



What's new for 2009?

- Effective for tax years **ending on or after December 31, 2009**, the partners' and shareholders' share of income tax credits from their Schedule K-1-P may be claimed on Form IL-1023-C.
- Effective for tax years **ending on or after December 31, 2008**, partnerships, S corporations, and trusts are required to make pass-through entity payments on behalf of all nonresident partners and beneficiaries. Pass-through entities should report payments made on your behalf on Illinois Schedules K-1-P or K-1-T. Any payments received from pass-through entities may be claimed as credit on this form. Owners claiming any credit must attach the Schedule K-1-P or K-1-T they receive from the pass-through entity. For more information, see Information Bulletin, FY-2009-02, Pass-through Entity Payments.
- Effective for tax years **ending on or after December 31, 2008**, composite return filing is expanded to allow partnerships and S corporations to file a composite return to report and pay increases in tax for partners and shareholders that result from changes in income of the partnership or S corporation, **if all** partners and shareholders are included in the filing. If the partnership or S corporation filed a composite return initially, the tax increase should be reported on Form IL-1023-C-X. If the partnership or S corporation did not file a composite return, the tax increase should be reported on Form IL-1023-C. Refunds can only be claimed for taxes you paid for partners or shareholders on an original or amended return.

This new provision does not change the existing provision of filing a composite return to report increased liabilities or claim refunds on an IL-1023-C-X for partners and shareholders included on the IL-1023-C.

General Information

Who must file Form IL-1023-C-X?

You should file Form IL-1023-C-X if you are amending a previously filed, processable Form IL-1023-C, Composite Income and Replacement Tax Return, for a tax year ending **on or after December 31, 2007**. If the associated Form IL-1065, Partnership Replacement Tax Return, or Form IL-1120-ST, Small Business Corporation Replacement Tax Return, original figures are amended, you must file Form IL-1065-X, Amended Partnership Replacement Tax Return, or Form IL-1120-ST-X, Amended Small Business Corporation Replacement Tax Return, separately.

Note Use Form IL-843, Amended Return or Notice of Change in Income, and the corresponding year's Form IL-1023-C, to amend tax years ending **prior to December 31, 2007**.

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

If you filed your original Form IL-1023-C and a state or federal correction or change needs to be made before the extended due date expires (see the instructions of your original return), you should file Form IL-1023-C-X, and write "CORRECTED" at the top. Due to the automatic extension, any corrected return filed after the original return and prior to the extended due date will be treated as the original return, rather than an amended return.

How long do I have to amend my return?

The amount of time you have to amend your return depends on whether your Form IL-1023-C-X is being filed to report a state or federal change.

State change - If your change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1023-C-X within

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

If your change increases the tax due to Illinois, you should file Form IL-1023-C-X and pay the tax, penalty, and interest promptly.

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

If your federal change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1023-C-X within two years plus 120 days of federal finalization.

If your federal change increases the tax due to Illinois, you must file Form IL-1023-C-X and pay any additional tax within 120 days of IRS partial agreement or finalization. In order to avoid late payment penalties, you must attach proof of the federal finalization date, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.

Note If you fail to notify us of your change by filing Form IL-1023-C-X, we may issue a notice of deficiency at any time. Once you file your change, we may issue a notice of deficiency within two years.

Who should sign the return?

If you are filing Form IL-1023-C-X to report distributed

- partnership income, a general partner must sign the return.
- S corporation income, a corporate officer must sign the return.

If you are operating as a business organized under the Lloyds plan of operation, an officer of that plan must sign Form IL-1023-C-X.

Preparer information — Any person paid to prepare the return 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.

Can a reasonable facsimile be used?

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.

Composite returns must be filed on Form IL-1023-C-X. 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.

What are the penalties and interest?

Penalties — You will owe

- a **late-filing penalty** if you do not file a processable return by the extended due date;
- a **late-payment penalty** if you do not pay the tax you owe by the original due date of the return;
- a **bad check penalty** if your remittance is not honored by your financial institution;
- a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on your bill.

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

What if I need additional assistance or forms?

If you need additional assistance -

- Visit our web site at 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.

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

What must I attach to my Form IL-1023-C-X?

This form must contain a complete explanation of the reasons for filing the claim or amendment. You **must** attach any required schedules or forms to support your claim. If Form IL-1023-C-X is submitted without the proper attachments it may be partially or totally denied.

If you are filing Form IL-1023-C-X because

- you filed an amended federal return (U.S. Form 1065 or U.S. Form 1120S) and your tax due to Illinois decreases, you must include a copy of that form, plus any other related forms, schedules, or attachments, including a signed and dated copy of any federal report of income tax examination changes, if applicable.
- you filed an amended federal return (U.S. Form 1065 or U.S. Form 1120S) and your tax due to Illinois increases, you must attach proof of the federal finalization date, including a signed and dated copy of any federal report of income tax examination changes, if applicable, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.
- of a change by the IRS to the U.S. Form 1065 or U.S. Form 1120S, you must include all copies of the federal examining officer’s reports, including preliminary, revised, corrected, and superseding reports, and a signed and dated copy of any federal report of income tax examination changes, if applicable.
- of changes, other than those described above, see Form IL-1023-C Instructions for the year you are changing to determine what attachments you must provide.

If you need additional forms or schedules -

- Visit our web site at 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

Specific Instructions

Write the tax year you are amending in the space provided at the top of Form IL-1023-C-X.

Step 1: Provide the following information

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

B — Check the appropriate box to indicate whether you filed Form IL-1065, or Form IL-1120-ST.

C — Write your federal employer identification number (FEIN).

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

E — Check the box if you are filing a “corrected” return.

Trust, individual, and estate members may be included on the same composite return.

F — If any partners or shareholders included in this composite return are trust members, you must check this box.

G — If the partners or shareholders included in this composite return are individuals and/or estate members only, you must check this box.

Step 2: Explain the changes on this return

The purpose of Step 2 is to allow you to explain what specific changes you are making to your Illinois tax return. You should include a copy of the Form IL-1065-X or Form IL-1120-ST-X with all relevant information, including, but not limited to, changes made to

- specific addition and subtraction modifications,
- credit or credit recapture amounts,
- the federal or other state return that caused changes to the Illinois return.

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

General Information for Steps 3 and 4

Column A — Write the amounts from your most recently filed return or as most recently adjusted for the year that you are amending. This may be your original Form IL-1023-C or as previously amended.

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

For each line item you change, you must provide an explanation for that change in Step 2.

For instructions regarding completion of Steps 3 and 4, refer to the Form IL-1023-C Instructions for the year being amended.

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

Steps 3: Figure your income and net income tax

Lines 1a through 2c — List each item and the amount on the line provided. Refer to your Form IL-1023-C, Step 2, Specific Instructions, for the year being amended.

Lines 3 and 4 — Follow the instructions on the form.

Line 5 — Write the total amount of income tax credits passed through to the members included on this return, as shown on their Schedules K-1-P. Attach Schedule 1299-A.

Step 4: Figure your net replacement tax

Complete this step only if the return includes any trust members.

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

Line 9 — Write the total amount of replacement tax investment credit passed through to the members included on this return, as shown on their Schedules K-1-P. Attach Form IL-477.

Step 5: Figure your refund or balance due

Line 17 — Write the total amount of any subsequent tax payments you made with a previously filed Form IL-1023-C-X, or for any other reason (*e.g.*, responding to a bill). Do not include any penalty and interest you previously paid.

Line 19 — Write the total amount of any overpayment, credit, or refund (whether received or not) reported on your previously filed Form IL-1023-C or Form IL-1023-C-X. Do not include any interest that you received.

Line 21 — Follow the instructions on the form. We will calculate any interest that may be due you and include it in your refund check. Any refund may be reduced to satisfy any outstanding liability.

Note → Overpayments from Form IL-1023-C-X cannot be credited to next year's return, unless this is a "corrected" return filed before the extended due date of the original return.

Also, we are not required to credit your overpayment against any other liability at your request. If you have not made previous arrangements with us to credit your overpayment against another liability, and we refund your overpayment or credit it against a different liability, you may incur additional penalties and interest on your liability.

Line 22 — Follow the instructions on the form. This is your amount of tax due that must be paid in full if \$1 or more. Make your check or money order payable to "**Illinois Department of Revenue.**" We will compute any penalty or interest due and notify you.

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

Lines 23 through 25 — We will bill you for penalties and interest. If you prefer, you may calculate the penalties and interest you owe on Form IL-2220, Computation of Penalties for Businesses, and write these amounts on the lines provided. For more information see "What are the penalties and interest?" and Publication 103, Penalties and Interest for Illinois Taxes. **If you calculate penalty and interest, be sure that your payment is equal to the amount on Line 23.**

Note → Lines 23 and 24 are applicable only if you wish to self-assess late-filing and late-payment penalties on Form IL-2220. If you do not wish to complete Form IL-2220, we will compute any penalty or interest due and notify you.

If you have a balance due on Lines 22 or 25, be sure to **write the amount you are paying on the top of Page 1 of the Form IL-1023-C-X.**

