



Step 1: Provide the following information

Write your name as shown on your return.

Write your Social Security number (SSN) or federal employer identification number (FEIN).

Step 2: Figure your Illinois special depreciation addition

- 1 Write the total amount claimed as a special depreciation allowance on federal Form 4562, Depreciation and Amortization, Line 14 or Line 25, for property acquired after September 10, 2001. Do not include any special depreciation for property that you sold or transferred in this tax year. See instructions. 1
2 Individuals only: If you completed a federal Form 2106, Employee Business Expenses, write the total amount claimed as a special depreciation allowance on Lines 4 and 31, minus any IRC, Section 179 deduction, for property acquired after September 10, 2001. See instructions. Do not include any special depreciation claimed on federal Schedule A, Itemized Deductions, or special depreciation for property that you sold or transferred in this tax year. See instructions. 2
3 Sales or transfers only: If you sold or transferred property during this tax year in a transaction for which you reported a capital gain or loss on your federal return, you must reverse all the subtractions claimed on this property. Write the total amount of all Illinois depreciation subtractions claimed on prior year IL-4562 forms, Step 3, Line 8, for this property. 3
4 Add Lines 1 through 3. This is your Illinois special depreciation addition. Write the total here and see instructions for the list of Illinois form and line references to report this addition. 4

Step 3: Figure your Illinois depreciation subtraction

- 5 Write the portion of depreciation allowance claimed on federal Form 4562, Line 17, plus Line 19, Column g, or Line 26, Column h, only for property for which you reported an addition modification for this tax year or any prior tax year on Form IL-4562, Step 2, Line 1. Do not include any depreciation for property that you sold or transferred in this tax year. See instructions. 5
6 Individuals only: If you completed a federal Form 2106, subtract Line 31 from Line 38 and write the portion of depreciation allowance claimed (but not less than zero), only for property that you reported an addition modification for this tax year or any prior tax year on Form IL-4562, Step 2, Line 2. Do not include any depreciation for property that you sold or transferred in this tax year. See instructions. 6
7 Add Lines 5 and 6. 7
8 Multiply Line 7 by 42.9% (0.429). 8
9 Sales or transfers only: If you sold or transferred property during this tax year in a transaction for which you reported a capital gain or loss on your federal return, then you should reverse the special depreciation addition you reported on any prior year Form IL-4562 for this property. Write the Illinois special depreciation addition reported on any prior year Form IL-4562, Step 2, Line 1 plus Line 2, for this property. 9
10 Add Lines 8 and 9. This is your Illinois depreciation subtraction for this year. Write the total here and see instructions for the list of Illinois form and line references to report this subtraction. 10

Attach this form to your Illinois return.



# Form IL-4562 Instructions

For tax years ending on or after September 11, 2001.

**Please note:** Form IL-4562 should be filed by taxpayers who file an income or replacement tax return and report special depreciation on their federal Form 4562 or Form 2106.

## General Information

### What is the purpose of this form?

The purpose of Form IL-4562 is to reverse the effects of the 30 percent or 50 percent "bonus depreciation" allowed by IRC, Section 168(k) for depreciable property placed in service between September 10, 2001, and September 11, 2004.

Step 2 of this form figures your Illinois special depreciation addition as required by the new Illinois legislation. When you sell or transfer property, this step also reverses the Illinois depreciation subtractions you claimed on prior year IL-4562 forms.

Step 3 of this form figures your Illinois depreciation subtraction as required by the new Illinois legislation. When you sell or transfer property, this step also reverses the "bonus depreciation" add back you reported on any prior year Form IL-4562.

**Note** → If you filed more than one federal Form 4562, be sure to add the amounts from all federal Forms 4562 and write the total amounts on this form.

### Who must use Form IL-4562?

You must use Form IL-4562 if you are filing an Illinois income or replacement tax return and you reported special depreciation on your federal Form 4562 or Form 2106.

Step 2, Line 4, of this form instructs you as to which line on your Illinois return to report the Illinois special depreciation addition. Step 3, Line 10, of this form instructs you as to which line on your Illinois return to report the Illinois depreciation subtraction.

**Unitary group:** If you are filing an Illinois combined return, complete one Form IL-4562 for the entire unitary business group.

**Form IL-1023-C filers:** If you are filing Form IL-1023-C, Composite Income and Replacement Tax Return, report the amounts on Form IL-4562 on your pro-forma Form IL-1065, or Form IL-1120-ST, whichever is applicable.

### When must I file this form?

You must file this form if you acquired new depreciable property after September 10, 2001, and you claimed additional first year depreciation of 30 percent or 50 percent of the basis of that property on your federal return. The special depreciation is reported on federal Form 4562, Depreciation and Amortization. Individuals may also report special depreciation on federal Form 2106, Employee Business Expenses.

### What if I need additional assistance?

If you need assistance,

- visit our web site at [www.ILtax.com](http://www.ILtax.com);
- write to us at P.O. Box 19044, Springfield, Illinois 62794-9044;
- call our Taxpayer Assistance Division at **1 800 732-8866** or **217 782-3336**; or
- call our TDD (telecommunications device for the deaf) at **1 800 544-5304**;

Our office hours are Monday through Friday, 8 a.m. to 5 p.m.

## Specific Instructions

### Step 1: Provide the following information

Write your name and identification number as shown on your Illinois return.

### Step 2: Figure your Illinois special depreciation addition

**Line 1** — Write the total amount you claimed as a special depreciation allowance on your federal Form 4562, Line 14 or Line 25, for property you acquired after September 10, 2001. This is the 30 percent or 50 percent "bonus depreciation" you were allowed to claim on your federal return for this tax year.

**Note** → If in this tax year you sold or transferred property and reported a capital gain or loss on your federal return, do not include any special depreciation claimed for that property on Form IL-4562.

See Line 3 for sales or transfers.

**Line 2 — Individuals only:** You may have reported "bonus depreciation" on federal Form 2106. That form instructs

you to enter IRC, Section 179 deductions and special allowances. Depending on the type of expenses you are claiming, you will show these amounts on Lines 4 or 31, or both. Illinois Form IL-4562 requires you to report only the special depreciation allowance.

**Do not** include any amount from federal Form 2106 that you reported on federal Schedule A, Itemized Deductions.

Write the total amount you claimed as a special depreciation allowance on your federal Form 2106, Lines 4 and 31, for property you acquired after September 10, 2001. This is the 30 percent or 50 percent "bonus depreciation" you were allowed to claim on your federal return for this tax year.

**Note** → If in this tax year, you sold or transferred property and reported a capital gain or loss on your federal return, do not include any special depreciation claimed for that property on Form IL-4562.

See Line 3 for sales and transfers.

**Line 3 — Sales or transfers only:** This line allows you to figure the correct depreciation for property you acquired in one tax year and sold in another.

If you sold or transferred property during this tax year in a transaction for which you reported a capital gain or loss on your federal return, you must reverse all Illinois subtractions claimed for this property.

Write the total amount of all Illinois depreciation subtractions you claimed on prior year IL-4562 forms, Step 3, Line 8, for this property.

**Line 4** — Follow the instructions on the form.

See the list below of Illinois form and line references for reporting this addition.

### **If you are an individual, report it on**

- Schedule M, Step 2, Line 6

### **If you are a business, report it on**

- Form IL-1120, Part I, Line 2c;
- Form IL-1120-X, Part I, Line 2c;
- Form IL-1120-ST, Part I, Line 2c;
- Form IL-1065, Part I, Line 2d; **or**
- Form IL-1041, Part I, Line 2d.

Businesses must identify the addition as "depreciation addition" on their Illinois tax return.

**Note** Partnerships, S corporations, trusts, and estates pass this modification through to their owners in the same manner as income. See Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or Schedule K-1-T, Beneficiary's Share of Income and Deductions, for more information.

### Step 3: Figure your Illinois depreciation subtraction

**Line 5** — Write the total amount of depreciation allowance you claimed on your federal Form 4562, Line 17, plus Line 19, Column g, or Line 26, Column h, for property that you reported an addition modification on Form IL-4562, Step 2, Line 1, for this tax year or any prior tax year.

**Note** If in this tax year you sold or transferred property and reported a capital gain or loss on your federal return, do not include any regular depreciation claimed for that property on Form IL-4562.

See Line 9 for sales and transfers.

**Line 6 — Individuals only:** You may have reported regular depreciation on federal Form 2106. That form instructs you to enter the total amount of federal depreciation on Line 38. This includes IRC, Section 179 deduction and special allowance on Line 31. Illinois Form IL-4562 allows you to claim only the regular depreciation allowance.

Write the total amount you claimed as a regular depreciation allowance on your federal Form 2106, Line 38 minus Line 31 (but not less than zero), for property you acquired after September 10, 2001.

**Note** If in this tax year you sold or transferred property and reported a capital gain or loss on your federal

return, do not include any regular depreciation claimed for that property on Form IL-4562.

See Line 9 for sales and transfers.

**Lines 7 and 8** — Follow the instructions on the form.

**Special Note** The subtraction on Line 8 of 42.9 percent of regular depreciation is all that is allowed by law, even if you were allowed to claim 50 percent bonus depreciation on property for federal purposes.

**Line 9 — Sales or transfers only:** This line allows you to figure the correct depreciation for property you acquired in one tax year and sold in another.

If you sold or transferred property during this tax year in a transaction for which you reported a capital gain or loss on your federal return, you should reverse the Illinois special depreciation addition claimed for this property.

Write the Illinois special depreciation addition you reported on any prior year Form IL-4562, Step 2, Line 1 plus Line 2, for this property.

**Line 10** — Follow the instructions on the form.

See the list below of Illinois form and line references for reporting this subtraction.

**If you are an individual, report it on**

- Schedule M, Step 3, Line 16

**If you are a business, report it on**

- Form IL-1120, Part I, Line 5f;
- Form IL-1120-X, Part I, Line 5b;
- Form IL-1120-ST, Part I, Line 5e;
- Form IL-1065 Part I, Line 5g; **or**
- Form IL-1041, Part I, Line 4f.

Businesses must identify the subtraction as “depreciation subtraction” on their Illinois tax return.

**Note** Partnerships, S corporations, trusts, and estates pass this modification through to their owners in the same manner as income. See Schedule K-1-P or Schedule K-1-T for more information.

### A Special Note regarding Bonus Depreciation on Luxury Automobiles:

Federal income tax law imposes a “cap” on the depreciation deduction allowed for a luxury automobile. In many cases, the “bonus depreciation” allowed by the Internal Revenue Code, Section 168(k) will be greater than the cap. In those cases, you are allowed a bonus depreciation deduction equal to the cap, and regular depreciation of zero.

Under Illinois law, if you claim a bonus depreciation deduction on an asset on your federal return, you are required to add the bonus depreciation back to your Illinois net income. You are also allowed to subtract an amount equal to 42.9 percent of regular depreciation on that asset, both in the year you claimed the bonus depreciation and in subsequent years.

Therefore, if bonus depreciation on a luxury automobile exceeds the cap, no subtraction is allowed, because no regular depreciation deduction is allowed and 42.9 percent of zero regular depreciation is zero. In subsequent tax years, you will be allowed a subtraction equal to 42.9 percent of the regular depreciation claimed on the automobile, even if that causes your total depreciation to exceed the cap.

When the vehicle is sold, all of the Illinois additions and subtractions will be reversed, so that you will receive the same total depreciation for Illinois purposes as you received for federal purposes over the life of the car.