



What's New?

Form IL-1040

- You may subtract National Guard pay from any state on your Form IL-1040, if it is included in your federal adjusted gross income. Previously, only Illinois National Guard pay could be subtracted. See the Line 6 instructions or Publication 102, Illinois Filing Requirements for Military Personnel, for details.
- The Illinois Earned Income Credit is now refundable for all taxpayers. If the credit amount exceeds the tax owed, the excess credit will be refunded. See the Line 22 instructions for details.

Electronic Filing

Taxpayers who elected to have the Illinois Department of Employment Security withhold 2007 Illinois Income Tax from their unemployment compensation may file electronically starting this year.

Schedule M

Schedule M, Other Additions and Subtractions for Individuals, now includes an addition line for recapture of deductions for contributions to in-state college savings plans when funds are transferred to an out-of-state plan and a subtraction line for railroad unemployment income. In addition, earnings from out-of-state plans that meet certain disclosure requirements no longer have to be added back on Schedule M, Line 5.

See the Schedule M instructions for details.

Schedule 1299-C

We added two income tax credits to Schedule 1299-C, Income Tax Subtractions and Credits (for individuals). The Ex-Felons Jobs Credit and the Veterans Jobs Credit have been added to Schedule 1299-C, Income Tax Subtractions and Credits (for individuals).

See the Schedule 1299-C instructions for details.

New Publication

We created a new publication to clarify the education expense credit. Publication 132, Education Expense Credit General Rules and Requirements for Parents and Guardians, gives detailed information on this credit.

Table of Contents

Frequently Asked Questions

Who must file an Illinois tax return?	2 - 3
Who is an Illinois resident?	3
What is Illinois income?	3
How may I file?	3
When must I file?	3
Will I owe penalties and interest?	3 - 4
What if I cannot pay?	4
When must I file an amended return?	4
What if I have household employees?	4
What if I change my address?	4
What if I am an injured spouse?	4
How do I file a decedent's return?	5
What is my filing status?	5
How do I direct deposit my refund into my checking or savings account?	15
What are my payment options?	15
What must I attach to my return?	17

Worksheets

Schedule 4255 Recapture Worksheet	9
Homeowner's Property Tax Credit (PT) Worksheet	10
K-12 Education Expense Credit (ED) Worksheet	11
Earned Income Credit (EIC) Worksheet	12

Information and assistance	19 - 20
-----------------------------------	----------------

Reminders

Attention Paper Form IL-1040 Filers!

We encourage you to use our free WebFile program or one of our other electronic methods to file your return. Taxpayers who file electronically get their refunds faster and make fewer errors.

For more information, visit tax.illinois.gov or see your tax professional.

Who must file an Illinois tax return?

If you were

- **an Illinois resident**, you must file Form IL-1040 if
 - you were required to file a federal income tax return, 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 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 file the correct form with that state to claim a refund. You may not use tax withheld by an employer in these states as a credit on your Illinois return.

- **a retired Illinois resident** who filed a federal return, you must file Form IL-1040. However, certain types of retirement income (*e.g.*, pension, Social Security, railroad retirement, governmental deferred compensation) may be subtracted from your Illinois income. See the instructions for Line 5 and Publication 120, Retirement Income.
- **a part-year resident**, 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.
- **a nonresident**, 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 50, is greater than your Illinois exemption allowance on Schedule NR, Step 5, Line 54), or
 - you want a refund of any Illinois Income Tax withheld in error. You must attach a letter of explanation from your employer.

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

- **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, or
 - you want a refund of any Illinois Income Tax withheld.

If you received wages, salaries, tips, and commissions from Illinois employers, you are not required to pay Illinois Income Tax on this income. This is based on reciprocal agreements between Illinois and these states.

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 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 reported your interest and dividend income through U.S. Form 8814, Parent's Election to Report Child's Interest and Dividends, 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.
- **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.

General Information

- a **nonresident alien**, you must file Form IL-1040 if your income is taxed under federal income tax law. You must attach a completed copy of your U.S. 1040NR, U.S. Nonresident Alien Income Tax Return, or U.S. 1040NR-EZ, U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents.

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.

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 (AGI) amount figured on your federal return, plus any additional income that must be added to your AGI. Some of your income may be subtracted when figuring your Illinois base income. See the Step-by-Step Instructions for details.

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.

How may I file?

File your individual income tax return electronically by using

- the internet,
- a tax professional, or
- tax preparation software.

Almost all taxpayers can file electronically. Visit our web site at tax.illinois.gov or see your tax professional for details.

If you do not wish to file electronically, you may use the paper Form IL-1040.

When must 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 2007 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, 2008.

We grant an **automatic six-month extension** of time to file your return. 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, 2008.

Will I owe penalties and interest?

You will owe

- a **late-filing penalty** if you do not file a return that we can process by the extended due date.
- a **late-payment penalty** for tax not paid 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 pay the required amount by the payment due dates.
- 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, you receive.
- 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, Penalties and Interest for Illinois Taxes.

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 electronically by using our web site or by credit card. See the instructions for Line 34.

When must I file an amended return?

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

- you discover that you made an error on your Illinois return after it was filed, or
- your federal return has been adjusted either by the Internal Revenue Service (IRS) or on a U.S. 1040X, Amended U.S. Individual Income Tax Return, 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, see Form IL-1040-X and instructions.

What if I have household employees?

Illinois does not allow you to use Form IL-1040 to pay your household employees' Illinois withholding. For more details on how to pay Illinois withholding for your employees, see the instructions for Form UI-WIT, Combined Return for Household Employers, and Publication 121, Illinois Income Tax Withholding for Household Employees.

What if I change my address?

If you change your address after you file, visit our web site or call us to tell us your new address and the date you moved.

What if I am an injured spouse?

If you are filing a joint tax return and all or a portion of your refund may be used to pay an unpaid liability owed by your spouse for any outstanding tax, penalties, and interest and for amounts owed to other agencies or governments, we may grant you injured spouse relief. Write "Injured Spouse" in red ink across the top of the front page of your Form IL-1040. For more information, see Publication 125, Injured and Innocent Spouse Relief.

What if I participated in a potentially abusive tax avoidance transaction?

If you participated in a potentially abusive tax avoidance transaction, commonly known as a "listed transaction," during this tax year and were required to disclose that tax shelter 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 tax shelters to the IRS. You must

- attach one copy to your tax return, **and**
- mail a 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 tax shelters. For more information, contact the IRS or your federal income tax professional.

Step 1 Personal Information

Line A _____

Social Security number

Write your Social Security number (SSN) and your spouse's SSN, even if you are married filing separate returns.

Note If you do not qualify for a SSN and were issued an Individual Taxpayer Identification Number (ITIN) by the IRS, write your ITIN.

Line B _____

Name and address

Use the label from the front of the booklet. If your preprinted name and address are incorrect, cross through them and write the correct information.

If you do not have a label, 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. If your spouse's name appears on your return, any refund will be issued in both names.

Tip Filing a decedent's return

- When you are filing a joint return as a surviving spouse,
- use your label, 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 single 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 or administrator must sign and date the return. The representative's title and telephone number must be provided.

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

Tip Foreign addresses

Write your street address on the "mailing address" line. Write the rest of the information on the "City, State, ZIP" line in the following order: City, province or state, and country. Follow the country's practice for entering the postal code. Do not abbreviate the country name.

Line C _____

Filing status

Select the same filing status you checked on your federal return, unless the note applies to you.

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." In this case, each spouse must determine income and exemptions as if he or she had filed separate federal returns.

If you choose to file a joint Illinois return, you must treat both your spouse and yourself as residents. This election is irrevocable for the tax year. 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 adjusted gross income from your federal return. If you are not required to file a federal income tax return, use the 1040, U.S. Individual Income Tax Return, as a worksheet to determine your adjusted gross income.

Tip Net operating loss (NOL)

If you have a federal NOL this year, you may write a negative amount on Line 1. However, you must reduce that amount by any NOL that you carry back to prior years.

If you deducted an NOL carryforward on your federal return for this year, the amount on Line 1 should be your federal adjusted gross income computed without deducting the NOL carryforward, minus the amount of "Modified Taxable Income" on Line 9 of the federal Worksheet for NOL Carryover found in Table 1 of IRS Publication 536, Net Operating Losses (NOLs) for Individuals, Estates, and Trusts.

Line 2

Federally tax-exempt income

Write the amount of federally tax-exempt interest and dividend income you received.

Note Your distributive share of federally tax-exempt interest and dividend income received from a partnership, an S corporation, an estate, or a trust is added back on Schedule M, Line 2.

Line 3

Other additions to income

Complete Schedule M if you have any of the following items:

- your child's federally tax-exempt interest and dividend income from U.S. Form 8814
- a 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, and included in your federal adjusted gross income
- earnings distributed to you from some non-Illinois IRC Section 529 college savings and tuition programs if these earnings are not included in your adjusted gross income, Line 1
- an addition amount calculated on Form IL-4562, Special Depreciation
- business expense recapture (nonresidents only)
- recapture of deductions for contributions to Illinois college savings plans transferred to an out-of-state plan
- any other amounts that you are required to add to your federal adjusted gross income

See the Schedule M instructions for more details.

Attach Schedule M and any required supporting documents.

Step 3 Base Income

Line 5

Federally taxed Social Security benefits and certain retirement plans

You may subtract most retirement income if it is included in Form IL-1040, Line 1. This includes income from

- **qualified employee benefit plans** (including railroad retirement and 401(K) plans) reported on U.S. 1040, Line 16b, or U.S. 1040A, U.S. Individual Income Tax Return, Line 12b.
- **Individual Retirement Accounts or self-employed retirement plans** reported on U.S. 1040, Line 15b, or U.S. 1040A, Line 11b.
- **Social Security and railroad retirement benefits** reported on U.S. 1040, Line 20b, or U.S. 1040A, Line 14b.
- **government retirement and government disability plans and group term life insurance premiums paid by a qualified**

retirement plan reported as wages on your U.S. 1040 or 1040A, Line 7.

- **state or local government deferred compensation plans** reported on U.S. 1040, Line 7 or 16b, or U.S. 1040A, Line 7 or 12b.
- **capital gains on employer securities** reported on U.S. 1040, Line 13.
- **retirement payments to retired partners** reported on U.S. 1040, Line 17.

See Publication 120 for more details.

Attach U.S. Form 1040 or 1040A, page 1 and any W-2 and 1099 forms. If your retirement income is not reported on your U.S. 1040, Line 15b, 16b, 20b or U.S. 1040A, Lines 11b, 12b, and 14b or shown on your W-2 and 1099 forms, see Publication 120 for a list of any additional required attachments.

Lines 6-11

Line 6

Military pay earned

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

You may not subtract the following:

- combat pay that is not included in your adjusted gross income, Line 1
- pay you received
 - under the Voluntary Separation Incentive,
 - from the military as a civilian,
 - under the Ready Reserve Mobilization Income Insurance Program,
 - for duty as an officer in the Public Health Service

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

Attach Form W-2 showing your military pay.

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) reported as income on your 2007 U.S. 1040, Line 10. Do not include other states' refunds on this line.

Note If you filed a U.S. 1040A or U.S. 1040EZ, Income Tax Return for Single and Joint Filers With No Dependents, you may not take this subtraction.

Line 8

U.S. Treasury bonds, bills, notes, savings bonds, and U.S. agency interest

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

- U.S. 1040, Schedule B, Interest and Ordinary Dividends;
- U.S. 1040A, Schedule 1, Interest and Ordinary Dividends for Form 1040A Filers; or
- mutual fund statement, **plus** any income listed in Publication 101, Income Exempt from Tax, under
 - "What if I have income from obligations of the United States Government?";
 - "What federally-taxable income is exempt from Illinois Income Tax by other federal statutes?";
 - "What if I have distributions from money market trusts (mutual funds)?"



Mutual fund distributions

Include the entire amount of federally taxed distributions received from mutual funds investing exclusively in U.S. government obligations. If the mutual fund invests in U.S. government obligations and non-exempt obligations, your deduction is 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 exempt U.S. government obligations, and the denominator is the fund's total investment.

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

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 Schedule M and on Line 9.

Attach a copy of U.S. 1040, Schedule B or U.S. 1040A, Schedule 1, if required for your federal return; a copy of the statement from the mutual fund; and any worksheets that clearly identify your interest from U.S. obligations.

For more details, see Publication 101.

Line 9

Other subtractions to income

You may be entitled to subtract other items from your income. See the instructions for Schedule M to see if you are eligible for other subtractions.

Attach Schedule M and any required supporting documents.

Line 11

Base income

This line may not be less than zero. If the result is a negative number, write "zero."

Step 4 Exemptions

Line 12 _____

Illinois exemption allowance

Line 12a

If you filed

- U.S. Form 1040 or 1040A, your number of exemptions is found in box 6d of your federal return.
- U.S. Form 1040EZ, your number of exemptions is
 - **0** - if you are single and you checked the “You” box on Line 5 of your federal return, or if you are married filing jointly and you checked both the “You” and “Spouse” boxes on Line 5 of your federal return.
 - **1** - if you are single and did not check the “You” box on Line 5 of your federal return, or if you are married filing jointly and you checked only one box (either “You” or “Spouse”) on Line 5 of your federal return.
 - **2** - if you are married filing jointly and did not check either box on Line 5 of your federal return.

Note If you did not file a federal return, use the U.S. 1040 as a worksheet, and write the number of exemptions you would have claimed if you had filed one.

Line 12b

If someone else claimed you as a dependent and your Illinois base income (Form IL-1040, Line 11, or Schedule NR, Line 50) is

- \$2,000 or less, your number of exemptions is **1**.
- greater than \$2,000, your number of exemptions is **0**.

Note If your Illinois base income is \$4,000 or less, you are married filing jointly, and both of you can be claimed as dependents on someone else’s return, your number of exemptions is **2**.

Line 12c

If you or your spouse were 65 or older, check the appropriate box(es). Your number of exemptions is equal to the number of boxes checked.

Line 12d

If you or your spouse were legally blind, check the appropriate box(es). Your number of exemptions is equal to the number of boxes checked.

Step 5 Net Income

Line 13 _____

Illinois residents only – Net income

This line may not be less than zero. If the result is a negative number, write “zero.”

Line 14 _____

Nonresidents and part-year residents only – Residency and Illinois income

First, check the box to identify whether you were a nonresident or a part-year resident of Illinois during 2007.

Next, complete Schedule NR. Write the amount from Schedule NR, Line 50, on Line 14. **This line may not be less than zero.**

Attach Schedule NR.

Lines 15-19


Step 6 Tax

Line 15

Tax amount

Illinois residents: Follow the instructions on the form.

Nonresidents and part-year residents only: Write your tax amount from Schedule NR, Line 56.

 Schedule NR.

This line may not be less than zero.

Note If you claimed an investment credit 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, you must complete Schedule 4255, Recapture of Investment Tax Credits, and the Schedule 4255 Recapture Worksheet.



Schedule 4255 Recapture Worksheet

Write the amount from Schedule 4255:

- 1 Step 4, Line 16, Column A. 1 _____ | _____
- 2 Step 4, Line 16, Column B. 2 _____ | _____
- 3 **Illinois residents** - Multiply Form IL-1040, Line 13, by 3% (.03).
Nonresidents or part-year residents-
Write Schedule NR, Line 56. 3 _____ | _____
- 4 Add Lines 1, 2, and 3. Write here and on Form IL-1040, Line 15. 4 _____ | _____


 Schedule 4255 (not this worksheet).

Step 7 Payments and Credits

Line 17

Illinois Income Tax withheld

Write the total Illinois Income Tax withheld in 2007 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.*, Form 1099-G, Certain Government Payments, and Form W-2G, Certain Gambling Winnings.

 a copy of each W-2, 1099-R, 1099-G, 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 not enter your share of taxes paid on your behalf on Line 17 unless 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, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, 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; and
- any 2006 overpayment that was credited to your 2007 estimated tax.

Note If you expect your yearly tax liability to be greater than \$500 after subtracting your withholding and credits, you may be required to make estimated income tax payments. See Line 27 and the instructions for Form IL-2210, Computation of Penalties for Individuals, for more information.

Line 19

Credit for tax paid to other states – Illinois residents and part-year residents only

If you were taxed by another state on income you received while you were an Illinois resident, you may be entitled to this credit. See the Schedule CR instructions and Publication 111, Illinois Schedule CR Comparison Formulas for Individuals, to see if you are eligible to take this credit.

 Schedule CR and any required supporting documents.

Line 20 _____

Illinois Property Tax Credit – Illinois residents and part-year residents only

You may figure a credit for the Illinois property taxes you paid in 2007 on your principal residence (not a vacation home or rental property) for the time you owned and lived at the property during 2006, if that residence was in Illinois.

You may not figure a credit for mobile home privilege tax, penalties, or fees included in your property tax bill, or the portion of the property that is deductible as a business expense.

For more information, see Publication 108, Illinois Property Tax Credit.

Tip Illinois property you sold

You **may** figure a credit for Illinois property you sold in 2007 by combining the 2006 property tax paid in 2007, as well as a portion of the 2007 tax paid based on the time you owned and lived at the property during 2007. You may **not** take a credit on your 2007 return for property sold during 2006.

Note If you are eligible for a property tax credit, you must complete the “Homeowner’s Property Tax (PT) Worksheet” to figure the amount of your credit.

Tip Illinois property you purchased

You **may** figure a credit for Illinois property you purchased during 2006 providing you figure only that portion of your taxes that pertains to the time you owned and lived at the property during 2006. 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 2007 return for property you purchased in 2007.



Homeowner’s Property Tax (PT) Worksheet

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

- | | | | |
|---|---|---|---------------|
| 1 | Illinois property tax paid in 2007 for the real estate that includes your principal residence | 1 | _____ _____ |
| 2 | 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 this amount on Line 20a of your Form IL-1040. | 3 | _____ _____ |
| 4 | Multiply Line 3 by 5% (.05). | 4 | _____ _____ |
| 5 | Income tax from Form IL-1040, Line 16 | 5 | _____ _____ |
| 6 | Credit for tax paid to other states from Form IL-1040, Line 19 | 6 | _____ _____ |
| 7 | Subtract Line 6 from Line 5. | 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.



IL-1040, Line 19 + Line 20b cannot be greater than Line 16.

Line 21

Line 21

Credit for K-12 education expenses - Illinois residents and part-year residents only

You may figure a credit for qualified education expenses, in excess of \$250, you paid during 2007 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 when you paid the expenses, and
- your student attended kindergarten (at a school that also has a first grade) through twelfth grade at a public or nonpublic school in Illinois during 2007.

If you

- received a receipt from the school, you must complete the "K-12 Education Expense (ED) Worksheet" below to figure the amount of your credit.

Attach The "Receipt for Qualified K-12 Education Expenses" that you received from the school (**not** the ED Worksheet).

- did not obtain a receipt from the school, you must complete Schedule ED, Credit for K-12 Education Expenses.

Attach Schedule ED (**not** the ED Worksheet).

- home school your child(ren), see Publication 119, K-12 Education Expense Credit General Rules and Requirements for Home Schools.

Attach Schedule ED and receipts.

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 both may not claim a credit for the same expenses, and the total amount of credit claimed between both parents or guardians may not exceed \$500.

For more details, see Publication 132.

Tip Qualified education expenses

Education expenses that qualify for this credit include

- tuition (including summer school classes meeting 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 to a daycare, preschool, kindergarten at a school that does not also have a first grade, college, university, independent tutoring service, or trade school.
- 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.
- expenses paid for yourself or your spouse.



K-12 Education Expense Credit (ED) Worksheet

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

1	Total amount of qualified expenses you paid during 2007 from your receipt. If less than \$250, stop here. If greater than \$250, write the amount here and on Line 21a of your Form IL-1040.	1	_____
2	You may not take a credit for the first \$250 paid for your family's education expenses.	2	\$250 00
3	Subtract Line 2 from Line 1.	3	_____
4	Multiply the amount on Line 3 by 25% (.25).	4	_____
5	Income tax from Form IL-1040, Line 16	5	_____
6	Credit for tax paid to other states from Form IL-1040, Line 19	6	_____
7	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 lowest amount here and on your Form IL-1040, Line 21b . 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.



IL-1040, Line 19 + Line 20b + Line 21b cannot be greater than Line 16.

Line 22 _____

Earned Income Credit

If you qualified for a federal Earned Income Credit (EIC), you also qualify for the Illinois Earned Income Credit.

Complete the "Earned Income Credit (EIC) Worksheet" to determine the amount of your credit.

Note You must keep a copy of your federal income tax return, 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.



Earned Income Credit (EIC) Worksheet

- 1 Federal EIC from your U.S. 1040, Line 66a; U.S. 1040A, Line 40a; or U.S. 1040EZ, Line 8a. Write the amount here and on **Line 22a** of your Form IL-1040. 1 _____|_____
- 2 Multiply the amount on Line 1 by 5% (.05). 2 _____|_____
- 3 **Illinois residents:** Write 1.0.
Nonresidents and part-year residents: Write the decimal from your completed Schedule NR, Line 52. 3 ____ . _____
- 4 Multiply Line 2 by the decimal on Line 3. This is your Illinois Earned Income Credit. Write the result here and on **Line 22b** of your Form IL-1040. 4 _____|_____

Note Keep this worksheet with your income tax records.

Line 23 _____

Credit from Schedule 1299-C

See the instructions for Schedule 1299-C to determine if you are eligible for these credits.

The last page of this booklet tells where to get forms and instructions.

Attach 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.



IL-1040, Lines 19 + 20b + 21b + 23 cannot be greater than Line 16.

Line 27

Step 9 Penalty

Line 27

Late-payment penalty for underpayment of estimated tax

If you

- have a tax liability greater than \$500 after subtracting your withholding and credits, or
- were required to make estimated tax payments and failed to pay the required amount by the payment due dates, you may owe a late-payment penalty for underpayment of estimated tax. See Form IL-2210 for details.

Note If you owe this penalty, you should consider increasing your withholding or the amount of your estimated tax payments. See the instructions for Form IL-1040-ES and Form IL-W-4, Employee's Illinois Withholding Allowance Certificate.

Tip Let us figure your penalty and bill you

Figuring your own penalty can be difficult. We encourage you to file your Form IL-1040 and pay the tax you owe without including any penalty. If you owe this penalty, we will figure the amount and bill you.

Note If you annualized your income, you must complete Form IL-2210.

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.

Attach 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."

Tip 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.

Note If you are 65 years of age or older and you permanently live in a nursing home or if at least two-thirds of your federal gross income is from farming, you are not required to make estimated tax payments and are not subject to a late-payment penalty for underpayment of estimated tax.

Step 10 Donations

Line 28

Donations

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 refund or increase your balance due. Write the amount you wish to contribute on Lines 28a through 28k.

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

- a Wildlife Preservation Fund** - Survival of Illinois' native plants and animals is an ever-growing challenge as important habitats are lost or degraded. Your contribution will pay for projects to help restore and manage habitats, monitor rare species, conduct research to help plan the recovery of endangered species, and educate Illinoisans about the values of our native species.
- b Child Abuse Prevention Fund** - Last year the DCFS hotline received over 250,000 calls to report suspected child abuse. Your contribution will support programs in your community designed to help strengthen families to prevent abuse of their children.
- c Alzheimer's Disease Research Fund** - An estimated 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 progressive and fatal brain disorder that is the fifth leading cause of death in Illinois for people 65 and older.
- 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, Cervical, and Ovarian Cancer Research Fund** - Breast, cervical, and ovarian cancers account for more than one-third of all cancers diagnosed in Illinois. Your contribution will help support research to find ways to prevent these cancers, as well as improve early detection and treatment.
- 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 have been called to active duty since the September 11, 2001, terrorist attacks. Your contribution will help guard members, 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 or is injured while performing such duty.
- h 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.
- i Diabetes Research Fund** - Diabetes is a disease that affects millions of people and their families. An estimated 778,000 Illinois residents have diagnosed diabetes. The American Diabetes Association and the Juvenile Diabetes Research Foundation will use your contribution to support scientific research on the causes and treatment of diabetes.
- j Autoimmune Disease Research Fund** - There are more than 80 autoimmune diseases, including rheumatoid arthritis, lupus, Graves' disease, and scleroderma, which force your body's immune system to attack itself by mistake. Your donations will provide grants to public and private organizations to research the treatment and cure of these diseases, which impact 5 to 8 percent of the population.
- k Lung Cancer Research Fund** - Lung cancer is the third most prevalent form of cancer in Illinois. Contributions to this fund will support research grants to public and private not-for-profit entities to study methods of preventing lung cancer and finding better ways to treat it.

Step 11 Refund or Amount You Owe

Line 31

Overpayment applied to next year

We will reduce any credit to your 2008 estimated tax by the amount of any outstanding tax, penalties, and interest you owe. If your credit is reduced, you may owe a late-payment penalty for underpayment of estimated tax for the following year. See Form IL-1040-ES for details.

Line 32

Refund

We will not refund any amount less than \$1. We will also reduce any refund by the amount of any outstanding tax, penalties, and interest you owe and by amounts you owe to other agencies or governments, if those debts have been certified to us.

Line 33

Direct deposit your refund

If you use direct deposit, you will get your refund faster.

Tip Direct deposit

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

- enter your routing number on Line 33.
 - For a checking account, 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.
 - For a savings account, you must contact your financial institution for your routing number.
- check the appropriate box on Line 33 to indicate that you want your refund deposited into your checking or savings account.
- enter your account number on Line 33.
 - For a checking account, your account number may be up to 17 digits.
The sample check on the next page has an example of an account number.
 - For a savings account, you must contact your financial institution for your account number.

Do not take your account and routing numbers from your checking or savings account deposit slip or include your check number. Include hyphens, but omit spaces and special symbols. You may have unused boxes.

Note 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 your financial institution does not honor your

request for direct deposit, we will send you a check instead.

Line 34

Amount you owe

If Line 34 is less than \$1, you do not have to pay, but you still must file your tax return.

Your tax payment is due on or before April 15, 2008.

Tip Payment options

You may pay by

- **bank account debit.** To have your payment electronically taken from your checking or savings account
 - visit our web site at tax.illinois.gov, or
 - ask your tax professional.

You need the same information that is required for direct deposit (see the instructions for Line 33) plus your IL-PIN (Illinois Personal Identification Number).

Warning: Many credit unions will not allow an electronic debit from a savings account. Please check with your financial institution.

- **credit card.** To pay with Visa, MasterCard, Discover, or American Express
 - visit – www.officialpayments.com, or
 - call – **1 800 2PAYTAX (1 800 272-9829)**.

Have your credit card ready. Telephone payments require you to enter a Jurisdiction Code. The Jurisdiction Code is 2300.

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

- **check or money order.** Make the check or money order payable to “**Illinois Department of Revenue**” (not IRS). Write the taxpayer’s Social Security number, the spouse’s Social Security number if filing jointly, and the tax year in the lower left corner of the payment.

Payments must be U.S. negotiable currency, expressed in U.S. dollars, and drawn on a U.S. bank.

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

Tip Late filing or late payment

If you do not file or pay your tax on time, you may owe penalties and interest. We will send you a bill.

If you prefer to figure the penalties yourself, you may complete Form IL-2210.

Step 12 Sign and Date

You, and your spouse if filing jointly, must sign and date your 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.
- and three years have passed since the extended due date of that return, any overpayment will be forfeited.

Attach

Staple all required copies of forms and schedules, powers of attorney, and letters of estate or office to the tax return.

Tip

Mailing your income tax return

If **no payment** is enclosed, mail your return to:

ILLINOIS DEPARTMENT OF REVENUE
SPRINGFIELD IL 62719-0001

If a **payment** is enclosed, mail your return to:

ILLINOIS DEPARTMENT OF REVENUE
SPRINGFIELD IL 62726-0001

Sample check for Line 33, direct deposit and Line 34, bank account debit

Dylan Taxpayer
Jenna Taxpayer
1040 Square
Lincoln Land, IL 12345

Date _____

PAY TO THE ORDER OF _____ \$ _____
DOLLARS

The Land Bank
Land IL 12345

Routing number: 9101112131415
Account number: _____

Do not include your check number

Memo _____

① 123456789 | ② 9101112131415 | 9876

9876

Sample



- **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>→ Line 3 → Other additions to income</p>	<p>✓ Illinois Schedule M and any required support listed on Schedule M</p>
<p>→ Line 5 → 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, if applicable ✓ 1099-R, RRB-1099, or SSA-1099, if applicable ✓ U.S. 1040, Schedule D, Pages 1 and 2, if applicable ✓ Form IL-4644, if applicable</p>
<p>→ Line 6 → Military pay</p>	<p>✓ Form W-2 showing military pay</p>
<p>→ Line 8 → 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>→ Line 9 → Other subtractions to income</p>	<p>✓ Illinois Schedule M and any required support listed on Schedule M</p>
<p>→ Line 14 → Nonresident or part-year resident</p>	<p>✓ Illinois Schedule NR</p>
<p>→ Line 15 → Recapture of investment credits</p>	<p>✓ Illinois Schedule 4255, if applicable</p>
<p>→ Line 17 → Illinois Income Tax withheld</p>	<p>✓ All W-2, 1099-R, 1099-G, and W-2G forms showing Illinois income 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>→ Line 19 → 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>→ Line 21 → Education expense</p>	<p>✓ Receipt for Qualified K-12 Education Expenses or Schedule ED ✓ Receipts for educational expenses, if home schooled</p>
<p>→ Line 23 → Additional credits</p>	<p>✓ Illinois Schedule 1299-C</p>
<p>→ Line 27 → Self-assessed penalty</p>	<p>✓ Form IL-2210, if you annualized your income and checked the box on Line 27a</p>



What is All Kids?

All Kids is a health care program for children, regardless of medical conditions they have or how much money their parents earn.

What does All Kids cover?

All Kids covers

- doctor visits (including check-ups and shots),
- hospital stays,
- prescription drugs,
- dental care,
- vision care (including eyeglasses), and
- special services such as medical equipment, speech therapy, and physical therapy.

Who is eligible?

Illinois residents who

- are age 18 or younger, and
- meet the insurance requirements (visit the web site or call for insurance requirements)

can get All Kids health insurance.

Are there any costs involved?

Some families get All Kids for free, and some have to pay premiums and co-payments. What you pay depends on your income. While you have your records out to complete your tax return, visit the All Kids web site or call for All Kids income requirements.

How do I apply?

You can

- submit an application using the web site.
- download and print an application using the web site.
- call the hotline to have an application mailed to you.
- visit the web site or call the hotline to find an application agent who can help you apply.

**Visit the All Kids web site at
allkidscovered.com**

**Call the All Kids hotline, toll-free, at
1-866-All-Kids (1 866 255-5437)
TTY: 1 877 204-1012**



Customer Connection — for all your tax needs



→ For faster, easier service - 24 hours a day, 7 days a week.

- Learn about our electronic filing options
- Obtain your IL-PIN
- Get your Form 1099-G information for the amount of any overpayment you must include on your federal return
- 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
- Get information about Illinois Use Tax and Illinois Cigarette Use Tax you may owe



Or call 1 800 732-8866 or 217 782-3336 —

- **to speak with our staff . . . Business hours:** 8:00 a.m. to 5:00 p.m. Monday through Friday

Extended telephone hours for 2008 filing season

April 7 - April 11	Monday through Friday 7:30 a.m. - 5:30 p.m.
April 14 - April 15	Monday and Tuesday 7:00 a.m. - 7:00 p.m.


- **for automated tax assistance . . . 24 hours a day, 7 days a week**

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.

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

For Tax Assistance

Internet or Phone

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

Walk-in

Walk in to any location listed below.

Springfield, IL — Willard Ice Building — 800 732-8866 or 217 782-3336
101 West Jefferson — 62702
Business hours: 8:00 a.m. to 5:00 p.m. Monday through Friday

Business hours for the following locations are 8:30 a.m. to 5:00 p.m. Monday through Friday:

Chicago, IL — James R. Thompson Center — 312 814-5232
100 West Randolph Street — Concourse Level — 60601

Des Plaines, IL — Maine North Regional Building — 847 294-4200
9511 Harrison Street FA203 — 60016

Fairview Heights, IL — 618 624-6773
15 Executive Drive — Suite 2 — 62208

Marion, IL — 618 993-7650
2309 W. Main — Suite 114 — 62959

Rockford, IL — 815 987-5210
200 S. Wyman Street — 61101

Paramus, NJ — Century Plaza — 201 845-0255
45 Eisenhower Drive — Suite 2 — 07652

For Forms, Instructions, and Publications

- Visit our web site at tax.illinois.gov.
 - 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.
-

For Other Assistance

- **For federal tax information** — Call the IRS at **1 800 829-1040** or visit their web site at 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 tax.illinois.gov, check our Customer Connection, or, if you live in Chicago, call **311**.
- **For All Kids information** — The All Kids program guarantees access to affordable health insurance for all children. Call the Illinois Department of Healthcare and Family Services toll free at **1 866 ALL-KIDS** (TTY at **1 877 204-1012**), or visit www.allkidscovered.com for more information.