



What is new?

- For tax years ending on or after December 31, 2006, the Form IL-1120-ST, Illinois Small Business Corporation Replacement Tax Return has been redesigned. Form IL-1120-ST-X, with revision date 12/06, reflects the changes made to the 2006 IL-1120-ST. Use this version of Form IL-1120-ST-X for tax years ending on or after December 31, 2006.

Note Use the corresponding year's Form IL-843, Amended Return or Notice of Change in Income, and the corresponding year's Form IL-1120-ST, to amend tax years ending **prior to** December 31, 2006.

Who must file Form IL-1120-ST-X?

You should file Form IL-1120-ST-X if you are amending a previously filed, processable Form IL-1120-ST, Illinois Small Business Corporation Replacement Tax Return, for a tax year ending **on or after** December 31, 2006. Your change can occur from a state or federal change, such as

- an amendment of your federal income tax return,
- an adjustment made by the Internal Revenue Service (IRS), or
- any other recomputation or redetermination,

and your change affects items used to compute your Illinois net income, net loss, or credits. A separate amended return must be filed for each tax year you need to amend.

What if I need to correct my return before the extended due date expires?

If you filed your original Form IL-1120-ST and a state or federal correction or change needs to be made before the extended due date expires (see the instructions of your original return), you should file Form IL-1120-ST-X, and write "CORRECTED" at the top. A corrected return filed prior to the extended due date will be treated as the original return for all purposes, rather than an amended return.

If you are filing a "corrected return" to change the election on your original return to treat all income other than compensation as business income, mark the box in Step 1, Line F and provide a written explanation indicating the change to your election in Step 2 of Form IL-1120-ST-X.

How long do I have to amend my return?

The amount of time you have to amend your return depends on whether your Form IL-1120-ST-X is being filed to report a state or federal change.

State change - If your change creates or increases the Illinois net loss for the year, you must file Form IL-1120-ST-X showing the increase in order to carry the increased loss amount to another year.

If your change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1120-ST-X within

- three years after the due date of the return (including extensions),
- three years after the date your original return was filed, or
- one year after the date your Illinois tax was paid,

whichever is latest.

If your change increases the tax due to Illinois, you should file Form IL-1120-ST-X and pay the tax, penalty, and interest promptly.

Federal change - You should not file this form until you receive a federal finalization notification from the IRS, stating that they have accepted your change, either by paying a refund, or by final assessment, agreement, or judgment.

If your federal change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1120-ST-X within two years plus 120 days of federal finalization.

If your federal change increases the tax due to Illinois, you must file Form IL-1120-ST-X and pay any additional tax within 120 days of IRS partial agreement or finalization, in order to avoid late payment penalties. You must attach proof of the federal finalization date, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.

Note If you fail to notify us of your change by filing Form IL-1120-ST-X, we may issue a notice of deficiency at any time. Once you file your change, we may issue a notice of deficiency within two years.

What if my amended return involves unitary filing?

If you are amending your original

- non-unitary Form IL-1120-ST to be included in an existing unitary group, each S corporation member must file an amended Form IL-1120-ST-X, following the line by line instructions provided for Form IL-1120-ST and Schedule UB for the tax year you are amending. Any combined return filed by the group must also be amended.
- unitary Form IL-1120-ST to report a state or federal change to your unitary income, each member must file a revised Form IL-1120-ST-X. Any combined return filed by the group must also be amended.

What if my amended return involves an Illinois net loss deduction (NLD)?

If you have an Illinois NLD from any loss year, it is subtracted from and limited to base income allocable to Illinois.

To determine your "Illinois net loss" start with your total unmodified base income and apply all addition and subtraction modifications, and all allocation and apportionment provisions.

If you are carrying an Illinois NLD, you must complete and attach Illinois Schedule NLD, Illinois Net Loss Deduction, and claim the deduction on Step 8, Line 49. See Specific Instructions for Step 8, Line 49.

Do not file Form IL-1120-ST-X to report an Illinois NLD carryforward until **after** you have filed the loss year Form IL-1120-ST or Form IL-1120-ST-X (or Form IL-843 for tax years ending prior to December 31, 2006), reporting the loss. When you file Form IL-1120-ST-X, you must attach a completed Illinois Schedule NLD. **Failure to attach the correct and completed schedule could result in partial or total denial of your claim.**

If you need more information,

- visit our web site at www.tax.illinois.gov and view the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330, or
- write to Illinois Department of Revenue, Legal Services Office, Senior Counsel - Income Tax, 5-500, 101 West Jefferson Street, Springfield, Illinois 62702, and request these sections of the Illinois Income Tax Regulations.

Who should sign the return?

Your Form IL-1120-ST-X must be signed by the president, vice president, treasurer, or any other officer duly authorized to sign the return. If you paid someone to prepare your return, that individual must also provide a signature, date the return, and provide his or her tax identification number. If the preparer is an employee or partner of a firm or corporation, he or she must also provide the firm's name, address, and instead of the preparer's taxpayer identification number he or she must provide the firm's FEIN. Self-employed preparers must provide their own name, address, and preparer's taxpayer identification number in the appropriate spaces.

Can a reasonable facsimile be used?

You must use a form that has been prescribed or approved by the Illinois Department of Revenue. Computer generated printouts are not acceptable, even if they are in the same format as the department forms. Computer generated forms from a department-approved software developer are acceptable. Failure to use department-approved forms may result in processing delays.

What are the penalties and interest?

Penalties — You will owe

- a **late-filing penalty** if you do not file a processable return by the extended due date;
- a **late-payment penalty** if you do not pay the tax you owe by the original due date of the return;
- 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 your bill.

Interest — The interest rate is the “short-term federal rate” for the first year that the overpayment or underpayment accrues interest. This rate is set by the IRS under IRC Section 6621. After one year, interest will accrue on any remaining balance at the underpayment rate, which is also set by the IRS under IRC Section 6621, and is three percent higher than the short-term federal rate.

Note → For more information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes. To receive a copy of this publication, see “What if I need additional assistance or forms?” for our phone numbers and addresses.

What must I attach to my Form IL-1120-ST-X?

This form must contain a complete explanation of the reasons for filing the claim or amendment. You **must** attach any required schedules or forms to support your claim. If Form IL-1120-X-ST is submitted without the proper attachments it may be partially or totally denied.

If you are filing Form IL-1120-ST-X because

- you filed an amended federal return and your tax due to Illinois decreases, you must include a copy of that form, plus any other

related forms, schedules, or attachments, including a signed and dated copy of any federal report of income tax examination changes, if applicable.

- you filed an amended federal return and your tax due to Illinois increases, you must attach proof of the federal finalization date, including a signed and dated copy of any federal report of income tax examination changes, if applicable, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.
- of a change by the IRS, you must include all copies of the federal examining officer's reports, including preliminary, revised, corrected, and superseding reports, and a signed and dated copy of any federal report of income tax examination changes, if applicable.
- you copied information incorrectly from your federal Form 1120S onto your Form IL-1120-ST, you must include a copy of your federal Form 1120S.
- of a change in, or audit of, another state's tax return, you must include a copy of the other state's corrected return or the examining officer's reports.
- of an Illinois net loss deduction, you must include a completed Illinois Schedule NLD. See Specific Instructions for Line 49.
- of changes, other than those described above, see Form IL-1120-ST Instructions and any schedules for the year you are changing to determine what attachments you must provide.

What if I need additional assistance or forms?

If you need additional assistance,

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

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

If you need additional forms or schedules,

- visit our web site at www.tax.illinois.gov;
- call our 24-hour Forms Order Line at **1 800 356-6302**; or
- write to us at **P.O. Box 19010, Springfield, Illinois 62794-9010**.

Specific Instructions

Write the tax year you are amending in the space provided at the top of Form IL-1120-X.

Step 1: Provide the following business information

A — Type or print the required name and address information clearly in the spaces provided. If your name or address has changed since your last filed return, check the appropriate box.

B — Unitary Business Group — If you are a member of a group filing as a unitary business, check the appropriate box and write the FEIN of the member who is filing Illinois Schedule UB.

C — Write your Federal Employer Identification Number (FEIN).

D — If you have an IBT number, write it in the space provided.

E — **Check the appropriate box for the reason you are filing this return.** If you are amending due to a federal change, you **must** check the appropriate box for partial agreed or finalized, and include the date of IRS finalization, **not** the date the federal change was filed. Please attach a dated copy of the federal examining officer's report. If you do not provide this date, you may be assessed penalties and interest.

F — If you are filing a "corrected" return and making the election to treat all income, other than compensation, as business income, check this box. If you previously had nonbusiness income on Form IL-1120-ST, Lines 37 and 45, you must reduce these amounts to zero on this Form IL-1120-ST-X. This election must be made by the extended due date of the original tax return. Once made, the election is irrevocable. If you are filing Form IL-1120-ST-X after the extended due date of the original return, you must follow the election made on your original return.

G — Write your Illinois corporate file (charter) number assigned to you by the Illinois Secretary of State.

H — Check the box if you are filing this form only to report an increased net loss and no refund will result. Complete Steps 2 through 6, Step 7, if applicable, and Step 8, Line 48. Sign the return in Step 11 and leave the rest of the form blank.

Step 2: Explain the changes on this return

The purpose of Step 2 is to allow you to explain what specific changes you made to your Illinois tax return. You should include all relevant information, including, but not limited to, changes made to

- specific addition and subtraction modifications,
- unitary membership or unitary status,
- the business income election,
- credit or credit recapture amounts,
- the Illinois net operating loss deduction, and
- the federal or other state return that caused changes to the Illinois return.

You must provide an explanation for each line item you change.

General Information for Steps 3 through 9

Column A — Write the amounts from your most recently filed return or as most recently adjusted for the year that you are amending. This may be your original Form IL-1120-ST or as amended.

Column B — Write the correct amount for each line in Column B.

For instructions regarding completion of Steps 3 through 9, refer to the Form IL-1120-ST Instructions and schedules for the year being amended.

Specific instructions for most of the lines are provided on the following pages. Lines that are not discussed in the instructions are self-explanatory.

Note — If you are filing this form only to report an increase in your Illinois net loss and the change will not result in a refund, see the instructions for Step 8, Line 48.

Step 3: Figure your ordinary income or loss and Step 4: Figure your unmodified base income or loss

Lines 1 through 13 — Refer to your Form IL-1120-ST, Steps 3 and 4, Specific Instructions, for the year being amended.

Note — Do not apply your Illinois net loss deduction amount from Schedule NLD on this line in Column B. NLDs are reported on Step 8, Line 49.

Step 5: Figure your income or loss and Step 6: Figure your Illinois base income or net loss

Lines 15 through 21 and Lines 23 through 34 — List each item and the amount on the line provided. You must identify all subtractions and attach all of the required supporting documentation.

Note — If you need to make corrections to Lines 20 or 24, use the worksheet located in Form IL-1120-ST Instructions to figure the correct amounts.

Line 36 — This is your base income or loss. If your base income or loss is derived solely inside Illinois, write this amount on Step 8, Line 48 and complete the rest of the return. If your base income or loss is derived inside and outside Illinois, write this amount on go to Line 36, continue to Step 7, and complete the rest of the return.

Step 7: Figure your base income allocable to Illinois

Complete Step 7 only if you originally completed this step, or you need to make a change that affects your base income or loss allocable to Illinois. Refer to Form IL-1120-ST, Step 6, Specific Instructions, for the year being amended.

Lines 37 and 45 — If you elected to treat all of your income other than compensation as business income on your original or corrected return, you must follow that election by writing zero on Form IL-1120-ST-X, Lines 37 and 45. If you are filing a "corrected" return and are making the election to treat all nonbusiness income as business income, Column B, Lines 37 and 45 should be reduced to zero.

Step 8: Figure your net income

Line 48 — Follow the instructions on the form. If the corrected amount in Column B reflects a loss, you may be able to carry this loss to other years as an Illinois NLD. See the instructions for Illinois Schedule NLD for more information.

Note — If you are filing this form only to report an increase in your Illinois net loss and the change will not result in a refund, check the box in Step 1, Line H, complete Steps 3 through 6, Step 7, if applicable, and Step 8, Line 48. Complete Step 2, explaining what caused the increase in the Illinois net loss and sign the return in Step 11. Leave the rest of the form blank.

Line 49 — Write your Illinois NLD carryforward amount from an Illinois net loss year ending on or after December 31, 1986. This amount is from your loss year return, Form IL-1120-ST or Form IL-1120-ST-X, reduced by any Illinois net loss applied to an earlier year.

You must attach an Illinois Schedule NLD, Illinois Net Loss Deduction, to support the amount of Illinois NLD claimed.

Step 9: Figure your net replacement tax

Follow the instructions on the form. Be sure to attach any required schedules.

Line 52 — See Schedule 4255 for more information regarding the recapture of investment credits. You must attach Schedule 4255 if you have an amount on this line.

Line 54 — See Form IL-477 for more information regarding Investment Tax Credits. You must attach Form IL-477 if you have an amount on this line.

Step 10: Figure your refund or balance due

Note → If you are filing this form only to report an increase in your Illinois net loss and a refund will not result, do not complete this part.

Line 58 — Write the total amount of any subsequent tax payments you made with a previously filed Form IL-1120-ST-X, or for any other reason (e.g., responding to a bill). Do not include any penalty and interest you previously paid.

Line 60 — Write the total amount of any overpayment, credit, or refund (whether received or not) reported on your previously filed Form IL-1120-ST, or Form IL-1120-ST-X. Do not include any interest that you received.

Lines 62 — Follow the instructions on the form. We will calculate any interest that may be due you and include it in your refund check. Any refund may be reduced to satisfy any outstanding liability.

Note → Overpayments from Form IL-1120-ST-X cannot be credited to next year's return, unless this is a "corrected" return filed before the extended due date of the original return.

Line 63 — Follow the instructions on the form. This is your amount of tax due that must be paid in full if \$1 or more. Make your check or money order payable to "**Illinois Department of Revenue.**" We will compute any penalty or interest due and notify you.

Note → We will apply all payments against tax first, penalty second, and interest third.

Lines 64 through 66 — We will bill you for penalties and interest. If you prefer, you may calculate the penalties and interest you owe on Form IL-2220, Computation of Penalties for Businesses, and write these amounts on the lines provided. For more information see "What are the penalties and interest?" and Publication 103, Penalties and Interest for Illinois Taxes. **If you calculate penalty and interest, be sure that your payment is equal to the amount on Line 66.**

Note → Lines 64 and 65 are applicable only if you wish to self-assess late-filing and late-payment penalties on Form IL-2220. If you do not wish to complete Form IL-2220, we will compute any penalty or interest due and notify you.