



**Illinois Department of Revenue**  
**2004 Form IL-1040 Instructions**

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## What's New for Tax Year 2004?

### Schedule M

We created a new schedule for 2004. Schedule M, Other Additions and Subtractions, allows you to figure the total amount of additions you must include on Form IL-1040, Individual Income Tax Return, Line 3 and subtractions you may claim on Form IL-1040, Line 9. You must attach Schedule M to your Form IL-1040 if you have an entry on either of these lines.

### Income Tax Credits

We added two new income tax credits and one former credit to Schedule 1299-C, Income Tax Subtractions and Credits. The Film Production Services Credit and the Employee Transportation Credit have been added to Schedule 1299-C for the first time. The Research and Development Credit, which was removed from Schedule 1299-C for tax year 2003, has returned.

### Electronic Filing

For the 2004 tax year, taxpayers who are required to file Form IL-4562, Special Depreciation, may once again use I-File, e-File, or PC File to electronically file their Illinois returns.

In addition, we expanded the list of subtractions we accept on electronically filed returns. Visit [www.ILtax.com](http://www.ILtax.com) for details.

### Voluntary Contributions

You may contribute to the Illinois Veterans' Home contribution fund in 2004.

## What should I Know for Next Year?

### College Savings Plan Contributions

Beginning with tax year 2005 (taxes due April 15, 2006), we are limiting the subtraction for contributions made to the "Bright Start" College Savings Pool. On your 2005 tax return, you will only be allowed to subtract up to \$10,000 in "Bright Start" contributions, even if you contributed more.

Also beginning with tax year 2005, we will allow you to subtract up to \$10,000 in contributions you made to the "College Illinois" Illinois Prepaid Tuition Trust Fund during the tax year.

These changes will not affect your tax return for this year (2004). They do not go into effect until tax year 2005.



### Need health insurance?

Free or low-cost health insurance may be available for you if you are an Illinois resident and meet income requirements.

For more information, Call the Illinois Department of Public Aid toll free at **1-866-4-OUR-KIDS** (TTY at **1 877 204-1012**), or visit [www.kidcareillinois.com](http://www.kidcareillinois.com).

## ? Who is an Illinois resident?

You are an Illinois resident if you were domiciled in Illinois for the entire tax year. Your domicile is the place where you reside and the place where you intend to return after temporary absences. Temporary absences may include duty in the U.S. Armed Forces, residence in a foreign country, out-of-state residence as a student, or out-of-state residence during the winter or summer. If you are absent from Illinois for one year or more, we will presume you are a nonresident of Illinois.

**Note** → If you filed a joint federal return and one spouse is an Illinois resident while the other spouse is a nonresident or a part-year resident, you may file separate Illinois returns. If you file a joint Illinois return, you will both be taxed as residents.

## ? What is Illinois income?

Your Illinois income includes the adjusted gross income amount figured on your federal return, plus any federally tax-exempt income and other Illinois additions that must be added to your Illinois income. Some of your additional income may be subtracted when figuring your Illinois base income. See the Step-by-Step Instructions.

You should follow the federal law concerning passive activity income and losses. You are not required to refigure your federal passive activity losses.

Also, federal law will govern the taxation of income from community property sources in the case of spouses who are residents of different states and who file separate returns.

## ? What if I had income from a potentially abusive tax avoidance transaction?

If you participated in a potentially abusive tax avoidance transaction, commonly known as an abusive tax shelter, during this tax year and were required to disclose that tax shelter to the Internal Revenue Service (IRS), you are also required to disclose that information to Illinois.

Federal disclosure forms include U.S. Form 8886, Reportable Transaction Disclosure Statement, and U.S. Form 8721, Investor Reporting of Tax Shelter Registration.

You must send us two copies of your U.S. disclosure forms.

- ◆ Attach one copy to your return, and
- ◆ mail the second copy to the Illinois Department of Revenue, P.O. Box 19029, Springfield, Illinois 62794-9029.

**Note** → Employee benefit plans and other subtractions allowed on Form IL-1040, Lines 5 through 9 are not considered abusive tax shelters. For more information, contact the IRS or your federal income tax professional.

## ? Who must file an Illinois tax return?

If you were

- ◆ **an Illinois resident taxpayer**, you must file Form IL-1040, Individual Income Tax Return, if
  - you filed a federal income tax return electronically or by paper; or
  - you were not required to file a federal income tax

return, but your Illinois base income from Line 11 is greater than your Illinois exemption allowance.

- ◆ **an Illinois resident taxpayer who worked in Iowa, Kentucky, Michigan, or Wisconsin**, you must file Form IL-1040 and include as Illinois income any compensation you received from an employer in these states. Compensation paid to Illinois residents working in these states is taxed by Illinois. Based on reciprocal agreements between Illinois and these states, these states do not tax the compensation of Illinois residents. If your employer in any of these states withheld that state's tax from your compensation, you may claim a refund of that state's tax withheld by filing the correct form with that state. You may not claim tax withheld by an employer in these states as a credit on your Illinois return.
- ◆ **a retired Illinois resident taxpayer** who filed a federal return, you must file a Form IL-1040. However, certain types of retirement income (e.g., pension, Social Security, governmental deferred compensation) are not taxed by Illinois. Read the instructions for "Federally taxed Social Security benefits and certain retirement plans" to see what types of retirement income you may subtract.
- ◆ **a part-year resident taxpayer** (i.e., you were a resident of Illinois for part but not all of the tax year), you must file Form IL-1040 and Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, if
  - you earned income from any source while you were a resident,
  - you earned income from Illinois sources while you were not a resident, or
  - you want a refund of any Illinois Income Tax withheld. For more information, refer to Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, and that schedule's instructions.
- ◆ **a nonresident taxpayer** (i.e., you were not an Illinois resident at any time during the tax year), you must file Form IL-1040 and Schedule NR if
  - you earned enough taxable income from Illinois sources to have a tax liability (i.e., your Illinois base income from Schedule NR, Step 5, Line 49 is greater than your Illinois exemption allowance on Schedule NR, Step 5, Line 53), or
  - you want a refund of any Illinois Income Tax withheld in error. You must attach a letter of explanation from your employer.For more information, refer to Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, and that schedule's instructions.
- ◆ **an Iowa, Kentucky, Michigan, or Wisconsin resident who worked in Illinois**, you must file Form IL-1040 and Schedule NR if
  - you received income in Illinois from sources other than wages, salaries, tips, and commissions (you must pay tax on this income regardless of residency); or
  - you want a refund of any Illinois Income Tax withheld.If you received compensation from Illinois employers, you are not required to pay Illinois Income Tax on this income. This is based on reciprocal agreements between Illinois

# General Information

and these states and applies only to compensation you received from wages, salaries, tips, and commissions.

The reciprocal agreements do not apply to any other income you might have received, such as Illinois lottery winnings.

◆ **an Illinois resident who was claimed as a dependent on your parents' or another person's return**, you might not be exempt from tax. You must file Form IL-1040 if

- your Illinois base income from Line 11 is greater than \$2,000, or
- you want a refund of Illinois Income Tax withheld from your pay.

**Note** → If your parent claimed your interest and dividend income through U.S. Form 8814, do not count that income in determining if you must file your own Form IL-1040.

◆ **the surviving spouse or representative of a deceased taxpayer** who was required to file in Illinois, you must file any return required of that taxpayer. Please refer to the special instructions in Step 1 of the Step-by-Step Instructions under the question, "How do I file a decedent's return?"

◆ **a student**, you are not exempt from tax nor are there special residency provisions for you. However, income, such as certain scholarships or fellowships, that is not taxable under federal income tax law, is also not taxed by Illinois.

◆ **a nonresident alien taxpayer**, you are not exempt from tax. If your income is taxed under federal income tax law, it is taxed by Illinois. You must attach a completed copy of your U.S. 1040NR or U.S. 1040NR-EZ.

**Even if you are not required to file Form IL-1040**, you must file to get a refund of any Illinois Income Tax withheld from your pay or any estimated tax payments you made.

## ? How may I file?

You may file your individual income tax return electronically by using the internet, a tax professional, PC tax filing software, or by using the paper Form IL-1040.

Almost all taxpayers can file electronically. Visit [www.Iltax.com](http://www.Iltax.com) or check with your tax professional to see if you are eligible to file electronically. If you want to receive your refund quickly, file electronically and have your refund directly deposited into your checking or savings account.

## ? When should I file?

Your Illinois filing period is the same as your federal filing period. We will assume that you are filing your Form IL-1040 for calendar year 2004 unless you indicate a different filing period in the space provided at the top of the return. The due date for calendar year filers is April 15, 2005.

We grant an **automatic six-month extension** of time, until October 17 for calendar year filers, to file your return. Also, if you receive a federal extension of more than six months, you are automatically allowed that extension for Illinois. These extensions **do not** grant you an extension of time to pay any tax you owe. If you determine that you will owe tax, you must

file Form IL-505-I, Automatic Extension Payment for Individuals, to pay any tax you owe to avoid penalty and interest on tax not paid by April 15, 2005.

## ? Will I owe penalties and interest?

You will owe

◆ **a late-filing penalty** if you do not file a processable return by the extended due date.

◆ **a late-payment penalty** for unpaid tax if you do not pay the tax you owe by the original due date of the return.

◆ **a late-payment penalty** for underpayment of estimated tax if you were required to make estimated tax payments and failed to do so or failed to pay the required amount by the payment due date.

**Note** → If you expect your yearly tax liability to be greater than \$500 after subtracting your withholding and credits, you are required to pay the lesser of 90 percent of this year's tax or 100 percent of last year's tax in four equal timely installments.

◆ **a bad check penalty** if your remittance is not honored by your financial institution.

◆ **a cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on any ITR-85, Individual Income Tax First and Final Bill, we send you.

◆ **a frivolous return penalty** if you file a return that does not contain information necessary to figure the correct tax or shows a substantially incorrect tax, because you are taking a frivolous position or are trying to delay or interfere with collection of the tax.

◆ **interest** on unpaid tax from the day after the original due date of your return through the date you pay the tax.

We will bill you for penalties and interest. For more information about penalties and interest, see Publication 103, Uniform Penalties and Interest.

## ? What if I cannot pay?

If you cannot pay the tax you owe but you can complete your return on time, file your return by the due date without the payment. This will prevent a late-filing penalty from being assessed. You will, however, owe a late-payment penalty **and interest** on any tax you owe after the original due date, even if you have an extension of time to file.

You have the option to pay the amount you owe by using our electronic funds withdrawal payment option or by credit card. See the Step-by-Step Instructions in Step 11.

If you wish to request a payment installment plan, you must file Form CPP-1, Payment Installment Plan Request. For more information, refer to the Form CPP-1 instructions.

## ? Should I round?

To make it easier for you to figure your tax, you may round the dollar amounts on your Form IL-1040 and accompanying schedules to whole dollars. To do this, you should round to the nearest dollar by dropping amounts of less than 50 cents and increasing amounts of 50 cents or more to the next higher dollar.

## ? When should I file an amended return?

You should file Form IL-1040-X, Amended Individual Income Tax Return, if

- ◆ you discover that an error was made on your Illinois return after it has been filed, or
- ◆ your federal return has been adjusted either by the IRS or on a U.S. 1040X you filed; the change affects your Illinois income, additions, subtractions, exemptions, or credits; and the change is final.

**Note** → If the federal change results in a refund, do not file Form IL-1040-X until you receive notification that your change has been accepted by the IRS.

For more information, refer to Form IL-1040-X and instructions.

## ? What if I employ household employees?

If you employ household employees, you are allowed to pay your employees' withholding on your U.S. 1040. Illinois also offers you simplified filing and payment options for your employees. However, you must use Form IL-700-H rather than reporting your employees' withholding on Form IL-1040. Do not send Form IL-700-H or withholding payment with your Form IL-1040. For more details, refer to Booklet IL-700-H, Illinois Household Employer's Tax Guide and Tables.

## ? What if I change my address?

If you change your address after you file, visit [www.Iltax.com](http://www.Iltax.com) or call us at **1 800 732-8866** to inform us of your new address and the date you moved.

## ? Where do I get copies of forms, booklets, publications, and bulletins?

Illinois forms are available

- ◆ on our web site at [www.Iltax.com](http://www.Iltax.com).
- ◆ on our 24-hour Forms Order Line, call **1 800 356-6302**.
- ◆ by writing to Illinois Department of Revenue, P.O. Box 19010, Springfield, Illinois 62794-9010.

## Step 1

### Personal Information

#### Line A: Social Security number

Write your Social Security number and your spouse's Social Security number. Please write your Social Security numbers in the same order that they appear on your federal return.

You must list your spouse's Social Security number even if you are married filing separate returns.

#### Line B: Name and address

If you received a booklet in the mail, remove the label on the front of the booklet and place it on your Form IL-1040. If your preprinted name and address are incorrect, cross through them and write the correct information.

If you do not have a booklet with a label, print or type the following information on the lines provided.

Print your full **name**. If you are married and filing a joint return, print both names as they appear on your federal return. If you are married and filing separate returns, print only your full name. **Do not** print your spouse's name.

Print your complete, permanent **mailing address** on the form.

**Note** → **Do not** use a preprinted label from a booklet that someone else received in the mail. You must use a blank Form IL-1040 instead.

#### ? How do I file a decedent's return?

##### When you are filing a joint return as a surviving spouse,

- ◆ use your preprinted Form IL-1040, or print your name and your spouse's name on the appropriate lines.
- ◆ cross through your spouse's name, and write "deceased" and the date of death above your spouse's name.
- ◆ sign your name in the area provided for your signature, and write "filing as surviving spouse" in place of the decedent's signature.

If you, as the surviving spouse, are due a refund, the refund will be issued directly to you.

##### When you are filing a return on behalf of a deceased taxpayer,

- ◆ print the name of the taxpayer on the appropriate line.
- ◆ cross through the taxpayer's name, and write "deceased" and the date of death above the decedent's name.
- ◆ write "in care of", and the executor's name and address.

A personal representative, such as an executor, administrator, or anyone who is in charge of the decedent's property, must sign and date the return. The representative's title and telephone number should also be provided.



If a refund is due, attach Form IL-1310, Statement of Person Claiming Refund Due a Deceased Taxpayer.

#### Line C: Filing status

Check the appropriate box to indicate your filing status. You should select the same filing status you checked on your federal return

unless you filed a joint federal return and are filing separate Illinois returns due to residency issues (see note below). If you did not file a federal return, check the filing status you would have checked if you had filed a federal return.

If you are filing "married filing separately," be sure to write your spouse's Social Security number on the line provided. However, do not write your spouse's name. If your spouse's name appears on your return, any refund will be issued in both names.

**Note** → If you file a joint federal return and one spouse is a full-year Illinois resident while the other is a part-year resident or a nonresident (e.g., military personnel), you may choose to file "married filing separately" for Illinois. In this case, each spouse must determine income and exemptions as if he or she had filed separate federal returns. You **may not** subtract your spouse's out-of-state income on your Form IL-1040.

If you choose to file a joint Illinois return, you must treat both you and your spouse as residents. This election is irrevocable for the tax year. Because both of you will be treated as full-year residents, all income will be allocated to Illinois. You may be allowed a credit for income tax paid to another state on Schedule CR, Credit for Tax Paid to Other States.

## Step 2

### Income

#### Line 1: Adjusted gross income

Write the amount shown as adjusted gross income from your federal electronically filed return or your paper U.S. 1040, Line 36; U.S. 1040A, Line 21; U.S. 1040EZ, Line 4; or your U.S. TeleFile Tax Record, Line I.

If you are not required to file a federal income tax return, use the U.S. 1040 as a worksheet to determine your adjusted gross income.

#### ? What if I am carrying forward a net operating loss?

The Illinois Income Tax Act does not provide for net operating loss (NOL) carrybacks or carryforwards for individual taxpayers. Instead, you are entitled to the NOL carryback or carryforward deduction properly allowed on your federal return.

You may use the federal NOL available for deduction this year minus the federal NOL available to carry to later years. Using a greater NOL would allow you to claim a benefit for the same NOL in two years - this year and again when you carry it forward. Illinois law prohibits this double deduction.

When you compute Line 1 of Form IL-1040, you must reduce your federal adjusted gross income (computed without deducting your NOL carryforward) by the amount reported as "Modified Taxable Income" on Line 8 of the federal Worksheet for NOL Carryover, not by the entire amount of your deduction. The federal Worksheet for NOL Carryover is found in Table 1 of IRS Publication 536.

#### Line 2: Federally tax-exempt income

Write the amount of federally tax-exempt interest and dividend income you received. This amount is written on Line 8b of your U.S. 1040 or U.S. 1040A or to the left of Line 2 on your U.S. 1040EZ and is not included in your adjusted gross income on Form IL-1040, Line 1. This includes interest and dividend income paid or accrued to you on state, municipal, or any other obligations.

Include your distributive share of federally tax-exempt interest and dividend income received from a partnership, an S corporation, an estate, or a trust. The partnership, S corporation, estate, or trust is required to notify you of your share of this type of income. An Illinois entity will send you an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions, specifically identifying your income.

## Line 3: Other additions to income

Complete Schedule M, Other Additions and Subtractions, if you are required to add the following income to your federal adjusted gross income reported on Form IL-1040, Line 1:

- ◆ Your child's interest and dividend income from U.S. Form 8814, Parents' Election To Report Child's Interest and Dividends
- ◆ Your distributive share of additions received from a partnership, an S corporation, an estate, or a trust
- ◆ Withdrawals made and interest earned from your Medical Care Savings Account that are not included in your adjusted gross income, Line 1
- ◆ Lloyds plan of operations loss, if that loss was reported on your behalf on Form IL-1023-C, Composite Income and Replacement Tax Return, and included in your federal adjusted gross income
- ◆ Earnings reported to you from IRC Section 529 college savings and tuition programs if these earnings are not included in your adjusted gross income, Line 1
- ◆ Addition amount calculated on Form IL-4562, Special Depreciation
- ◆ Business expense recapture (nonresidents only)
- ◆ Any other amounts that you are required to add to your federal adjusted gross income

See the Schedule M instructions for more information.

 Schedule M.

## Line 4: Income

Add Lines 1 through 3, and write the total on Line 4. **This is your income.**

Some of your Illinois income may be subtracted on Lines 5 through 9. Refer to these instructions to see if you are entitled to any of these subtractions.

## Step 3

### Base Income

#### Line 5: Federally taxed Social Security benefits and certain retirement plans


Write the amount of any federally taxed portion (not the gross amount) that is included in your Form IL-1040, Line 1, adjusted gross income, and that you received from

- ◆ a government retirement or government disability plan reported on your U.S. 1040 or U.S. 1040A, Line 7.
- ◆ a state or local governmental deferred compensation plan paid under Internal Revenue Code (IRC) Section 457 and reported on your U.S. 1040, Line 7 or 16b, or U.S. 1040A, Line 7 or 12b.

- ◆ an Individual Retirement Account (IRA) (including amounts rolled over to a Roth IRA) or a self-employed retirement (SEP) plan as reported on your U.S. 1040, Line 15b, or U.S. 1040A, Line 11b.
- ◆ a qualified employee benefit plan including 401(k) plans as reported on your U.S. 1040, Line 16b, or U.S. 1040A, Line 12b.
  - Note** → A qualified employee benefit plan is defined in IRC Sections 402 through 408. If you do not know whether your employee benefit plan is qualified, check with your employer.
- ◆ Social Security benefits as reported on your U.S. 1040, Line 20b, or U.S. 1040A, Line 14b. **Do not** include Social Security withheld from wages shown on your Form W-2, Wage and Tax Statement.
- ◆ interest income realized on the redemption of U.S. retirement bonds as reported on your U.S. 1040, Line 8a, or U.S. 1040A, Line 8a.
- ◆ railroad retirement income as reported on your U.S. 1040, Line 16b, or U.S. 1040A, Line 12b.
- ◆ retirement payments to retired partners as reported on your U.S. 1040, Line 17.
- ◆ capital gains on employer securities received in a lump-sum distribution, to the extent the gains are due to net unrealized appreciation on the securities at the time of distribution and reported on your U.S. 1040, Line 13.

You may include early distributions from qualified plans and IRAs.

### What forms must I attach to my return to show that my benefit or retirement income is subtractable?

-  a copy of your
  - ◆ U.S. 1040 or U.S. 1040A, Page 1 to support your subtraction for
    - government retirement,
    - governmental disability, including military plans,
    - IRA distribution,
    - self-employed retirement,
    - qualified employee benefit plans, including 401(k),
    - Social Security benefits,
    - converting a traditional IRA to a Roth IRA, and
    - railroad retirement.

**Note** → If your U.S. 1040 Lines 15b, 16b, and 20b, or U.S. 1040A, Lines 11b, 12b, and 14b do not **clearly** identify the Social Security benefits and retirement income you are reporting on Line 5, you must attach a copy of Form 1099-R or Form SSA-1099, Social Security Benefit Statement, as applicable.

- ◆ U.S. 1040 or U.S. 1040A, Page 1, and Form W-2, Wage and Tax Statement, or Form 1099-R, showing the amount of state and local governmental deferred compensation paid under IRC Section 457.
- ◆ U.S. 1040, Schedule D, Capital Gains and Losses, and Form IL-4644, Gains from Sales of Employer's Securities Received from a Qualified Employee Benefit Plan, for a gain on the sale or exchange of employer securities.

# Lines 5-8

- ◆ U.S. 1040 or U.S. 1040A, Page 1, and U.S. 1040, Schedule B or Schedule 1, Interest and Dividend Income, for redemption of U.S. retirement bonds.
- ◆ U.S. 1040, Page 1, and Schedule K-1-P, Schedule K-1-T, or any other notification identifying your share of the income received from a partnership, S corporation, trust, or estate including the payer's name and federal employer identification number (FEIN) for retirement payments to retired partners.

## What federally taxed income may I not subtract?

You may not subtract income received as third-party sick pay, nongovernment disability plans, or nongovernment deferred compensation plans, which are not qualified employee benefit plans.

You may not subtract any ordinary income from a qualified retirement plan for which you have elected to use the "Special 10-Year Averaging Method" or "Special 5-Year Averaging Method" on U.S. Form 4972, Tax on Lump-Sum Distributions.

## Line 6: Military pay earned

Write the amount of military pay that you received from the U.S. Armed Forces or the Illinois National Guard.

## What military pay may I subtract?

You may subtract pay for

- ◆ duty in the armed forces, including basic training;
- ◆ duty for serving in the U.S. Armed Forces Reserves or an Illinois National Guard unit, including ROTC; and
- ◆ duty as a cadet at the U.S. Military, Air Force, and Coast Guard academies or as a midshipman at the U.S. Naval Academy.


## What military pay may I not subtract?

You may not subtract military income (certain combat pay) that you excluded from your adjusted gross income, Line 1.

You may **not** subtract

- ◆ pay you received under the Voluntary Separation Incentive;
- ◆ pay you received from the military as a civilian;
- ◆ pay you received as a member of the National Guard of another state;
- ◆ payments you made under the Ready Reserve Mobilization Income Insurance Program; or
- ◆ pay for duty as an officer in the Public Health Service.


For more information, refer to Publication 102, Illinois Filing Requirements for Military Personnel.

 Form W-2 showing your military pay as described under "What military pay may I subtract?"

## Line 7: Illinois Income Tax refund

Write the total amount of any Illinois Income Tax overpayment (including any amount that was credited to another tax liability) you claimed in 2004 and included in your adjusted gross income, Line 1. This amount should have been reported as income on your 2004 U.S. 1040, Line 10.

You are allowed this subtraction only if you deducted this amount in the prior year on your U.S. 1040, Schedule A, Itemized Deductions.

 **Note** → If you filed a U.S. 1040A or a U.S. 1040EZ, or TeleFiled your federal return, you may not take this subtraction.


## Line 8: U.S. Treasury bonds, bills, notes, savings bonds, and U.S. agency interest

Write the total income included in your Form IL-1040, Line 1, that you received from U.S. Treasury bonds, bills, notes, savings bonds, U.S. agency income, and other similar obligations from either your

- ◆ U.S. 1040, Schedule B, Interest and Dividend Income;
- ◆ U.S. 1040A, Schedule 1, Interest and Dividend Income for Form 1040A Filers; or
- ◆ mutual fund statement that you received.


Include the amount of

- ◆ **federally taxed interest** you received from U.S. Treasury bonds, notes, bills, and savings bonds. This amount must be reduced by any related bond premium amortization deducted federally. **You must** identify on your U.S. 1040, Schedule B, or U.S. 1040A, Schedule 1, each specific type of obligation to which this interest relates.

 a copy of your U.S. 1040, Schedule B or U.S. 1040A, Schedule 1, if required for your federal return, that clearly identifies your interest from U.S. obligations.


Savings bond interest that is not included in your federal adjusted gross income is **not an allowable subtraction**.

- ◆ **income** you received from U.S. agency notes, bonds, debentures, and other similar obligations that you included on Line 1 and that are exempt from Illinois taxation by federal statutes. This amount must be reduced by any related bond premium amortization deducted federally. *Examples include:* income received from obligations issued by banks for cooperatives, federal home loan banks, and the Federal Savings and Loan Insurance Corporation. Refer to Publication 101, Income Exempt from Tax, for a complete listing.

 a copy of your U.S. 1040, Schedule B or U.S. 1040A, Schedule 1, if required for your federal return.

- ◆ **federally taxed distribution** you received from mutual funds investing exclusively in U.S. government obligations. If the mutual fund invests in both exempt and nonexempt federal obligations, the deduction allowed will be the distribution received from the mutual fund attributable to the U.S. government obligations, as determined by the mutual fund.

If the mutual fund does not provide this percentage amount, multiply the total distribution by a fraction. The numerator is the amount invested by the fund in state-tax-exempt U.S. government obligations, and the denominator is the fund's total investment.

 a copy of your U.S. 1040, Schedule B or U.S. 1040A, Schedule 1, if required for your federal return; **a copy of the statement received from the mutual fund**; and any worksheets showing the calculations as outlined above.

For further information, refer to Publication 101, Income Exempt from Tax, which explains and identifies income that is exempt from Illinois Income Tax.

**Note** → If you received a distributive share of a subtraction for U.S. government obligations from a partnership, an S corporation, a trust, or an estate, include that amount on Line 9.

## Line 9: Other subtractions to income

You must complete Schedule M, Other Additions and Subtractions, if you are entitled to subtract the following from your federal adjusted gross income reported on Form IL-1040, Line 1:

- ◆ Contributions made to the **“Bright Start”** College Savings Pool
- ◆ **Distributive share** of subtractions from a partnership, S corporation, trust, or estate
- ◆ Amount equal to the deduction used to compute the federal tax credit for restoration of amounts held under **claim of right** under IRC Section 1341
- ◆ Contributions made under the Tax Increment Allocation Redevelopment Act to a **job training project**
- ◆ **Expenses related to some federal credits or federally tax-exempt income**
- ◆ Interest earned on investments through the **Home Ownership Made Easy Program**
- ◆ **Illinois depreciation subtraction** allowance calculated on Form IL-4562
- ◆ **August 1, 1969, valuation limitation** from Schedule F, Gains from Sales or Exchanges of Property Acquired Before August 1, 1969
- ◆ **Enterprise zone dividends and high impact business dividends** from Schedule 1299-C
- ◆ **Recovery** of items previously deducted on your U.S. 1040, Schedule A, Itemized Deductions, in a prior year
- ◆ **Ridesharing money** and other benefits (other than salary) received by a driver in a ridesharing arrangement using a motor vehicle
- ◆ **Payment of life, endowment, or annuity benefits** received before the time they would have ordinarily been paid as an indemnity for a terminal illness
- ◆ **Amount of your employer’s contributions** made on your behalf to an account established under the Medical Care Savings Account Act and the **interest earned** on this account
- ◆ Income included in your adjusted gross income from a **Lloyds plan** of operations, if that amount was reported on your behalf on Form IL-1023-C, Composite Income and Replacement Tax Return
- ◆ **Income** earned by certain trust accounts established under the **Illinois Pre-Need Cemetery Sales Act**
- ◆ **Income** from education loan repayments for certain primary care physicians under the **Family Practice Residency Act**
- ◆ **Reparations or other amounts received** as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime
- ◆ **Interest on the following obligations of Illinois state and local governments:**
  - Illinois Housing Development Authority bonds and notes (except housing-related commercial facilities bonds and notes)

- Export Development Act bonds
- Illinois Development Finance Authority bonds, notes, and other evidence of obligation (only venture fund and infrastructure bonds)
- Quad Cities Regional Economic Development Authority bonds and notes, if the authority exempts them from taxation
- College Savings bonds
- Illinois Sports Facilities Authority bonds
- Higher Education Student Assistance Law bonds
- Illinois Development Finance Authority bonds issued pursuant to the Illinois Development Finance Authority Act, Sections 7.80 through 7.87
- Rural Bond Bank Act bonds and notes
- Illinois Development Finance Authority bonds issued under the Asbestos Abatement Finance Act
- Quad Cities Interstate Metropolitan Authority bonds
- Southwestern Illinois Development Authority bonds

- ◆ **Amount of your child’s income** that you reported on U.S. Form 8814, Parents’ Election To Report Child’s Interest and Dividends, and that would be allowed as a subtraction on your Form IL-1040, Lines 8 and 9 if you had received it rather than your child
- ◆ **Other income** included in your 2004 Form IL-1040, Line 1 or as an addition in Lines 2 and 3, that is listed in Publication 101, Income Exempt from Tax, and is not subtracted elsewhere on your Form IL-1040

See the Schedule M instructions for more information.

 Schedule M.

## Line 10: Total subtractions

Add Lines 5 through 9, and write the total on Line 10. This is the total of your subtractions.

## Line 11: Base income

Subtract Line 10 from Line 4, and write the result on Line 11. If Line 10 is blank, write the amount from Line 4. If Line 10 is greater than Line 4, write zero. **This line may not be less than zero.**

## Step 4

### Exemptions

#### Line 12: Illinois exemption allowance

To determine your exemption allowance, follow the instructions in the Exemption Tables for Lines 12a, 12b, 12c, and 12d.

Add Lines 12a through 12d, and write the total on Line 12. This is your total exemption allowance.

**Note** → If you did not file a federal return, write the number of exemptions you would have claimed if you had filed one. You may use the U.S.1040 as a worksheet to determine your exemption allowance.

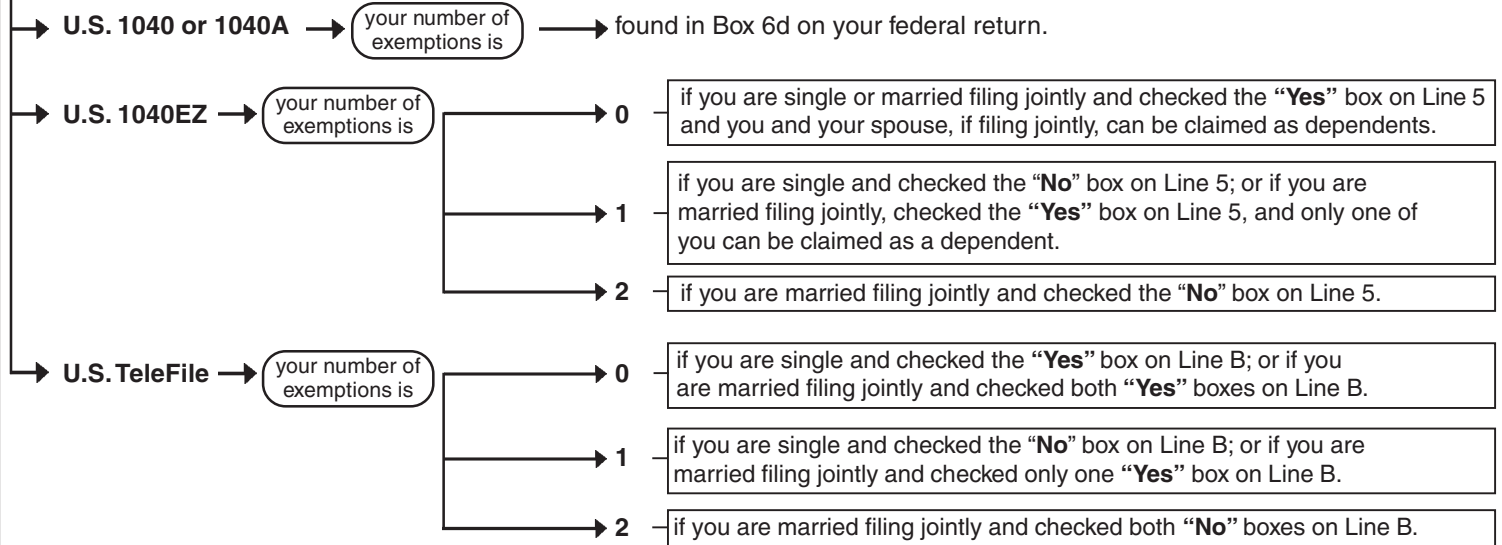


# Lines 12a-12b

## Exemption Table for Line 12a – Exemptions Claimed on Federal Return

Write on your Form IL-1040, Line 12a, the number of exemptions you claimed on your federal return. Review the chart below to determine the number of your exemptions.

### If you filed



**Example for Line 12a**      5 x \$2,000 = a \$10,000.00

**Note:** If you (or your spouse, if filing jointly) are claimed as a dependent on someone else's return or wrote "0" in the Line 12a box, refer to the Exemption Table for Line 12b.

## Exemption Table for Line 12b – Exemptions if Someone Claimed You as a Dependent

Write on your Form IL-1040, Line 12b, the number of exemptions identified below if you (or your spouse, if filing jointly) were claimed as a dependent on another person's return.

If someone claimed you as a dependent and your Form IL-1040, Line 11, is greater than \$2,000,

your number of exemptions is → 0

**Example for Line 12b**      0 x \$2,000 = b \$ 0.00

If someone claimed you as a dependent and your Form IL-1040, Line 11, is less than or equal to \$2,000,

your number of exemptions is → 1 — if you are single or married filing jointly and only one of you can be claimed as a dependent.  
 → 2 — if married filing jointly and both you and your spouse can be claimed as dependents.

**Example for Line 12b**      1 x \$2,000 = b \$2,000.00

**Note:** If you are a *nonresident* or a *part-year resident*, your base income is found on your Schedule NR, Step 5, Line 49.

## Exemption Table for Line 12c – Taxpayers 65 Years of Age or Older

Check the box on Form IL-1040, Line 12c.

If you were 65 years of age or older,  $\longrightarrow$  check your “65 or older” box.

If spouse was 65 years of age or older,  $\longrightarrow$  check your spouse’s “65 or older” box.

Example for Line 12c  You +  Spouse = 2 x \$1,000 = c \$2,000|00

## Exemption Table for Line 12d – Taxpayers Legally Blind

Check the box on Form IL-1040, Line 12d.

If you were legally blind  $\longrightarrow$  check your “legally blind” box.

If spouse was legally blind  $\longrightarrow$  check your spouse’s “legally blind” box.

Example for Line 12d  You +  Spouse = 1 x \$1,000 = d \$1,000|00

# Lines 13-16

## Step 5

### Net Income

#### Line 13: Illinois residents only – Net income


Subtract Line 12 from Line 11, and write the result on Line 13. If Line 12 is greater than Line 11, write "0." This is your net income. **This line may not be less than zero.**

**Residents:** Skip Line 14 and go to Step 6, Line 15.

#### Line 14: Nonresidents and part-year residents only – Residency and Illinois income

Check the box that identifies whether you were a nonresident or a part-year resident of Illinois during the year 2004.

Complete Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax. Write the amount from Schedule NR, Step 5, Line 49, on Line 14. **This line may not be less than zero.**

 Schedule NR.

**Note** → If you are a nonresident and your only income in Illinois is from one or more partnerships or S corporations that filed Form IL-1023-C, Composite Income and Replacement Tax Return, on your behalf, you are not required to file a Form IL-1040.

## Step 6

### Tax

#### Line 15: Tax amount

**Illinois residents only:** Multiply the amount on Line 13 by 3 percent (.03), and write the result on Line 15.

#### Example for Line 15

$$\begin{array}{r} \$33,000 \quad \times \quad .03 = \$990 \\ \text{(Line 13)} \qquad \qquad \qquad \text{(Line 15)} \end{array}$$

**Nonresidents and part-year residents only:** Write your tax amount from Schedule NR, Step 5, Line 55. **This line may not be less than zero.**

 Schedule NR.

**Note** → If you completed Schedule 4255, Recapture of Investment Tax Credits, you must also complete the Schedule 4255 Recapture Worksheet below and write the amount from Line 4 of the worksheet on Form IL-1040, Line 15.

#### Line 16: Tax amount from Page 1

Write the amount of your tax from Step 6, Line 15.




## Schedule 4255 Recapture Worksheet

**You must complete this worksheet if**

- ◆ you claimed an investment credit against your Illinois Income Tax liability on your Form IL-1040 in a previous year, **and**
- ◆ the property considered in the computation of that investment credit was disqualified within 48 months after being placed in service.

- |   |              |
|---|--------------|
| 1 Write the amount from Schedule 4255, Step 4, Line 18, Column A.   | 1 _____ ____ |
| 2 Write the amount from Schedule 4255, Step 4, Line 18, Column B.   | 2 _____ ____ |
| 3 <b>Illinois residents</b> - Multiply the amount from Form IL-1040, Line 13, by 3% (.03).<br><b>Nonresidents or part-year residents</b> -Write the amount from Schedule NR, Step 5, Line 55. | 3 _____ ____ |
| 4 Add Lines 1, 2, and 3. Write the amount here and on your Form IL-1040, Line 15.   | 4 _____ ____ |

 Schedule 4255.

## Step 7

### Payments and Credits

#### Line 17: Illinois Income Tax withheld

Write the total Illinois Income Tax withheld in 2004 as shown on your W-2, Wage and Tax Statement, forms. This amount is generally found on your W-2 forms in Box 17, State income tax. Also include any Illinois Income Tax withheld as shown on your Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., and your Form W-2G, Certain Gambling Winnings.

 the Illinois copy of each W-2, 1099-R, and W-2G form.

**Note** → If you have income from a partnership or S corporation and you were included on a Form IL-1023-C, you may enter your share of taxes paid on your behalf on Line 17 if we have given written permission for you to do so.

In order to receive credit for these payments, you must **attach** a copy of the Form IL-1023-C, a copy of your Schedule K-1-P, and a copy of the ruling you received from us allowing you to claim this credit.

#### Line 18: Estimated income tax payments


Write the total of any payments you made with

- ◆ Form IL-1040-ES, Estimated Income Tax Payments for Individuals;
- ◆ Form IL-505-I, Automatic Extension Payment for Individuals filing Form IL-1040; and
- ◆ any 2003 overpayment that was credited to your 2004 estimated tax.

**Note** → If you expect your yearly tax liability to be greater than \$500 after subtracting your withholding and credits, you are required to make estimated income tax payments. If you pay the lesser of 90 percent of this year's tax or 100 percent of last year's tax in four equal timely installments, you will not be subject to a late-payment penalty.

#### Line 19: Credit for taxes paid to other states – This credit is only for Illinois residents and part-year residents.

Refer to the Schedule CR, Credit for Tax Paid to Other States, and instructions to determine if you are eligible to take this credit. To figure the amount of credit for income tax you paid to another state, complete Schedule CR. Write the amount from Schedule CR, Line 8, on Form IL-1040, Line 19.

 a copy of your

- Schedule CR,
- other state's returns, including all supporting documents,
- W-2s showing local tax withheld, and
- letter or statement (not the federal Schedule K-1) you received from any partnership or S corporation, of which

you are a member, that paid tax for you in another state. This letter must include the partnership or S corporation's name and FEIN, your share of its income taxed by the other state, and the tax paid on your behalf.

#### Line 20: Credit for Illinois Property Tax

You must first refer to the "Illinois Property Tax Table – Line 20" on the next page to determine if you are eligible for a property tax credit.

If you determine that you are eligible for a property tax credit, **you must** complete the "Homeowner's Property Tax (PT) Worksheet" on the next page to figure the amount of credit to write on Form IL-1040, Line 20b.

**Note** → In order for your property tax credit to be processed correctly, you must write the amount from Line 3 of the PT Worksheet on Line 20a of your Form IL-1040 and the amount from Line 8 of the worksheet on Line 20b of your Form IL-1040. Please follow the arrows on your Form IL-1040.

#### **Special Note** →



**Line 19 + Line 20b cannot be greater than Line 16.**

You must complete the **PT Worksheet** in these instructions to figure the amount of your credit for Illinois Property Tax.

# Line 20

## Illinois Property Tax Table - Line 20

### Illinois Property Tax paid

You **may** figure a credit for Illinois Property Tax paid if

- ✓ your **principal residence** during 2003 was in Illinois; **and**
- ✓ you owned your residence; **and**
- ✓ your tax bill included property used for your principal residence, yard, garage, or other structure used for personal purposes; **and**
- ✓ your property tax billed in the year 2004 has been paid.

You **may not** figure a credit for Illinois Property Tax

- ✓ on taxes paid for property that is not your principal residence (*e.g.*, vacation homes, rental property, non-adjacent lots), **or**
- ✓ penalties or fees included in your property tax bill.

### Mobile home property tax

You **may** figure a credit for mobile home property tax if all the conditions above apply to you. However, you may **not** figure a credit for mobile home privilege tax.

### Illinois property you purchased

You **may** figure a credit for Illinois property you purchased during 2003 providing you figure only that portion of your taxes that pertains to the time you owned and lived at the property during 2003. You may not take a credit for taxes you paid if the seller reimbursed you at the time of closing. You also may **not** take a credit on your 2004 return for property you purchased in 2004.

### Illinois property you sold

You **may** figure a credit for Illinois property you sold in 2004 by combining all the 2003 property tax paid in 2004, as well as a portion of the 2004 tax paid based on the time you owned and lived at the property during 2004. You may **not** take a credit on your 2004 return for property sold during 2003.

### Business, rental, or farm property also used as your residence

You **may** figure a credit on only that portion of your tax bill that is **not** deductible as a business expense.

**Note** → **Part-year residents:** If you were a part-year resident of Illinois during 2003, you may only figure a property tax credit on the portion of your taxes that pertains to the time you owned and lived at the property.



## Homeowner's Property Tax (PT) Worksheet

**You must complete this worksheet if you are eligible for the Illinois Property Tax credit as explained in the Illinois Property Tax Table. Nonresidents may not claim this credit.**

- 1 Write the total amount of Illinois Property Tax **paid** in the year **2004** for the real estate that includes your principal residence. 1 \_\_\_\_\_|\_\_\_\_
- 2 Write the portion of your tax bill that is deductible as a business expense on U.S. Schedule C, E, or F or other U.S. income tax forms or schedules, whether or not you actually took the federal deduction. 2 \_\_\_\_\_|\_\_\_\_
- 3 Subtract Line 2 from Line 1. Write the amount here and on **Line 20a** of your Form IL-1040. 3 \_\_\_\_\_|\_\_\_\_
- 4 Multiply Line 3 by 5% (.05). 4 \_\_\_\_\_|\_\_\_\_
- 5 Write the amount of income tax from Form IL-1040, Line 16. 5 \_\_\_\_\_|\_\_\_\_
- 6 Write the amount of credit for tax paid to other states from Form IL-1040, Line 19. 6 \_\_\_\_\_|\_\_\_\_
- 7 Subtract Line 6 from Line 5. This is your tax. 7 \_\_\_\_\_|\_\_\_\_
- 8 Compare the amounts on Line 4 and Line 7. Write the lesser amount here and on Form IL-1040, **Line 20b**. This is your Illinois Property Tax Credit. 8 \_\_\_\_\_|\_\_\_\_

**Note** → **Be sure to keep this worksheet, proof of your property tax paid, and copies of any closing statements with your income tax records. You must submit this information to us if we request it.**

## Line 21: Credit for K-12 education expenses

You must refer to the “**Education Expense Table - Line 21**” on the next page to determine if

- ◆ you are eligible for an education expense credit, **and**
- ◆ the education expenses you paid qualify for this credit.



You **may not** include education expenses paid to a daycare, preschool, college, university, independent tutoring service, or a trade school. You **may not** include education expenses paid for yourself or your spouse.

If you determine that you are eligible for an education expense credit and you received a “Receipt for Qualified K-12 Education Expenses” from your student’s school, you must complete the “**Education Expense (ED) Worksheet**” on the next page to figure the amounts to write on Form IL-1040, **Lines 21a and 21b**.

### ? What should I do with the “Receipt for Qualified K-12 Education Expenses” I received from the school?

If you received a receipt from the school and you determine that you are eligible for an education expense credit, complete the ED Worksheet using the total amount shown on the receipt.

The receipt you received from the school must contain the following information in order for you to claim the credit:

- ◆ the calendar year (January through December) during which you paid the education expenses
- ◆ the name and address of the school
- ◆ the name and address of the parent or legal guardian
- ◆ the name and Social Security number of each qualifying student
- ◆ the grade in which each student was enrolled during the calendar year
- ◆ the total education expenses paid for each student for tuition, book fees, and lab fees during the calendar year

If the receipt does not contain all the information required, you should contact the school for a proper receipt.



“Receipt for Qualified K-12 Education Expenses.”

### ? What if I did not receive a “Receipt for Qualified K-12 Education Expenses” from the school?

If you did not obtain a receipt from the school and you are eligible for the education expense credit, you must complete Schedule ED, Credit for K-12 Education Expenses, to determine the amounts to write on Form IL-1040, Line 21a and Line 21b.

For a copy of this schedule, refer to “For Forms and Publications” on the back page of this booklet.



Schedule ED.

### ? What if I home school my child(ren)?

If you home school your child(ren), you may be eligible for an education expense credit for qualifying education expenses paid during the calendar year. Please refer to the “**Education Expense Table - Line 21**” on the next page for a list of qualified education expenses.



Schedule ED and copies of receipts for education expenses you paid.

### ? How much credit will I be allowed?

You will be allowed 25 percent of your student’s qualified education expenses after the first \$250. Your total credit may not exceed \$500 in any year, regardless of the number of qualifying students.



In order for your education expense credit to be processed correctly, you must write the amount from Line 1 of the ED Worksheet (or Schedule ED, if you did not receive a receipt) on Line 21a of your Form IL-1040, and the amount from Line 10 of ED Worksheet (or Schedule ED, if you did not receive a receipt) on Line 21b of your Form IL-1040. Please follow the arrows on your Form IL-1040.

For more details concerning the Education Expense credit, refer to Informational Bulletin FY 2000-19, Education Expense Credit for Individuals.

### Special Note



**Line 19 + Line 20b + Line 21b cannot be greater than Line 16.**

You must complete the **ED Worksheet** in these instructions (or **Schedule ED** if you did not receive a receipt from the school) to figure the amount of your education expense credit.

# Line 21

## Education Expense Table - Line 21

### Education expense credit

**You may figure** a credit for the education expenses you paid during 2004 if

- ✓ you were the parent or legal guardian of a full-time student who was under the age of 21 at the close of the school year,
- ✓ you and your student were Illinois residents, and
- ✓ your student attended **kindergarten through twelfth grade** at a public or nonpublic school in Illinois during 2004.

**You may not figure** a credit for the education expenses you paid during 2004 if

- ✓ your student attended only daycare, preschool, college, university, independent tutoring service, or a trade school.
- ✓ your student turned 21 years of age during the school year.
- ✓ another parent or legal guardian claimed the full education expense credit for the same student on his or her tax return.
- ✓ you are not the student's parent or legal guardian.

**Note** → If you are the parents or legal guardians of a qualified student and you are filing separate Illinois returns, you may each claim an education expense credit. However, you may not both claim a credit for the same expenses, and the total amount of credit claimed between both parents or guardians may not exceed \$500.

### Qualified education expenses

Your education expenses **will qualify** if the expenses are in excess of \$250, and you paid them to the school during the 2004

calendar year. Qualified education expenses include

- ✓ **tuition** (including summer school classes required for elementary or secondary graduation requirements).
- ✓ **book fees** covering the rental of books that were required as a part of the school's education program.
- ✓ **lab fees** covering the use of supplies, equipment, materials, or instruments that were required as part of a lab course in the school's education program.

**For example**, if you **rented** a musical instrument **from the school** (not from a business)

- ◆ for a class, or
- ◆ for participation in an extracurricular activity that resulted in a credit toward completion of the school's education program, this rental expense qualifies as an education expense.

Education expenses **that do not qualify** for this credit include

- ✓ expenses paid for the **purchase** of supplies, books, or equipment that are not significantly used up during the school year, *e.g.*, purchasing musical instruments, costumes for a play.
- ✓ expenses paid for the use of supplies, equipment, materials, or instruments if the program does not result in a credit towards completion of the school's education program.
- ✓ expenses paid directly to a business, *e.g.*, renting a musical instrument from a music store.
- ✓ expenses for after school care, even if paid to the school.



## Education Expense (ED) Worksheet

**Complete this worksheet only if you received a receipt from the school. Otherwise, complete Schedule ED.**

- |    |   |    |                   |
|----|---|----|-------------------|
| 1  | Write the <b>total amount</b> of qualified expenses that you paid during 2004 from your receipt. If less than \$250, stop here. If greater than \$250, write the amount here and on <b>Line 21a</b> of your Form IL-1040. | 1  | _____   _____     |
| 2  | You may <b>not</b> take a credit for the first \$250 paid for your family's education expenses.   | 2  | <b>\$250   00</b> |
| 3  | Subtract Line 2 from Line 1.  | 3  | _____   _____     |
| 4  | Multiply the amount on Line 3 by 25% (.25).   | 4  | _____   _____     |
| 5  | Write the amount of income tax from Form IL-1040, Line 16.  | 5  | _____   _____     |
| 6  | Write the amount of credit for tax paid to other states from Form IL-1040, Line 19.   | 6  | _____   _____     |
| 7  | Write the amount of property tax credit from Form IL-1040, Line 20b.  | 7  | _____   _____     |
| 8  | Add Lines 6 and 7.  | 8  | _____   _____     |
| 9  | Subtract Line 8 from Line 5.  | 9  | _____   _____     |
| 10 | Compare the amount on Line 4, the amount on Line 9, and \$500. Write the lesser amount here and on your Form IL-1040, <b>Line 21b</b> . This is your education expense credit.  | 10 | _____   _____     |

**Note** → **Be sure to keep this worksheet with your income tax records. However, you must attach the receipts you received from the school to your Form IL-1040.**

## Line 22: Earned Income Credit

If you qualified for a **federal** Earned Income Credit (EIC), you may also qualify for the Illinois Earned Income Credit, which has been made refundable for certain taxpayers. Complete the “**Earned Income Credit (EIC) Worksheet**” to determine the amount of credit to write on Line 22b of your Illinois return.


If you **did not** qualify for a federal Earned Income Credit, you will not be allowed this credit on your Illinois return.

Write the amount of your federal Earned Income Credit on Line 1 of the EIC Worksheet. You will find your Earned Income Credit on your U.S. 1040, Line 65a; U.S. 1040A, Line 41a; U.S. 1040EZ, Line 8; or U.S. TeleFile Tax Record, Line L. Follow the instructions on the worksheet for Lines 2 through 12.

**Nonresidents and part-year residents:** You must apportion your credit between the amount of your income taxed by Illinois and the amount of your income not taxed by Illinois by completing the EIC Worksheet.

**Note** → You must keep a copy of your federal Schedule EIC, federal EIC worksheet, or any other documentation that verifies the amount of your federal EIC and submit it to us if we request it.

**In order for your earned income credit to be processed correctly you must** write the amount from Line 1 of your Illinois EIC Worksheet on Line 22a of your Form IL-1040 and the amount from Line 12 (or Line 4 if you are not required to complete Lines 6 through 12) of the worksheet on Line 22b of your Form IL-1040. Please follow the arrows on your Form IL-1040.

 You must **check the box under Line 22b** if you were an Illinois resident at the end of 2004, you are claiming the Illinois Earned Income Credit, and you have a qualifying child (see IRS Publication 596, Earned Income Credit, for the definition of a qualifying child) who

- was born after December 31, 1986,
- is not a foster child, **and**
- lived with you for more than half of 2004.

**Note** → If you are eligible for the Illinois Earned Income Credit and you are not required to complete Lines 6 through 12 of the EIC Worksheet, your Illinois Earned Income Credit will not be limited to the amount of tax you owe.



## Earned Income Credit (EIC) Worksheet

<p><b>1</b> Write the amount of federal EIC as shown on your U.S. 1040, Line 65a; U.S. 1040A, Line 41a; U.S. 1040EZ, Line 8; or U.S. TeleFile Tax Record, Line L. Write the amount here and <b>on Line 22a of your Form IL-1040.</b></p>	<b>1</b>	_____   _____
<p><b>2</b> Multiply the amount on Line 1 by 5% (.05).</p>	<b>2</b>	_____   _____
<p><b>3</b> <b>Illinois residents:</b> Write 1.0. <b>Nonresidents and part-year residents:</b> Write the decimal from your completed Schedule NR, Step 5, Line 51.</p>	<b>3</b>	____ . _____
<p><b>4</b> Multiply Line 2 by the decimal on Line 3.</p>	<b>4</b>	_____   _____
<p><b>5</b> Were you an <b>Illinois resident</b> at the end of 2004, with a qualifying child who</p> <ul style="list-style-type: none"> <li>● was born after 12/31/86, <b>and</b></li> <li>● is not a foster child, <b>and</b></li> <li>● lived with you for more than half of 2004?</li> </ul> <p>◆ <b>If you checked “Yes,” STOP here, and</b></p> <ul style="list-style-type: none"> <li>● write the amount from Line 4 of this worksheet on Line 22b of your Form IL-1040, <b>and</b></li> <li>● check the box under Line 22b of your Form IL-1040. This is your Illinois Earned Income Credit.</li> </ul> <p>◆ <b>If you checked “No,” continue on to Line 6.</b></p>	<b>5</b>	Yes <input type="checkbox"/> No <input type="checkbox"/>
<p><b>6</b> Write the amount of income tax from Form IL-1040, Line 16.</p>	<b>6</b>	_____   _____
<p><b>7</b> Write the amount of credit for tax paid to other states from Form IL-1040, Line 19.</p>	<b>7</b>	_____   _____
<p><b>8</b> Write the amount of property tax credit from Form IL-1040, Line 20b.</p>	<b>8</b>	_____   _____
<p><b>9</b> Write the amount of education expense credit from Form IL-1040, Line 21b.</p>	<b>9</b>	_____   _____
<p><b>10</b> Add Lines 7, 8, and 9.</p>	<b>10</b>	_____   _____
<p><b>11</b> Subtract Line 10 from Line 6. This is your tax.</p>	<b>11</b>	_____   _____
<p><b>12</b> Compare the amounts on Line 4 and Line 11. Write the lesser amount here and on your Form IL-1040, <b>Line 22b</b>. This is your Illinois Earned Income Credit.</p>	<b>12</b>	_____   _____

**Note** → Keep this worksheet with your income tax records.




# Lines 23-27a

## Line 23: Credit from Schedule 1299-C

Write the amount from Schedule 1299-C, Income Tax Subtraction and Credits for Individuals, Step 5, Line 65. Schedule 1299-C allows you to reduce your tax by taking the following credits:

- ◆ “TECH–PREP” Youth Vocational Programs Credit
- ◆ Dependent Care Assistance Program Credit
- ◆ Jobs Tax Credit
- ◆ High Impact Business Investment Credit
- ◆ Enterprise Zone Investment Credit
- ◆ Economic Development for a Growing Economy Tax Credit
- ◆ Tax Credit for Affordable Housing Donations
- ◆ Environmental Remediation Tax Credit (credit carry forward only)
- ◆ Research and Development Credit
- ◆ Film Production Services Tax Credit
- ◆ Transportation Employee Credit

 Schedule 1299-C.

## Line 24: Total payments and credits

Add Lines 17, 18, 19, 20b, 21b, 22b, and 23, and write the total on Line 24.

### Special Note →

**Line 19 + Line 20b + Line 21b + Line 23 (+ Line 22b if you checked the “no” box on Line 5 of the EIC Worksheet) cannot be greater than Line 16.**

## Step 8

### Overpayment or Tax Due

#### Line 25: Overpayment

If Line 24 is greater than Line 16, subtract Line 16 from Line 24. This is the amount of your overpayment.

#### Line 26: Tax due

If Line 16 is greater than Line 24, subtract Line 24 from Line 16. This amount is your tax due.


## Step 9

### Penalty

#### Line 27: Late-payment penalty for underpayment of estimated tax

If you owe more than **\$500** in tax when you file, *i.e.* Line 16 minus the total of Lines 17, 19, 20b, 21b, 22b, and 23, you may owe a late-payment penalty for underpayment of estimated tax. Refer to Form IL-2210, Computation of Penalties for Individuals, for more details.

If you owe this penalty, you may prefer for us to figure your penalty and bill you, or you may complete Form IL-2210 to determine the penalty. If you decide to figure this penalty, write the late-payment penalty for underpayment of estimated tax amount from Form IL-2210, Line 28, on Form IL-1040, Line 27.

 **Note →** If you owe the late-payment penalty because you underpaid your estimated tax, you may want your employer to increase the amount of Illinois Income Tax withheld from your pay.


If your income is not subject to withholding or you do not want to increase the amount withheld from your pay, you should make timely estimated tax payments with Form IL-1040-ES, Estimated Income Tax Payments for Individuals.

For more information on making estimated tax payments, refer to the instructions for Form IL-1040-ES, Estimated Income Tax Payments for Individuals.

#### Line 27a: Annualized income or nursing home residents

**Check the box** on Form IL-1040, Step 9, Line 27a, if you

- ◆ annualized your income on Form IL-2210, or
- ◆ are 65 years of age or older and you permanently live in a nursing home.

 Form IL-2210 if you annualized your income.

## Line 27b: Farmers

Check the box on Form IL-1040, Step 9, Line 27b, if at least two-thirds of your total federal gross income came from farming. Total federal gross income includes your spouse's income if your filing status is "married filing jointly."

### What is federal gross income from farming?

"Federal gross income from farming" is the amount of income you received from your participation in the production of crops, fruits, fish, livestock (used for draft, breeding, or dairy purposes), or other agricultural products. This includes income from the operation of a stock, dairy, poultry, fruit, or truck farm, plantation, ranch, nursery, range, or orchard – regardless of whether the operation is organized as a sole proprietorship, a partnership, an S corporation, or a trust. "Federal gross income from farming" also includes a share of crops produced in exchange for the use of the land.

"Federal gross income from farming" does not include payments from the sale of farm land and farm equipment, nor does it include income received by a custom grain harvester who performs grain harvesting and hauling services on farms he or she does not own, rent, or lease. It also does not include the wages of a farm employee or cash rent.

## Step 10

## Donations

### Line 28: Voluntary contributions

You may contribute to one or more of the following state funds. Contributions to the funds may be in any amount (\$1 or more) and will decrease your overpayment or increase your balance due. Write the amount you wish to contribute on Lines 28a through 28i.

You cannot change your contributions to these funds on an amended return.

- a Wildlife Preservation Fund** - The survival of Illinois' native plants and animals is being constantly challenged through habitat loss and Illinois' changing landscape. Your contribution provides researchers and educators the means to address important issues regarding the preservation of our wildlife.
- b Child Abuse Prevention Fund** - Nearly 100,000 children will be reported this year as victims of abuse or neglect. Your contribution will support programs in your community designed to help families parent well and prevent abuse of their children.
- c Alzheimer's Disease Research Fund** - More than 210,000 Illinois residents suffer from Alzheimer's disease. Grants from this fund will help support important research to find a cure and treatment for this devastating disease.

- d Assistance to the Homeless Fund** - Your contribution supports local agencies that provide shelter, meals, and services needed by homeless families and individuals. The assistance given by the local not-for-profit organizations enables homeless people to regain residence in the community and maintain their independence.
- e Penny Severns Breast and Cervical Cancer Research Fund** - Breast and cervical cancers account for nearly one-third of all cancers diagnosed annually in Illinois. Contributions to this fund will help to support research in areas related to breast and cervical cancer prevention, early detection, and treatment of these cancers.
- f Multiple Sclerosis Assistance Fund** - Multiple Sclerosis (MS) is a chronic, often disabling disease of the central nervous system that generally strikes people between the ages of 20 and 50. Your donation to the Multiple Sclerosis Assistance Fund will help fund research and treatment and provide hope for thousands of individuals with MS and their families.
- g Military Family Relief Fund** - Thousands of members of the Illinois National Guard and reserves were called to active duty following the September 11, 2001, terrorist attacks. Your contribution will help guard members and reservists and members of their families defray expenses that become difficult to afford when a wage-earner temporarily leaves civilian employment for active military duty.
- h Lou Gehrig's Disease (ALS) Research Fund** - Amyotrophic Lateral Sclerosis (ALS), also known as Lou Gehrig's Disease, is a neuromuscular disease. Contributions to this fund will support the Les Turner ALS Foundation for research on this disease.
- i Illinois Veterans' Home Fund** - More than 1,000 veterans and their spouses call one of the four Illinois Veterans' Homes "home." Contributions to this fund will be used to purchase supplies and equipment that will be used to enhance the lives of the residents and to enhance the operations of the Homes.

Add Lines a through i, and write the total on Line 28.

### Line 29: Total penalty and donations

Add Line 27 and Line 28, and write the total on Line 29.

# Lines 30-34

## Step 11

### Refund or Amount You Owe

#### Line 30: Overpayment after penalties and donations

If you have an overpayment on Line 25 and this amount is greater than Line 29, subtract Line 29 from Line 25 and write the result on Line 30.

#### Line 31: Overpayment applied to next year

Write the amount of your 2004 overpayment that you wish to apply to your 2005 Illinois estimated tax. If for any reason this amount is reduced, you may owe a late-payment penalty for underpayment of estimated tax for the following year.

**Note** → We will reduce any refund, contribution, or credit to your 2005 estimated tax by the amount of any outstanding income tax, penalties, and interest you may owe in the current year or any other year.

#### Line 32: Refund

Subtract Line 31 from Line 30. This is your refund. We will not refund or credit any amount less than \$1.

#### Line 33: Direct deposit your refund

You may deposit your refund directly into your checking or savings account. **If you use direct deposit, you will get your refund faster.**

#### ? What should I do to deposit my refund directly into my checking account?

If you choose to deposit your refund directly into your checking account, you must

- ◆ enter your routing number on Line 33. Your routing number must be nine digits and the first two digits must be 01 through 12 or 21 through 32. The sample check on the next page has an example of a routing number.
- ◆ check the appropriate box on Line 33 to indicate that you want your refund deposited into your checking account.
- ◆ enter your account number on Line 33. Your account number may be up to 17 digits. The sample check on the next page has an example of an account number.

**Include** hyphens, but omit spaces and special symbols. Do not be concerned if you have unused boxes. Do **not** include your check number.

#### ? What should I do to deposit my refund directly into my savings account?

If you choose to deposit your refund directly into your savings account, you must

- ◆ follow the directions for "What should I do to deposit my refund directly into my checking account," **except** you must contact your financial institution for your routing and account numbers, and
- ◆ check the appropriate box on Line 33 to indicate that you want your refund deposited into your savings account.

**Note** → Do not take your account and routing numbers from your checking or savings account deposit slip. Also, some financial institutions may not allow a refund to be deposited into an account if the names on the account are not the same names that appear on the refund. If, for some reason, your financial institution does not honor your request for direct deposit, we will send you a check instead.

#### Line 34: Amount you owe

If you have tax due on Line 26, add Line 26 to Line 29, and write the result on Line 34. This is the amount of tax, penalty, and donations that you owe.

Or

If you have an overpayment on Line 25 and this amount is less than Line 29, subtract Line 25 from Line 29. Write the result on Line 34. This is the amount of tax, penalty, and donations that you owe.

If Line 34 is less than \$1, you do not have to pay.

**Your tax payment is due on or before April 15, 2005.**

#### ? What options do I have to pay the amount I owe?

You have three options to pay the amount you owe. You may pay by

- ◆ electronic funds withdrawal (electronic payment taken from your checking or savings account);
- ◆ Visa, MasterCard, Discover, or American Express; or
- ◆ check or money order.

## ? What should I do to pay the amount I owe through electronic funds withdrawal?

If you choose to pay the amount you owe by electronically withdrawing your payment from your checking or savings account, visit our web site at [www.ILtax.com](http://www.ILtax.com), or talk to your tax professional.

You will need the same information that is required for direct deposit. See the instructions for Line 33.

Our web site will give you additional information on how to pay through electronic funds withdrawal. To use our web site you will also need

- ◆ your routing number. Your routing number must be nine digits and the first two digits must be 01 through 12 or 21 through 32. See the sample check for an example of a routing number.
- ◆ your account number. Your account number can be up to 17 digits. See the sample check for an example of an account number.
- ◆ to indicate if you want your debit from your checking or savings account.

**Note** Include hyphens, but omit spaces and special symbols when entering your account and routing numbers. Do not include your check number.

**Warning:** Many credit unions will not allow an electronic withdrawal from a savings account. Please check with your financial institution for further details.

## ? What should I do if I want to pay the amount I owe by credit card?

If you choose to pay the amount you owe by Visa, MasterCard, Discover, or American Express

- ◆ visit – [www.officialpayments.com](http://www.officialpayments.com), or
- ◆ call – 1 800 2PAYTAX (1 800 272-9829).

Be sure you have your credit card ready. If you pay by telephone, you will be asked to enter a Jurisdiction Code. The Jurisdiction Code is **2300**.

There will be an additional convenience fee assessed to your credit card account by the credit card service provider.

## ? What should I do if I want to pay the amount I owe by check or money order?

Make your check or money order payable to the "Illinois Department of Revenue" (not IRS). Write your Social Security number, your spouse's Social Security number if filing jointly, and the tax year in the lower left corner of your payment.

If you are sending a check or money order to pay the tax, penalty, and donations of another taxpayer, write that taxpayer's name, Social Security number, and tax year in the lower left corner of the payment.

If you reside in a foreign country, your payment must be U.S. negotiable currency expressed in U.S. dollars and drawn on a U.S. bank.

### Do not send cash.

If you file using a paper Form IL-1040, mail your check or money order together with your return to:

ILLINOIS DEPARTMENT OF REVENUE  
SPRINGFIELD IL 62726-0001.

**Attach** your check or money order to the front of your paper Form IL-1040.

If you file using one of our electronic methods, mail your check or money order to the address above. **Do not** enclose a copy of your return.

## ? What if I do not file or pay on time?

If you do not file or pay the proper amount of tax on time, you may owe additional penalties and interest. We will send you a billing notice for any penalties or interest that are due. However, if you prefer to figure your penalties, complete Form IL-2210, Computation of Penalties for Individuals. Include any late-payment penalty for underpayment of estimated tax on Form IL-1040, Line 27.

You will include any late-payment penalty for unpaid tax and late-filing penalty on Form IL-2210, Line 35.

For more information about penalties and interest, see Publication 103, Uniform Penalties and Interest.

**Dylan Taxpayer**  
**Jenna Taxpayer**  
1040 Square  
Lincoln Land, IL 12345

Date \_\_\_\_\_

**PAY TO THE ORDER OF** \_\_\_\_\_ \$  **DOLLARS**

**The Land Bank**  
Land IL 12345

Memo \_\_\_\_\_

Routing number: **9101112131415**

Account number: **123456789**

9876

**Do not include your check number**

# Line 34

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## Step 12

### Sign and Date

Sign and date your return. If you are filing jointly, your spouse also must sign and date the return. If you are filing for a minor as a parent or guardian, you must sign and date the return.

**If you do not sign** your return, it will not be considered filed and you may be subject to a nonfiler penalty. In addition, if you do not sign your return and three years have passed since the extended due date of that return, any overpayment will be forfeited. If you paid someone to prepare your return, that individual also must provide a handwritten signature, date the return, and provide his or her telephone number and tax identification number. Staple all required copies of forms and schedules, powers of attorney, and letters of estate or office to the tax return.

Write your **daytime telephone** number. If a problem arises in processing your return, it is helpful for us to have a telephone number where we can reach you during our business hours, which are from 8 a.m. to 5 p.m.

#### **Where should I mail my income tax return?**

If no payment is enclosed, mail your return to the

ILLINOIS DEPARTMENT OF REVENUE  
SPRINGFIELD IL 62719-0001.

If a payment is enclosed, mail your return to the

ILLINOIS DEPARTMENT OF REVENUE  
SPRINGFIELD IL 62726-0001



- **Attach supporting documents** to your return.
- If you have an entry on any of the lines identified below and do not attach the required supporting documents to your return, your entry will be disallowed, and any refund you are entitled to will be delayed.

**If you completed:**



<p>→ <b>Line 3</b> → Other additions to income</p>	<p>✓ Illinois Schedule M</p>
<p>→ <b>Line 5</b> → Federally taxed Social Security benefits and certain federally taxed retirement income</p>	<p>✓ U.S. 1040 or U.S. 1040A, Page 1 ✓ Form W-2 ✓ 1099-R or SSA-1099, if applicable ✓ U.S. 1040, Schedule D, Pages 1 and 2, if applicable ✓ Form IL-4644, if applicable</p>
<p>→ <b>Line 6</b> → Military pay</p>	<p>✓ Form W-2 showing military pay</p>
<p>→ <b>Line 8</b> → U.S. government obligations and U.S. agency income</p>	<p>✓ U.S. 1040, Schedule B, or U.S. 1040A, Schedule 1, identifying each U.S. government obligation separately; and a copy of any statement you received from a mutual fund</p>
<p>→ <b>Line 9</b> → Other subtractions to income</p>	<p>✓ Illinois Schedule M and any other required support listed on Schedule M</p>
<p>→ <b>Line 14</b> → Nonresident or Part-year resident</p>	<p>✓ Illinois Schedule NR</p>
<p>→ <b>Line 15</b> → Recapture of investment credits</p>	<p>✓ Illinois Schedule 4255, if applicable</p>
<p>→ <b>Line 17</b> → Illinois Income Tax withheld</p>	<p>✓ All W-2, 1099-R, and W-2G forms showing Illinois state tax withheld. Be sure to attach to the front of your Form IL-1040 ✓ IL-1023-C, K-1-P, and a copy of the ruling you received from the department, if applicable</p>
<p>→ <b>Line 19</b> → Income tax paid to another state</p>	<p>✓ Illinois Schedule CR, complete copies of out-of-state income tax returns, that state's supporting documents, and W-2 forms to support any local taxes paid</p>
<p>→ <b>Line 21</b> → Education expense</p>	<p>✓ Receipt for Qualified K-12 Education Expenses or Schedule ED</p>
<p>→ <b>Line 23</b> → Additional credits</p>	<p>✓ Illinois Schedule 1299-C</p>
<p>→ <b>Line 27</b> → Self-assessed penalty</p>	<p>✓ Form IL-2210, if you annualized your income and checked the box on Line 27a</p>

# Customer Connection

for all your tax needs



Go to [www.ILtax.com](http://www.ILtax.com) → 24 hours a day, 7 days a week

- Learn about our electronic filing options
- Obtain your IL-PIN
- Get your Form 1099-G information
- Check your estimated payments
- Check your refund status
- Make payments using electronic funds withdrawal (IL-1040, IL-1040-ES, and IL-505-I)
- Get more information about a notice (ITR-76) or a bill (ITR-85)
- Get answers to frequently asked questions
- Find a tax preparer in your area
- Change your address



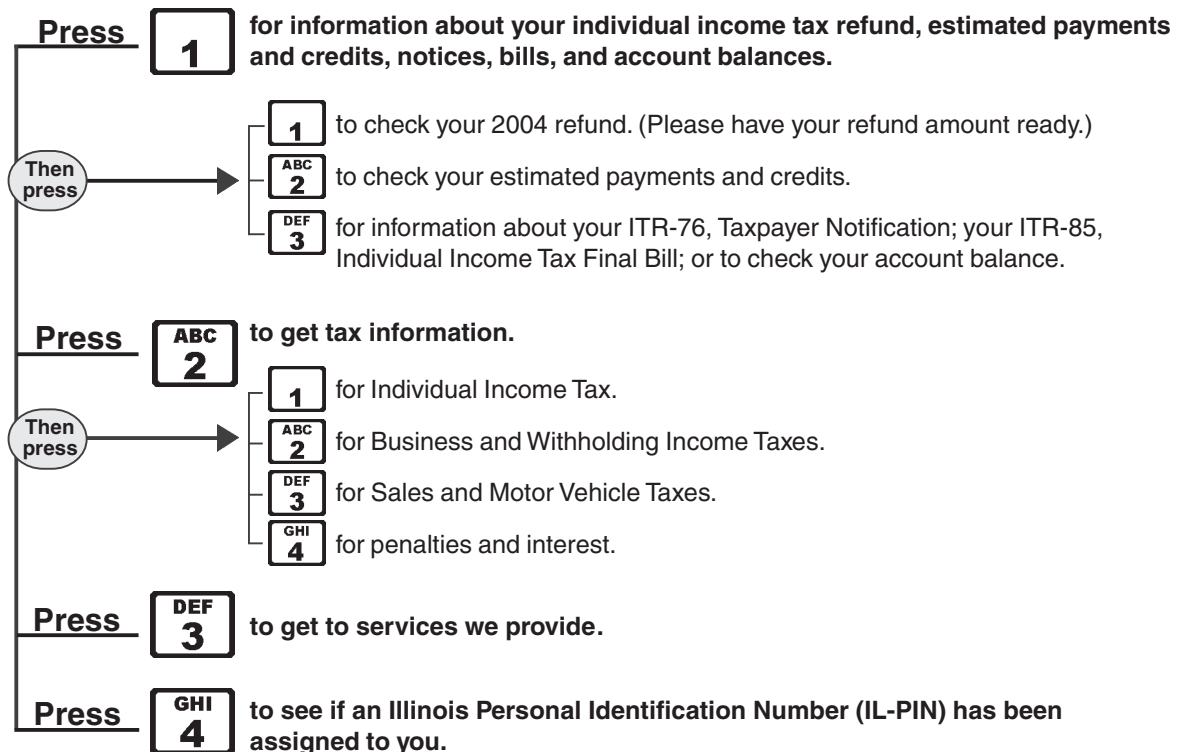
Call 1 800 732-8866 or 217 782-3336

- to speak with our staff . . . hours are same as Springfield “Walk-in” hours on the back page
- for automated tax assistance . . . 24 hours a day, 7 days a week

The number for our TDD (telecommunications device for the deaf) is 1 800 544-5304.

To better insure access to your information, we suggest calling our automated system during our nonbusiness hours: before 8 a.m. and after 5 p.m.

Please have your Social Security number ready when you call.




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# For Tax Assistance

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## Internet or Phone

Use  **Customer Connection** located on the previous page for internet and phone assistance.

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## Walk-in

Walk in to any location listed below. Extended hours will be available through April 15 **only** in our Springfield and Chicago offices.

Willard Ice Building — 101 West Jefferson — **Springfield** 62702

**Business hours:** 8:00 a.m. to 5:00 p.m.

**Extended hours**

April 4 - April 8	Monday through Friday	7:30 a.m. - 6:00 p.m.
April 9	Saturday	9:00 a.m. - 12:00 noon
April 11 - April 15	Monday through Friday	7:30 a.m. - 7:00 p.m.

James R. Thompson Center — 100 West Randolph Street — Concourse Level — **Chicago** 60601

**Business hours:** 8:30 a.m. to 5:00 p.m.

**Extended hours**

April 11 - April 15	Monday through Friday	7:30 a.m. - 6:00 p.m.
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Maine North Regional Building — 9511 Harrison Street FA203 — **Des Plaines** 60016

15 Executive Drive — Suite 2 — **Fairview Heights** 62208

2309 W. Main — Suite 114 — **Marion** 62959

200 S. Wyman Street — **Rockford** 61101

Century Plaza — 45 Eisenhower Drive — Suite 2 — **Paramus, NJ** 07652

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## For Forms and Publications

— Visit our web site at [www.Iltax.com](http://www.Iltax.com).

— Call our 24-hour Forms Order Line at **1 800 356-6302**. Our telephones are available seven days a week.

— Write to Illinois Department of Revenue, P.O. Box 19010, Springfield, Illinois 62794-9010.

— During the filing season, Illinois forms are available at most post offices and libraries and at any taxpayer assistance office.

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## For Other Assistance

— **For federal tax information** — Call the IRS at **1 800 829-1040** or visit their web site at [www.IRS.gov](http://www.IRS.gov).

— **For other free tax help for low-income and senior taxpayers** — Visit a free tax preparation assistance location. To locate a site near you, visit [www.Iltax.com](http://www.Iltax.com), check our Customer Connection, or, if you live in Chicago, call **311**.

— **For KidCare and FamilyCare information** — Free or low-cost health insurance is available for low-income families. Call the Illinois Department of Public Aid toll free at **1-866-4-OUR-KIDS** (TTY at **1 877 204-1012**), or visit [www.kidcareillinois.com](http://www.kidcareillinois.com) for more information.

