



## What's new for 2007?

- The **Ex-Felons Jobs Credit** and the **Veterans Jobs Credit** are in effect for tax years beginning on or after January 1, 2007. See Schedule 1299-A instructions for more information.
- For tax years ending on or after December 31, 2007, Illinois Schedule B, Partners' or Shareholders' Identification, has been revised to include the information previously reported on Form IL-2569, Personal Property Replacement Tax (Partners' or Shareholders' annual certification). You **must** complete and attach Illinois Schedule B (R-12/07) to your 2007 Form IL-1120-ST. Form IL-2569 is no longer required. See Illinois Schedule B instructions for more information.

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## General Information

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

You must file Form IL-1120-ST if you are a small business corporation ("S corporation"), as defined in Internal Revenue Code (IRC) Section 1361(a), that

- has net income or loss as defined under the Illinois Income Tax Act (IITA); or
- is qualified to do business in the state of Illinois and is required to file U.S. Form 1120S (regardless of net income or loss).

If you own a Qualified Subchapter S Subsidiary (QSSS) defined in IRC Section 1361(b)(3), as well as any other entity that is disregarded as an entity separate from you for purposes of the IRC, it is likewise disregarded as a separate entity for purposes of the IITA. You must include all items of income, deduction, loss, credit, etc., from such entities on your return as if they were earned or incurred by you directly.

If you are an S corporation that is a member of a unitary business group, you should see Illinois Schedule UB, Combined Apportionment for Unitary Business Group, and the instructions for information about filing requirements. S corporations may be required to apportion their business income as members of a unitary group, but may not file a combined return.

It is your duty as a taxpayer to obtain forms. Failure to obtain them is not an excuse for failure to file returns as required by law.

### What forms must I use?

In general, you must use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the department will not be accepted

and you will be asked for appropriate documentation. Failure to comply with this requirement may result in the delay of processing your return or generating any refund. Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

**S corporations must complete Form IL-1120-ST.** Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the return. 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.

### How do I register my business?

If you are required to file Form IL-1120-ST, you should register by calling our Central Registration Division at **217 785-3707**. You may be able to register electronically. Visit our web site at **tax.illinois.gov** for more information.

Registering with the Illinois Department of Revenue (IDOR), **prior to filing your return** ensures that your tax returns are accurately processed.

Your identification numbers as an Illinois business taxpayer are your federal employer identification number (FEIN) and your Illinois business tax (IBT) number.

### When should I file?

Your Illinois filing period is the same as your federal filing period. In general, Form IL-1120-ST is due on or before the 15th day of the **3rd** month following the close of the tax year.

**Automatic seven-month extension** — We grant you an automatic seven-month extension of time to file your small business corporate tax return. You are not required to file Form IL-505-B, Automatic Extension Payment, in order to obtain this automatic extension. However, if you expect tax to be due, you must use Form IL-505-B to pay any tentative tax due in order to avoid interest and penalty on tax not paid by the original due date of the return. An extension of time to file your Form IL-1120-ST is not an extension of time for payment of Illinois tax.

**Additional extensions beyond the automatic extension period** — We will grant an extension of more than seven months **only** if an extension of more than six months is granted by the Internal Revenue Service (IRS). You must attach a copy of the approved federal extension to your Form IL-1120-ST.

## Where should I file?

Mail your Form IL-1120-ST to

**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19032  
SPRINGFIELD IL 62794-9032**

## When should I pay?

**Payment of tax** — You must pay your Illinois replacement tax in full on or before the original due date of the return. This payment date applies even though an automatic extension for filing your return has been granted.

**Estimated tax payments** — Small business corporations are not required to make estimated tax payments.

## Who should sign the return?

Your Form IL-1120-ST must be signed by the president, vice president, treasurer, or any other officer duly authorized to sign the return. In the case of a bankruptcy, a receiver, trustee, or assignee must sign any return required to be filed on behalf of the corporation. The signature verifies by written declaration (and under penalties of perjury) that the signing individual has personally examined the return and the return is true, correct, and complete. The fact that an individual's name is signed to a return is *prima facie* evidence that the individual is authorized to sign the return on behalf of the corporation.

Any person paid to prepare the return (other than a regular, full-time employee of the taxpayer, such as a clerk, secretary, or bookkeeper) must provide a signature, date the return, and write the preparer's taxpayer identification number. If the preparer is an employee or partner of a firm or corporation, the preparer must also provide the firm's name, address, and instead of the preparer's taxpayer identification number, the preparer must provide the firm's FEIN. Self-employed preparers must provide their own name, address, and taxpayer identification number in the appropriate spaces.

**Note** → If your return is not signed, any overpayment of tax is considered forfeited if, after notice and demand for signature, you

fail to provide a signature within three years from the date your return was filed.

## 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** — Interest is calculated on 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, 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 if I am discontinuing my business?

### **Liquidation, withdrawal from Illinois, or loss of charter**

— If you are a corporation that is liquidated, withdraws either voluntarily or involuntarily from Illinois, **or** in any manner surrenders or loses your charter during any tax year, you are still required to file tax returns. Also, we will pursue the assessment and collection of taxes owed by you or your shareholders.

**Sales or transfers** — If you are a corporation that, outside the usual course of business, sells or transfers the major part of any one or more of

- the stock or goods which you are in the business of selling,
- the furniture or fixtures of your business,
- the machinery and equipment of your business, or
- the real property of your business,

you or the purchaser must complete and send us Form CBS-1, Notice of Sale or Purchase of Business Assets, no later than 10 days after the date the sale took place. Mail this form, along with copies of the sales contract and financing agreement, to

**ILLINOIS DEPARTMENT OF REVENUE  
BULK SALES UNIT  
100 WEST RANDOLPH  
CHICAGO IL 60601**

**Request for prompt determination** — You may make a request for prompt determination of liability if you are a corporation in the process of dissolution. A completed tax return must be on file with us before you can submit a request for prompt determination. Do not submit your return and request at the same time. Mail your

initial return to the address indicated on the form. You should allow 12 weeks for processing. If your request is properly made, the expiration of the statute of limitations (absent fraud) will not extend beyond 18 months from the date of your request. Mail your request and a copy of your previously submitted return to

**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19044  
SPRINGFIELD IL 62794-9044**

## What if I need to correct or change my return?

**Corrected** — If you need to correct or change your return after it has been filed, but before the extended due date has passed, you must file a corrected Form IL-1120-ST-X, Amended Small Business Corporation Replacement Tax Return. Write “CORRECTED” at the top and show the changes. A corrected return is treated as your original return for all purposes.

**Amended** — If you need to change your return after it has been filed, and the extended due date has passed, you must file Form IL-1120-ST-X showing the changes.

**State changes only** — You must file Form IL-1120-ST-X promptly, if you discover an error on your Illinois return that does not relate to an error on your federal return but was caused by

- a mistake in transferring information from your federal return to your Illinois return,
- failing to report or misreporting to Illinois an item that has no effect on your federal return, or
- a mistake in another state’s tax return that affects the computation of your Illinois tax liability.

If you are filing Form IL-1120-ST-X to claim an overpayment, it must be filed within three years after the extended due date or the date the return was filed, or within one year after the tax giving rise to the overpayment was paid, whichever is latest.

**Federal changes only** — If you have filed an amended federal return or if you have been notified by the IRS that they have made changes to your return, you must file Form IL-1120-ST-X. This includes any change in your federal income tax liability; any tax credits; or the computation of your federal taxable income as reported for federal income tax purposes if the change affects any item entering into the computation of net income, net loss, or any credit for any year under the IITA. You must file Form IL-1120-ST-X no later than 120 days after the changes have been agreed to or finally determined to avoid a late-payment penalty.

If you are filing Form IL-1120-ST-X to claim an overpayment resulting from a federal change, it must be filed within two years after the date such notification was due (regardless of whether such notice was given). For more information, see Form IL-1120-ST-X instructions.

## What records must I keep?

You must maintain books and records to substantiate any information reported on your Form IL-1120-ST. Your books and

records must be available for inspection by our authorized agents and employees.

## Do the IDOR and the IRS exchange income tax information?

The IDOR and the IRS exchange income tax information for the purpose of verifying the accuracy of information reported on federal and Illinois tax returns. All amounts you report on Form IL-1120-ST are subject to verification and audit.

## Should I round?

To make it easier for you to figure your tax, you may round the dollar amounts on Form IL-1120-ST and accompanying schedules to whole-dollars. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

## What if I have an Illinois net loss deduction (NLD)?

If you have an Illinois NLD from any loss year ending on or after December 31, 1986, it is subtracted from and limited to your base income allocable to Illinois.

To determine your “Illinois net loss” start with federal ordinary income plus separately stated items, and apply all addition and subtraction modifications and all allocation and apportionment provisions.

Illinois net losses incurred in tax years ending on or after December 31, 2003, may only be carried forward 12 years. If you are carrying forward an Illinois NLD, you must complete Illinois Schedule NLD, Illinois Net Loss Deduction, and claim the deduction on Step 7, Line 49. See specific instructions for Step 7, Line 49.

If you have an Illinois net loss for this tax year, you must file Form IL-1120-ST reporting the loss in order to carry the loss forward to another year.

If you need more information, view the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330. These sections may be obtained by

- visiting our web site at [tax.illinois.gov](http://tax.illinois.gov), or
- writing to

**ILLINOIS DEPARTMENT OF REVENUE  
LEGAL SERVICES OFFICE  
SENIOR COUNSEL - INCOME TAX, 5-500  
101 WEST JEFFERSON STREET  
SPRINGFIELD IL 62702**

## What attachments do I need?

When filing your return there are certain types of income items and subtraction modifications that require the attachment of Illinois or federal forms and schedules. Instructions for these attachments appear throughout the specific instructions for completing your return.

**Note** All Illinois forms and schedules include an “**IL Attachment No.**” in the upper right corner of the form. Required attachments should be ordered numerically behind the tax return, as indicated by the IL Attachment No. Failure to attach forms and schedules in the proper order may result in processing delays. Required copies of documentation from your federal return should be attached **behind the completed Illinois return.**

**Note** When filing your Form IL-1120-ST, include only forms and schedules required to support your return. Send correspondence separately to

**ILLINOIS DEPARTMENT OF REVENUE  
TAXPAYER CORRESPONDENCE  
PO BOX 19044  
SPRINGFIELD IL 62794-9044**

## Definitions to help you complete your Form IL-1120-ST.

All references to “income” include losses.

**Illinois base income** means federal ordinary income modified by additions and subtractions as shown in Steps 2 through 5 of Form IL-1120-ST. See specific instructions for Steps 2 through 5.

**Business income** means all income (other than compensation) that may be apportioned by formula among the states in which you are doing business without violating the Constitution of the United States. All income of a corporation is business income unless it is clearly attributable to only one state and is earned or received through activities totally unrelated to any business you are conducting in more than one state. Business income is net of all deductions attributable to that income.

Most income of a corporation is regarded as business income. Consequently, in the case of a corporation other than a personal holding company, the consistent treatment of income from intangibles as business income in filing Illinois tax returns will be presumed correct.

**Commercial domicile** means the principal place from which your trade or business is directed or managed.

**Nonbusiness income** means all income other than business income or compensation. For more information about the different types of nonbusiness income, see the instructions for Illinois Schedule NB, Nonbusiness Income.

## What does taxability (taxable) in other states mean?

Taxable in other states means you are subject to and pay “tax” in another state. “Tax” includes net income tax, franchise tax measured by net income, franchise tax for the privilege of doing business, and corporate stock tax. You are considered taxable in another state if that state has jurisdiction to subject you to a net income tax, even though that state does not impose such a tax. This definition is for purposes of allocating nonbusiness income and apportioning business income inside or outside Illinois.

## When must I use Illinois Schedules K-1-P and B?

You must use **Illinois Schedule K-1-P**, Partner’s or Shareholder’s Share of Income, Deductions, Credits, and Recapture, to supply each shareholder with that individual’s or entity’s share of the amounts reported on your federal and Illinois tax returns. For Illinois Income Tax purposes, you must give a completed Illinois Schedule K-1-P and a copy of the **Illinois Schedule K-1-P(2)**, Partner’s and Shareholder’s Instructions, to each shareholder. **Do not file copies of Illinois Schedule K-1-P that you issue to your shareholders with your Form IL-1120-ST.** However, you must keep a copy of each Illinois Schedule K-1-P with your tax records. See Illinois Schedule K-1-P(1), Instructions for more information.

You must use **Illinois Schedule B**, Partners’ or Shareholders’ Identification, to supply us with a listing of your shareholders. You **must** file Illinois Schedule B with your Form IL-1120-ST.

**Note** If you need Illinois Schedule K-1-P, see “What if I need additional assistance or forms?” for our phone numbers and addresses.

## May I file a composite return for nonresident shareholders?

You may file a composite return for any nonresident individuals, trusts, and estates that have income from your S corporation. If you would like more information concerning eligibility to file a composite return, see Form IL-1023-C, Composite Income and Replacement Tax Return.

**Note** You must use Form IL-1023-CES, Composite Estimated Tax Payments for Partners and Shareholders, to make payments of estimated tax for a composite filing. If you make payments to us for any other type of tax or you have overpayments of tax from any other type of tax return, you cannot transfer any of these payments from or to Forms IL-1023-CES or IL-1023-C to satisfy composite tax payment requirements.

## What if I participated in a reportable transaction?

If you participated in a reportable transaction, including what is commonly known as a “listed transaction,” during this tax year and were required to disclose that transaction to the IRS, you are also required to disclose that information to Illinois.

You must send us two copies of the form you used to disclose the transaction to the IRS.

- Attach one copy to your tax return, and
- Mail the 2<sup>nd</sup> copy to

**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19029  
SPRINGFIELD IL 62794-9029**

## What if I need additional assistance or forms?

If you need additional assistance -

- Visit our web site at [tax.illinois.gov](http://tax.illinois.gov).
- Write to us at  
**ILLINOIS DEPARTMENT OF REVENUE**  
**PO BOX 19044**  
**SPRINGFIELD IL 62794-9044**
- Call **1 800 732-8866** or **217 782-3336** (TDD, telecommunications device for the deaf, at **1 800 544-5304**). Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

If you need additional forms or schedules -

- Visit our web site at [tax.illinois.gov](http://tax.illinois.gov).
- Call our 24-hour Forms Order Line at **1 800 356-6302**.
- Write to us at  
**ILLINOIS DEPARTMENT OF REVENUE**  
**PO BOX 19010**  
**SPRINGFIELD IL 62794-9010**

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## Specific Instructions

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

### 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 you filed your last return, check the box.

**B** — If this is your first or final return, check the appropriate box.

**C** — If you marked final return on Line B, answer the questions on Line C.

**D — Special Apportionment Formulas** - If you use a special apportionment formula because you are categorized as a financial organization or transportation company, check the appropriate box. For more information, see specific instructions for “Special Apportionment Formulas.”

**E** — Write your federal employer identification number.

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

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

**H — Location of accounting records** — If you keep your accounting records in a location different from the address indicated on Line A, write the two-letter state abbreviation and zip code for the location the records are kept.

**I — Business income election** — If you are making the election to treat all of your income other than compensation as business income, you must check the box on this line and write zero on Step 6, Lines 37 and 45. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

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

**K** — If you are required to disclose reportable transactions and you have attached Federal Form 8886 or Federal Schedule M-3, check the appropriate box. See “What if I participated in a reportable transaction?” for more information.

**Note** → You must complete Form IL-1120-ST itself. Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the return.

You must use the same accounting method (*e.g.*, cash or accrual) and tax year that is used for federal income tax purposes.

### Step 2 — Figure your ordinary income or loss

**Note** → If you are a member of a unitary group, write the figures on each line of Step 2 that reflects your separate company income. See Illinois Schedule UB, Specific Instructions.

**Line 1** — Write the amount of ordinary income or loss reported on U.S. Form 1120S, Schedule K, Line 1.

**Lines 2 through 6** — Write the amount for each line item from the corresponding line on your U.S. Form 1120S, Schedule K.

### Step 3 — Figure your unmodified base income or loss

**Note** → If you are a member of a unitary group, write the figures on each line of Step 3 that reflects your separate company income. See Illinois Schedule UB, Specific Instructions.

**Lines 8 through 10** — Write the amount for each line item from the corresponding line on your U.S. Form 1120S, Schedule K.

**Line 11** — Include any items of income or deduction that

- you are required to state separately to your shareholders, rather than include in ordinary income, and
- that would be taken into account by an individual in computing his or her taxable income, and
- that are not included on any other line of Step 3.

Do not include any of the following items on this line:

- net operating loss carryovers;
- any domestic production activity deduction allowed under IRC Section 199;
- any depletion amounts allowed federally on your oil and gas properties.

**Note** → While the domestic production activity deduction is not allowed to partnerships or subchapter S corporations, you may calculate and “pass through” any allowable deduction to your partners and shareholders. See Information Bulletin FY2006-07, Domestic Activity Production Deduction.

## Step 4 — Figure your income or loss

**Note** → If you are a member of a unitary group, see Illinois Schedule UB, Specific Instructions.

**Line 15** — Write the total of all amounts excluded from unmodified base income that were received or accrued as interest and all distributions of exempt interest received from regulated investment companies during the tax year.

**Line 16** — You must add back any amount of Illinois Income and Replacement taxes that you deducted on your U.S. Form 1120S to arrive at your federal ordinary income. You are not required to add back taxes from other states that you included as a federal deduction.

**Line 17** — Write the addition amount calculated on Form IL-4562, Special Depreciation. For more information, see Form IL-4562 and instructions. **Attach Form IL-4562 to your Form IL-1120-ST.**

**Line 18** — Write the interest or intangible expenses paid to an 80/20 company, to the extent these expenses exceed any taxable dividends you received from the 80/20 company. To compute the amount of this addition, complete Illinois Schedule 80/20, Related-Party Expenses. **Attach Illinois Schedule 80/20 to your Form IL-1120-ST.**

**80/20 Company** means any taxpayer who would be a member of a unitary business group with you, but cannot be included in the group because 80 percent or more of its business activities are conducted outside the United States.

See instructions for the “80/20 rule” under “What is a unitary business group?” in the Illinois Schedule UB Instructions, Combined Apportionment for Unitary Business Group, for more information.

**Intangible expenses** mean royalties and fees paid for intangible assets, losses incurred on sales or other disposition of intangible assets to an 80/20 company, losses on factoring or discounting transactions with an 80/20 company, and deductible expenses incurred in connection with the acquisition, use, management, or sale or other disposition of an intangible asset. Intangible assets include patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

Some interest and intangible expenses may be exempt from this add-back provision. See Illinois Schedule 80/20 for more information.

**Line 19** — If you are a partner in a partnership or a beneficiary of a trust or an estate, include your distributive share of additions received from the partnership, trust or estate. If you receive multiple schedules because you are a recipient from multiple entities, you should write the combined total from all Illinois Schedules K-1-P and K-1-T you receive. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120-ST.**

**Note** → The partnership is required to send you an Illinois Schedule K-1-P and the trust or the estate is required to send you an Illinois Schedule K-1-T, specifically identifying your share of income.

**Special Note** → Include only additions reported to you on a Schedule K-1-P or K-1-T. Do not report amounts you reported to your shareholders on the Schedules K-1-P you issued to them.

**Line 20** — Complete Illinois Schedule B to determine if an amount is required on this line. Illinois Schedule B, Column D, Line 8 represents the share of distributable income or loss that is to be added to or subtracted from base income. If the total amount on Line 8 is a negative amount (loss), it should be written on Line 20 as a **positive** amount. See Illinois Schedule B, Line 8, and Illinois Schedule B Instructions for more information. **Attach Illinois Schedule B, Partners’ or Shareholders’ Identification, to your Form IL-1120-ST.**

**Line 21** — Complete the 2007 Illinois Schedule M, Other Additions and Subtractions (for businesses), to figure the correct amount to include on Line 21. **Attach a copy of Illinois Schedule M to your Form IL-1120-ST.** The following are items that must be added to taxable income and are included on Illinois Schedule M.

- If you are a regulated investment company, include the excess of the net long-term capital gain for the tax year, over the amount of capital gain dividends designated as such in accordance with IRC Section 852(b)(3)(C) and any amount designated under IRC Section 852(b)(3)(D), attributable to the tax year.
- Notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands.
- Lloyd’s plan of operations loss if reported on your behalf on Form IL-1023-C and included in your taxable income.
- If you reported income from an asset or activity as business income in prior years, and reported any income from that asset or activity as nonbusiness income on this return, include on this line all deductions you claimed for expenses connected with that income in this year and in your two most recent tax years. See Illinois Schedule NB, Nonbusiness Income, Line 11, and Illinois Schedule NB Instructions for more information.

## Step 5 — Figure your Illinois base income or net loss

**Note** A double deduction is prohibited by IITA, Section 203(g). You cannot deduct the same item more than once.

**Line 23** — Write the total interest received or accrued from U.S. Treasury bonds, notes, bills, federal agency obligations, and savings bonds included in federal ordinary income. You may **not** subtract anything that is not identified in Illinois Publication 101, Income Exempt from Tax. This amount is net of any bond premium amortization deducted federally.

**Line 24** — Complete Illinois Schedule B to figure the amount of distribution and to determine where it should be reported. Illinois Schedule B, Column D, Line 8 represents the share of distributable income or loss that is to be added to or subtracted from base income. If the total amount on Line 8 is a positive amount, write that amount on Line 24. See Illinois Schedule B, Line 8, and Illinois Schedule B Instructions for more information.

**Note** Report any distributable loss shown on Illinois Schedule B, Column D, Line 8 on Line 20. **Attach Illinois Schedule B to your Form IL-1120-ST.**

**Line 25** — Write the total of the expenses that were disallowed as federal deductions because of IRC Section 171(a)(2), 265, 280C, or 291(a)(3).

**Note** **You must attach Illinois Schedule 1299-A, Tax Subtractions and Credits, to your Form IL-1120-ST if you have an amount on Lines 26 through 30.**

**Line 26** — Write the Enterprise Zone or River Edge Redevelopment Zone dividend subtraction from Illinois Schedule 1299-A, Step 1, Line 2.

**Line 27** — Write the Enterprise Zone or River Edge Redevelopment Zone interest subtraction from Illinois Schedule 1299-A, Step 1, Line 8.

**Line 28** — Write the High Impact Business dividend subtraction from Illinois Schedule 1299-A, Step 1, Line 4.

**Line 29 — For financial organizations only** — Write the High Impact Business within a Foreign Trade Zone (or sub-zone) interest subtraction from Illinois Schedule 1299-A, Step 1, Line 10.

**Line 30** — Write the amount of any Contribution subtraction from Illinois Schedule 1299-A, Step 1, Line 6

**Line 31** — Write the subtraction allowance from Form IL-4562, Step 3, Line 10. **Attach Form IL-4562 to your Form IL-1120-ST.**

**Line 32** — Write the amount from Illinois Schedule 80/20, Step 3, Line 19. **Attach Illinois Schedule 80/20 to your Form IL-1120-ST.**

You should use Illinois Schedule 80/20

- if you added back interest paid to an 80/20 company on Step 4, Line 18, you may subtract any interest received from that 80/20 company during this tax year, up to the amount of your addition for interest expense paid to that company. Also,

if you added back intangible expenses from a transaction with an 80/20 company on Line 18, you may subtract any income you received during the tax year from similar transactions with the 80/20 company, up to the amount of your addition for intangible expense for that company. To compute the amount of this subtraction, complete Illinois Schedule 80/20.

- If you are an 80/20 company, and you received interest or intangible income from someone who had to add back the interest and intangible expense on their Illinois Schedule 80/20, you may subtract your interest or intangible income from that company.

**Line 33** — Write your distributive share of subtractions passed through to you by a partnership, trust, or estate that you were either a partner, or a beneficiary. Do not include any amounts passed through that are reflected on Illinois Schedule 1299-A. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120-ST.**

**Note** The partnership is required to send you an Illinois Schedule K-1-P and the trust or the estate is required to send you an Illinois Schedule K-1-T, specifically identifying your share of subtractions.

**Special Note** Include only subtractions reported to you on a Schedule K-1-P or K-1-T. Do not report amounts you reported to your partners on the Schedules K-1-P you issued to them.

**Line 34** — Complete the 2007 Illinois Schedule M, to figure the amount to include on Line 34. **Attach a copy of Illinois Schedule M to your Form IL-1120-ST.**

You may **not** subtract anything that is not identified below or in Illinois Publication 101. Subtractions allowed on Illinois Schedule M include:

- notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands, to the extent that you were required to add these amounts to your federal ordinary income.
- the refund of Illinois replacement tax for a prior year, to the extent included in your federal ordinary income.
- any other income included on Step 4, Line 22, exempt from taxation by Illinois by reason of its Constitution or statutes or by the Constitution, treaties, or statutes of the United States. This amount is net of any bond premium amortization deducted federally. For more information, see Illinois Publication 101.
- the 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.
- the deductions for “foreign dividend gross-up (IRC Section 78),” “subpart F income,” or foreign dividends which are allowed as a subtraction modification under IITA, Sections 203(b)(2)(G) and 203(b)(2)(O). **You must provide supporting attachments clearly identifying each item taken as a subtraction.**

- contributions you made under the Tax Increment Allocation Redevelopment Act to a job training project. For more information, see FY Bulletin 1990-40.

## Step 6 — Figure your income allocable to Illinois

You **must** complete Step 6 if any portion of Line 36, base income or net loss, is derived outside Illinois. If you do not complete **all** of Step 6, we may issue a notice and demand proposing 100 percent of business income be apportioned to Illinois.

In order to properly allocate your base income or loss you need to determine what portion of the total base income is business income or loss that is to be apportioned among all the states in which you do business, and what portion is nonbusiness income or loss that is to be allocated to a particular state.

**Line 37** — Write the amount of all nonbusiness income or loss included in base income, net of any related deductions and any amount distributable to shareholders subject to replacement tax, from Illinois Schedule NB, Column A. **Attach Illinois Schedule NB to your Form IL-1120-ST.** Include any nonbusiness income from Illinois Schedules K-1-P or K-1-T.

**Note** → If you are making the election to treat all income other than compensation as business income, you must check the box in Step 1, Line I, and write “0” here and on Line 45. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

**Line 38** — Write the amount of all non-unitary business income or loss included in base income received from any partnership, trust, or estate, of which you are a partner, or a beneficiary, net of any amount distributable to shareholders subject to replacement tax.

**Note** → The partnership is required to send you an Illinois Schedule K-1-P and the trust or the estate is required to send you an Illinois Schedule K-1-T, specifically identifying your share of income.

**Special Note** → If you are a partner engaged in a unitary business with your partnership, you must include your distributable share of the partnership’s business income in your business income. Do not subtract this business income on Line 38.

### Lines 41 through 43 —

You must complete Lines 41 through 43 if

- your business income or loss is derived inside and outside Illinois; or
- all of your business income or loss is derived outside Illinois.

Follow specific instructions below for Lines 41 through 43.

**Note** → If you are a financial organization or a transportation company, check the appropriate box in Step 1, Line D (financial organization or transportation company) and see “Special Apportionment Formulas” in these instructions.

**Special Note** → If you are a partner engaged in a unitary business

with your partnership, you must include your distributive share of the “everywhere” and “Illinois” sales factors from the partnership in your “everywhere” and “Illinois” sales factors. For more information, see the Illinois Income Tax Regulations, Section 100.3380(d).

**Line 41** — Write your total sales everywhere.

**Line 42** — Write your total sales inside Illinois.

Include gross receipts from the license, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property in the numerator and denominator of your sales factor only if these gross receipts are more than 50 percent of the total gross receipts included in gross income for this tax year and each of the two immediately preceding tax years.

Do not include the following items of income in the numerator or denominator of your sales factor:

- dividends;
- amounts included under IRC Section 78;
- subpart F income as defined in IRC Section 952; and
- any item of income excluded or deducted from base income.

For more information on what should be included in the numerator or denominator of your sales factor, see Illinois Income Tax Regulations 100.3370 and 100.3380.

Sales of tangible personal property are in Illinois if

- the property is delivered or shipped from anywhere to a purchaser in Illinois, other than the United States government, regardless of the f.o.b. point or other conditions of the sale;
- the property is shipped from Illinois to any place and the purchaser is the United States government;
- the property is shipped from Illinois to another state and you are not taxable in the state of the purchaser; or
- your salesperson operates out of an office in Illinois, and the property sold by the sales person is shipped from a state in which you are not taxable, to a state in which you are not taxable.

If the “sales everywhere” amount includes gross receipts from the licensing, sale, or other disposition of patents, copyrights, trademarks, and other similar items of intangible personal property, then these receipts should be allocated in Illinois to the extent the item is used in Illinois during the year the gross receipts are included in gross income. An item is used in Illinois if

- a patent is employed in production, fabrication, manufacturing, or other processing in Illinois or if the patented product is produced in Illinois.
- copyrighted material is printed or other publications originated in Illinois.
- the commercial domicile of the licensee or purchaser of a trademark or other item of intangible personal property is in Illinois.

**Note** If you cannot determine from your (or related party's) books and records in which state an item is used, do not include the gross receipts from that item in the numerator or the denominator of the sales factor.

Sales, other than sales of tangible personal property and gross receipts from the licensing, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property, are in Illinois if

- the income-producing activity is performed in Illinois; or
- the income-producing activity is performed both inside and outside Illinois, and a greater proportion of the income-producing activity is performed inside Illinois rather than outside Illinois, based on performance costs.

If you use a special apportionment formula, see "Special Apportionment Formulas" in these instructions.

**Line 43** — Divide Line 42 by Line 41 and write the result, carried to six decimal places.

**Line 44** — Follow the instructions on the form. If Lines 41 through 43 are blank, write the amount from Line 40.

**Line 45** — Write the amount of nonbusiness income or loss allocable to Illinois from Illinois Schedule NB, Column B. Include any nonbusiness income from Illinois Schedules K-1-P or K-1-T. This amount is net of the portion of your Illinois nonbusiness income distributable to shareholders subject to replacement tax.

**Note** If you checked the box next in Step 1, Line I, making the election to treat all of your income other than compensation as business income, then write "0" on Line 45.

**Line 46** — Write the amount of the income or loss reported on Step 6, Line 38 that is apportionable to Illinois as reported by the partnership, trust, or estate, on Illinois Schedules K-1-P or K-1-T, net of the portion distributable to shareholders subject to replacement tax.

## Step 7 — Figure your net income

**Line 48** — Follow the instructions on the form. If this amount is a loss, you may carry it forward to later years as an Illinois net loss deduction (NLD).

**Line 49** — Write your Illinois NLD carryforward from any Illinois loss year ending on or after December 31, 1986, from Illinois Schedule NLD, Line 5. **Attach Illinois Schedule NLD to your Form IL-1120-ST.**

**Note** Do not use Illinois Schedule UB/NLD even if you are a member of a unitary business group.

## Step 8 — Figure your net replacement tax

**Line 53** — Write your recapture of investment credits from Illinois Schedule 4255, Recapture of Investment Tax Credits, Step 4, Column C, Line 16.

If you claimed an Illinois investment tax credit in a prior year on Form IL-477, Replacement Tax Investment Credits, and any of the property was disqualified within 48 months of being placed in service, you must use Illinois Schedule 4255 to compute the amount of recapture. Credit must be recaptured in the year the property became disqualified.

**Line 55** — Write the amount from Form IL-477, Step 1, Line 11. **Attach Form IL-477 to your Form IL-1120-ST.**

You may claim a replacement tax investment credit of .5 percent (.005) of the basis of qualified property placed in service in Illinois during the tax year.

An additional credit of up to .5 percent (.005) of the basis of qualified property is available if your Illinois base employment increased over the preceding year or if your business is new to Illinois. Excess credit may be carried forward for five years following the excess credit year. For further information, see Form IL-477 instructions.

## Step 9 — Figure your refund or balance due

**Line 57a** — Write the amount of any overpayment from your previous year's tax return that you requested to be applied to this year's tax return.

**Line 57b** — Write the amount of Illinois replacement tax paid with Form IL-505-B.

**Lines 58 through 61** — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

**Note** Your refund or credit carryforward may be reduced by us to satisfy any unpaid tax, penalty, and interest due for this year or any preceding year. If we reduce your credit carryforward, it may result in a late-payment penalty in the succeeding year.

**Line 62** — 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 (see General Information, "What are the penalties and interest?").

You should also **write the amount you are paying in the box located on the top of Page 1** of the Form IL-1120-ST.

# Special Apportionment Formulas

Certain businesses that derive their income from inside and outside Illinois require a special apportionment formula. The following definitions will help in completing Step 6.

**A Business income** — See General Information, “Business income” under “Definitions to help you complete your Form IL-1120-ST.”

**B Financial organization** — any bank, bank holding company, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, building and loan association, credit union, currency exchange, cooperative bank, small loan company, sales finance company, investment company, or any person owned by a bank or bank holding company.

**C Business income from sources within Illinois** — Business income of a financial organization from sources within Illinois is the sum of

- fees, commissions, or other compensation for financial services rendered within Illinois;
- gross profits from trading in stocks, bonds, or other securities managed within Illinois;
- dividends received within Illinois;
- interest from Illinois customers received within Illinois;
- interest charged to customers at places of business maintained inside Illinois for carrying debit balances on margin accounts, without deduction of any costs incurred in carrying such accounts; and
- any other gross income resulting from the operation as a financial organization inside Illinois.

In computing these amounts, any amount received by a member of an affiliated group (determined under IRC Section 1504(a), but without reference to whether any such corporation is an “includible corporation” under IRC Section 1504(b)) from another member of the group must be included only to the extent the amount exceeds the expenses of the original recipient directly allocable to such income.

**D Revenue miles** — A revenue mile is the transportation of one passenger, or one net ton of freight, the distance of one mile. In the case of transportation by pipeline, a revenue mile is the transportation of one barrel of oil, 1,000 cubic feet of gas, or any specified quantity of any other substance, the distance of one mile.

## What if I am a financial organization?

If you checked the box in Step 1, Line D, indicating that you are a financial organization and your income is derived from inside and outside Illinois, you must apportion your business income as follows:

**Financial organizations** — On Lines 41 and 42, line out the word “sales” and write “Financial organization.” On Line 41, write the amount of business income from all sources. On Line 42, write the amount of business income from sources within Illinois. Divide Line 42 by 41 and write the result, carried to six decimal places, on Line 43. Complete Lines 44 through 47 as indicated in Specific Instructions for Step 6 - Figure your income allocable to Illinois.

**International banking facilities** — If you are a financial organization that has established an international banking facility in Illinois, see IITA, Section 304(c)(2), to determine apportionable income. If you have questions about these provisions, write to

**ILLINOIS DEPARTMENT OF REVENUE  
LEGAL SERVICES OFFICE  
SENIOR COUNSEL - INCOME TAX, 5-500  
101 WEST JEFFERSON STREET  
SPRINGFIELD IL 62702**

## What if I am a transportation service?

If you checked the box in Step 1, Line D, indicating that you are a company that furnishes transportation service both inside and outside Illinois, you must apportion your business income as follows:

**A Transportation other than pipeline** — On Lines 41 and 42, line out the word “sales” and write “Revenue miles.” On Line 41, write the amount of revenue miles everywhere. On Line 42, write the amount of revenue miles in Illinois. Divide Line 42 by Line 41 and write the result, carried to six decimal places, on Line 43. Complete Lines 44 through 47 as indicated in Specific Instructions for Step 6 - Figure your income allocable to Illinois.

**Note** → If you are a corporation engaged in the transportation of both passengers and freight, Line 43 is determined by means of an average of the passenger revenue mile fraction and the freight revenue mile fraction, weighted to reflect your

- relative railway operating income from total passenger and total freight service, as reported to the Surface Transportation Board in the case of transportation by railroad; and
- relative gross receipts from passenger and freight transportation in the case of transportation other than by railroad.

**B Transportation by pipeline** — On Lines 41 and 42, line out the word “sales” and write “Pipeline.” On Line 41, write the amount of revenue miles everywhere. On Line 42, write the amount of revenue miles in Illinois. Divide Line 42 by Line 41 and write the result, carried to six decimal places, on Line 43. Complete Lines 44 through 47 as indicated in Specific Instructions for Step 6 - Figure your income allocable to Illinois.

## What if I am a member of a unitary business group?

The term “unitary business group” means a group of persons related through common ownership, whose business activities are integrated with, dependent on, and contribute to each other. In the case of a corporation, common ownership is defined as the direct or indirect ownership or control of more than 50 percent of the outstanding voting stock of a corporation.

If you determine that you are a member of a unitary business group, see Illinois Schedule UB for more information regarding your Illinois filing requirements and the computation of your Illinois tax liability. Once the Illinois Schedule UB has been completed, you must apportion your business income as follows:

On Line 41, write the “everywhere” sales factor of the entire unitary business group from Illinois Schedule UB, Step 4, Line 2, Column D. On Line 42, write only your Illinois sales (including your share of sales of any unitary partnerships in which you are a partner).

On Lines 45 and 46, write your own nonbusiness income and the Illinois portion of business income from nonunitary partnerships in which you are a partner or from trusts or estates, of which you are a beneficiary.

## What if I want to use an alternative apportionment formula?

If the apportionment methods prescribed by IITA, Sections 304(a) through (d), and (h) do not fairly and accurately reflect your business activity in Illinois, or lead to a grossly distorted result, you may want to use a more accurate alternative method. If you want to use an alternative apportionment method, you **must** receive permission from the IDOR **prior to** filing your return. Send your request to

**ILLINOIS DEPARTMENT OF REVENUE  
LEGAL SERVICES OFFICE  
SENIOR COUNSEL - INCOME TAX, 5-500  
101 WEST JEFFERSON STREET  
SPRINGFIELD IL 62702**

**Note** → Your request for an alternative apportionment formula must follow the requirement of the Illinois Income Tax Regulations, Section 100.3390. See the regulations or contact the department for more information.

If you receive permission to use an alternative formula, you must attach to your Form IL-1120-ST a copy of the letter granting permission.

# Illinois Schedule B Instructions

## General Information

### What is the purpose of Illinois Schedule B?

The purpose of Illinois Schedule B, Partners' or Shareholders' Identification, is for you to identify any person who was a partner or shareholder at any time during your tax year.

The Illinois Schedule B also allows you to identify your partners or shareholders that are subject to the Illinois Personal Property Tax Replacement Income Tax and to figure the share of distributable income or loss that is to be added to or subtracted from your base income.

You are required to have a copy of this form on file. You **must** attach a copy to your Form IL-1065, Illinois Partnership Replacement Tax Return, or your Form IL-1120-ST, Illinois Small Business Corporation Replacement Tax Return, to support the addition modification claimed on Form IL-1065, Step 4, Line 21 or Form IL-1120-ST, Step 4, Line 20, or the subtraction modification claimed on Form IL-1065, Step 5, Line 27, or Form IL-1120-ST, Step 5, Line 24.

**Note** You must use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the department will not be accepted and you will be asked for appropriate documentation. Failure to comply with this requirement may result in the delay of processing your return or generating any refund. Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

## Specific Instructions

### Step 1: Provide the following information

**Line 1** — Write the amount of base income or net loss from your Form IL-1065 or Form IL-1120-ST, Line 48.

**Line 2** — If you completed Step 6 of Form IL-1065 or Form IL-1120-ST, write the apportionment factor from Line 43. Otherwise, write "1."

### Step 2: Identify your partners or shareholders

#### Lines 1 through 7 —

**Column A** — Write the name and address of each partner or shareholder.

**Column B** — Write the Social Security number or federal employer identification number (FEIN) of each partner or shareholder.

**Column C** — Indicate the type of each partner's or shareholder's organization. Write

- "I" for individual
- "C" for corporation
- "P" for partnership
- "T" for trust
- "M" for estate
- "S" for small business corporation
- "E" for exempt organization

**Column D** — Write the total amount of base income or loss distributable to each partner or shareholder, using the Column D Worksheet below. Write the amount from Column D Worksheet, Line 5, here.

The total of all the amounts in Column D must equal your total base income, computed without regard to the addition claimed on your Form IL-1065, Step 4, Line 21, or Form IL-1120-ST, Step 4, Line 20 or the subtraction claimed on your Form IL-1065, Step 5, Line 27 or Form IL-1120-ST, Step 5, Line 24.

**Column E** — Check the box if the partner or shareholder is subject to the Illinois Personal Property Tax Replacement Income Tax or is an exempt organization (including an Employee Stock Ownership Plan (ESOP)). Individuals and estates are **not** subject to this tax.

**Column F** — Check the box if you included the partner or shareholder in a composite return on Form IL-1023-C, Composite Income and Replacement Tax Return.

**Line 8** — Add the amounts shown in Column D for all the partners or shareholders for which you have checked the box in Column E. Write the total amount on this line. If this is a

- positive amount, write this amount on your Form IL-1065, Line 27 or Form IL-1120-ST, Line 24.
- negative amount (loss), write this amount as a positive amount on your Form IL-1065, Line 21 or Form IL-1120-ST, Line 20

**Note** If you have more than seven partners or shareholders to report, and additional space is needed, complete and attach additional Illinois Schedules B. Report the total on Column D, Line 8 of the last page.

### Column D Worksheet

Complete this worksheet for each partner or shareholder.

- 1 Write the share of income from Form IL-1065 or Form IL-1120-ST, Line 14 for this partner or shareholder. 1 \_\_\_\_\_
- 2 Write the share of additions distributable to this partner or shareholder from Form IL-1065, Lines 15 through 20, and Line 22 or Form IL-1120-ST, Lines 15 through 19, and Line 21. 2 \_\_\_\_\_
- 3 Add Lines 1 and 2. 3 \_\_\_\_\_
- 4 Write the share of subtractions distributable to this partner or shareholder from Form IL-1065, Lines 24 through 26, and 28 through 34 or Form IL-1120-ST, Lines 23, and 25 through 34. 4 \_\_\_\_\_
- 5 Subtract Line 4 from Line 3. If Line 3 is greater than Line 4 (income), write the result as a positive amount on Column D for this partner or shareholder. If Line 4 is greater than Line 3 (loss), write the result as a negative amount on Column D for this partner or shareholder. 5 \_\_\_\_\_

