To determine the Illinois portion, you must read and follow the instructions for each line.

Additions

Line 38: Federally tax-exempt interest income

Write the amount of federally tax-exempt interest from Column A that you received while an Illinois resident.

Interest and dividends, other than from a business, that you received while a nonresident are not taxed by Illinois.

Include any federally tax-exempt interest income that you received while a nonresident that came from an Illinois business located

- ◆ entirely within Illinois. Include the amount from Column A.
- ◆ both inside and outside Illinois. Complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Line 39: Other additions

Refer to the list of other additions on Page 4, Line 39.

Identify each of the items from Column A that you received while an Illinois resident. You must include on this line the Illinois portion of any federally tax-exempt interest income reported on federal Form 8814.

Write the total Illinois amount of other additions.

Also identify each of the items and include the amount you received while a nonresident as they relate to Illinois.

Line 40: Follow the instructions on Schedule NR.

Subtractions

Line 41: Federally taxed Social Security and retirement

Write the amount of federally taxed Social Security and retirement income from Column A that you received while an Illinois resident and that is included in the Illinois portion of your federal adjusted gross income, Line 37.

Line 42: Military pay

Write the amount of military pay that you received for duty in the U.S. Armed Forces. This income must be included in your federal adjusted gross income and in Column B, Line 7.

Line 43: Illinois Income Tax refund

Write the amount of any Illinois Income Tax refund that you included in Column B, Line 10.

Line 44: U.S. government obligations

Write the amount of any interest income from U.S. Treasury bonds, bills, notes, savings bonds, and U. S. agency interest that you included in Column B, Line 8.

Line 45: Other subtractions

Refer to the list of other subtractions on Page 4, Line 45. Identify each of the items you received while an Illinois resident. You must include on this line the Illinois portion of any deductible interest income reported on federal Form 8814.

Also identify each of the items and include the amount you received while a nonresident as they relate to Illinois.

Note → If any of these items relate to income received while a nonresident from both inside and outside Illinois, complete the IAF Worksheet on Page 8 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Write the total Illinois amount of other subtractions.

Lines 46 through 53 - Follow the instructions on Schedule NR.



Business or Farm Income Apportionment Formula (IAF) Worksheet

You must complete this worksheet if, while a nonresident of Illinois, you received business or farm income from both inside and outside of Illinois. If you have more than one source of business or farm income, make copies of this worksheet and prepare a separate worksheet for each line of the Schedule NR on which you reported business income.

Worksheet for Schedule NR Line _____

	Column A Total sales everywhere	Column B Total sales inside Illinois	Column C Apportionment Factor Column B ÷ Column A
1 Figure your apportionment factor.	_____	_____	1 _____ ● _____
2 Write the amount of your business or farm income from Schedule NR, Column A.			2 _____
3 Apportioned Income – Multiply Line 2 by the Line 1 decimal. Write the result here and on the corresponding line on Schedule NR, Column B.			3 _____

Keep a copy of this worksheet with your income tax records.

IAF Worksheet Instructions

For taxable years ending on or after December 31, 2000, the payroll and property factors are no longer used in apportioning business income. Only the sales factor is used to apportion income.

Line 1: Apportionment factor

Column A

Write the total amount of sales that you received from both inside and outside Illinois.

Column B

Write the total amount of sales that you received in Illinois.

Column C

Divide Column B by Column A. Carry the decimal to six places. This is your apportionment factor.

Line 2: Business or farm income

Write the amount of your business or farm income from the appropriate line on Schedule NR, Column A.

Line 3: Apportioned income

Multiply the amount of your business or farm income, Line 2, by the apportionment factor, Line 1 decimal. Write the result on Line 3 and on the corresponding line of Schedule NR, Column B.

Note → If you need more detailed instructions, please see the instructions for Form IL-1120, Corporation Income and Replacement Tax Return, Part III. If your business income was derived from a transportation company, an insurance company, or a financial organization, see instructions for Form IL-1120, Part III for "Special Apportionment Formulas."

