



Schedule K-1-P(2) Partner's and Shareholder's Instructions

General Information

What is the purpose of Schedule K-1-P?

The partnership or the S corporation listed on the front of Schedule K-1-P has completed and provided you with the schedule that reflects your specific share of the partnership's or the S corporation's income, modifications, and credits. Use this completed schedule and these instructions to help you report the items shown on Schedule K-1-P on your Illinois Income Tax return. **Attach a copy of Schedule K-1-P to your tax return and keep a copy for your records.**

What must I attach?

You **must** attach a copy of **any Schedule K-1-P** you receive from partnerships and S corporations to your tax return. You should also keep a copy for your records.

What if the partnership is an investment partnership?

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, all of the income you receive from the partnership is usually treated as nonbusiness income that is allocable to your state of residence (individuals) or state of commercial domicile (all other persons or entities). However, the income you receive from the partnership will be treated as business income if your investment in the partnership is related to another business activity of yours or serves an operational function to another business activity of yours or where your contribution to the partnership was made out of working capital from your trade or business. If your income is treated as business income, you must apportion it as if you had earned the income directly, rather than through the partnership. The apportionment should be completed on the correct forms, as follows:

Individuals - use Form IL-1040, Schedule NR;

Trusts and Estates - use Form IL-1041, Schedule NR;

Corporations (excluding S corporations) - use Form IL-1120 and complete Step 4, Figure your income allocable to Illinois.

S corporations or partnerships - use Form IL-1120-ST or Form IL-1065 and complete Step 6, Figure your income allocable to Illinois.

What if I am engaged in a unitary business with this partnership?

If you are engaged in a unitary business with this partnership, the partnership should have attached a schedule showing your share of the partnership's apportionment factors and business income. You must determine the portion of your business income taxed by Illinois by adding your share of the partnership's business income and apportionment factors to your own business income and apportionment factors.

What if I believe the partnership or the S corporation has made an error on my Schedule K-1-P?

If you believe the partnership or the S corporation has made an error on your Schedule K-1-P, notify the partnership or the S corporation and ask for a corrected Schedule K-1-P. Do not change any items on your copy.

What does Column A represent?

Column A represents your specific share of the partnership's or the S corporation's income, modifications, and credits. The partnership or the S corporation is required to complete this column if you were a partner or shareholder at any time during the partnership's or the S corporation's tax year. If you were a resident of Illinois on the last day

of the partnership's or S corporation's taxable year, only Column A will be completed and all amounts in Column A must be included as income, modifications, and credits allocated to Illinois. If you were not a resident of Illinois on the last day of the partnership's or S corporation's taxable year, Column B also will be completed. See "What does Column B represent?"

What does Column B represent?

Column B represents the portion of Column A that is allocated or apportioned to Illinois. The partnership or the S corporation is required to complete this column if you were not a resident of Illinois on the last day of the partnership's or the S corporation's tax year. Make sure the amounts reported in Column B are included in the Illinois amounts reported on your

- Form IL-1040, Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, Column B;
- Form IL-1041, Schedule NR, Nonresident Computation of Fiduciary Income, Column B;
- Form IL-1120, Step 4, Figure your base income allocable to Illinois; or
- Form IL-1065 or Form IL-1120-ST, Step 6, Figure your base income allocable to Illinois.

Step-by-Step Instructions

These instructions are intended to help you report your share of the partnership's or the S corporation's income, modifications, and credits on your Illinois Income Tax return.

Steps 3 and 4 - Your share of nonbusiness and business income —

Column A - Member's share —

Lines 10 through 31 - Make sure the amounts reported on these lines match your federal Schedule K-1.

Column B - Nonresident member's share —

Step 3 represents your share of the partnership's or the S corporation's nonbusiness income allocated to Illinois. Step 4 represents your share of the partnership's or the S corporation's business income apportioned to Illinois. To determine the amount to include on specific lines of your Form IL-1065, IL-1120, or IL-1120-ST, or (Form IL-1040 or IL-1041) Schedule NR, add specific lines in Step 3, Column B, to specific lines in Step 4, Column B. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

► *For individuals filing Form IL-1040, Schedule NR —*

Note Use the following instructions in order to include the income from Schedule K-1-P, Steps 3 and 4, on your Form IL-1040, Schedule NR, Step 3, Lines 5 through 19, Column B.

Interest income - Nonbusiness interest is not taxed by Illinois. Step 3, Line 10, Column B, should be "0." Include the amount from Step 4, Line 23, Column B, on your Schedule NR, Step 3, Column B, Line 6.

Dividend income - Nonbusiness dividends are not taxed by Illinois. Step 3, Line 11, Column B, should be "0." Include the amount from Step 4, Line 24, Column B, on your Schedule NR, Step 3, Line 7, Column B.

Rents, royalties, partnerships, S corporations, estates, and trusts -

Add Step 3, Column B,
Line 12
Line 13
Line 14
Line 15
and Step 4, Column B,
Line 20
Line 21
Line 22
Line 25
Line 28
Line 29
Total

Include this total amount on your Schedule NR, Step 3, Line 15, Column B.

Capital gain or loss - Add Step 3, Lines 16, 17, and 18, Column B, and Step 4, Lines 26 and 27, Column B. Include this total amount on your Schedule NR, Step 3, Line 11, Column B.

Other gains or losses - Include the amount from Step 4, Line 30, Column B, on your Schedule NR, Step 3, Line 12, Column B.

Other income - The partnership or the S corporation is required to identify or send you a breakdown of the items reported on Step 3, Line 19, and Step 4, Line 31. This identification or breakdown will determine on what lines of your federal return you need to report the income in Column A. The amounts reported in Column B need to be reported on the corresponding lines of your Schedule NR, Column B.

For trusts or estates filing Form IL-1041, Schedule NR

Interest income - Nonbusiness interest is not taxed by Illinois. Step 3, Line 10, Column B, should be "0." Include your fiduciary's share of business interest from Step 4, Line 23, Column B, on your Schedule NR, Step 3, Line 1, Column C.

Dividend income - Nonbusiness dividends are not taxed by Illinois. Step 3, Line 11, Column B, should be "0." Include your fiduciary's share of business dividends from Step 4, Line 24, Column B, on your Schedule NR, Step 3, Line 2, Column C.

Income or loss from partnerships & S corps -

Add Step 3, Column B,
Line 12
Line 13
Line 14
Line 15
Line 16
Line 17
Line 18
Line 19
and Step 4, Column B,
Line 20
Line 21
Line 22
Line 25
Line 26
Line 27
Line 28
Line 29
Line 30
Line 31
Total

Include your fiduciary's share of this total amount on your Schedule NR, Step 3, Line 6, Column C.

For partnerships filing Form IL-1065, corporations filing Form IL-1120, or S corporations filing Form IL-1120-ST

Include the amounts in Step 3, Column B in the total amount you report on your Forms IL-1065, or Form IL-1120-ST, Step 6, Line 45, or IL-1120, Step 4, Line 34. Include the amounts in Step 4, Column B in the total amount you report on your Forms IL-1065 or IL-1120-ST, Step 6, Line 46, or IL-1120, Step 4, Line 35.

Step 5 - Your share of Illinois additions and subtractions -

Column A - Member's share -

Lines 32 through 48 - Make sure the amounts reported on these lines are reported in your Illinois base income by including them on your

- Form IL-1040, Schedule M, Other Additions and Subtractions for Individuals, Lines 2 and 14 (see Form IL-1040 instructions);
Form IL-1041, Step 2, Line 9, and Step 3, Line 23;
Form IL-1065, Step 4, Line 19, and Step 5, Line 33;
Form IL-1120, Step 2, Line 7, and Step 3, Line 22; or
Form IL-1120-ST, Step 4, Line 19, and Step 5, Line 33;

Column B - Nonresident member's share -

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

For individuals filing Form IL-1040, Schedule NR

Lines 32 through 37 - Add Lines 32 through 37, Column B. Include this total amount on your Schedule NR, Step 4, Line 40, Column B.

Lines 38a through 48 - Add Lines 38a through 48, Column B. Include this total amount on your Schedule NR, Step 4, Line 44, Column B.

For trusts or estates filing Form IL-1041, Schedule NR

Lines 32 through 37 - Add Lines 32 through 37, Column B. Include this total amount on your Schedule NR, Step 4, Line 35, Column B.

Lines 38a through 48 - Add Lines 38a through 48, Column B. Include this total amount on your Schedule NR, Step 4, Line 48, Column B.

For partnerships filing Form IL-1065, corporations filing Form IL-1120, or S corporations filing Form IL-1120-ST

Lines 32 through 48 - Add any nonbusiness amounts from Lines 32 through 48, Column B. Include this total amount on your Forms IL-1065 or IL-1120-ST, Step 6, Line 45, or Form IL-1120, Step 4, Line 34.

Add any business amounts from Lines 32 through 48, Column B. Include this amount on your Forms IL-1065 or IL-1120-ST, Step 6, Line 46, or Form IL-1120, Step 4, Line 35.

Line 38b - Include this amount on your Forms IL-1065 or IL-1120-ST, Step 6, Line 45, or Form IL-1120, Step 4, Line 34.

Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —

Column A - Member's share

► *For individuals filing Form IL-1040, Schedule F —*

Line 49 - Include this amount on your Schedule F, Step 3, Line 6, Column H.

Lines 50 and 51 - If Line 51 is blank, include the amount on Line 50 on your Schedule F, Step 3, Line 6, Column I. Otherwise, skip Line 50 and include the amount on Line 51 on your Schedule F, Step 3, Line 6, Column I.

Line 52 - Include this amount on your Schedule F, Step 1, Line 2.

► *For trusts or estates filing Form IL-1041, Schedule F —*

Line 49 - Include this amount on your Schedule F, Line 2, Column K.

Line 50 - Include this amount on your Schedule F, Line 2, Column L.

Line 52 - Include this amount on your Schedule F, Line 2, Column M.

► *For partnerships filing Form IL-1065, Schedule F, or S corporations filing Form IL-1120-ST, Schedule F —*

Use the information in Column A when completing Step 6 of the Schedule K-1-P for your partners or shareholders.

Column B - Nonresident member's share —

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

► *For individuals filing Form IL-1040, Schedule NR —*

Lines 49 through 52 - If Line 51 is blank, add Lines 49, 50, and 52, Column B. Otherwise, add Lines 49, 51, and 52, Column B. Include this total amount as a subtraction on your Schedule NR, Step 4, Line 44, Column B.

► *For trusts or estates filing Form IL-1041, Schedule NR —*

Lines 49, 50, and 52 - Add Lines 49, 50 and 52, Column B. Include this total amount as a subtraction on your Schedule NR, Step 4, Line 50, Column B.

► *For partnerships filing Form IL-1065, Schedule F, or S corporations filing Form IL-1120-ST, Schedule F —*

Line 49 - Include this amount on your Schedule F, Line 2, Column K.

Line 50 - Include this amount on your Schedule F, Line 2, Column L.

Line 52 - Include this amount on your Schedule F, Line 2, Column M.

Step 7 - Your share of the Illinois credits and recapture —

Line 53 - Illinois credits — If the partnership or the S corporation has passed through to you any of the following credits, you may include them on the appropriate schedule or form to claim the credit on your Illinois Income Tax return.

- Film Production Services Tax Credit
- Enterprise Zone or River Edge Redevelopment Zone Investment Credit
- Tax Credit for Affordable Housing Donations
- Economic Development for a Growing Economy (EDGE) Tax Credit
- Research and Development Tax Credit
- Ex-Felons Jobs Credit
- Veterans Jobs Credit
- Student-Assistance Contribution Credit
- Replacement Tax Investment Credits

Schedule K-1-P(2) (R-12/09)

Note — For tax years ending on or after December 31, 2000, partnerships and S corporations automatically pass these credits through to their partners or shareholders that are subject to replacement tax.

► *For individuals filing Form IL-1040 —*

Line 53a - Include this amount on Schedule 1299-C, Step 3, Line 5.

Line 53b - Include this amount on Schedule 1299-C, Step 3, Line 11.

Line 53c - Include this amount on Schedule 1299-C, Step 3, Line 17.

Line 53d - Include this amount on Schedule 1299-C, Step 3, Line 14.

Line 53e - Include this amount on Schedule 1299-C, Step 3, Line 26.

Line 53f - Include this amount on Schedule 1299-C, Step 3, Line 32.

Line 53g - Include this amount on Schedule 1299-C, Step 3, Line 35.

Line 53h - Include this amount on Schedule 1299-C, Step 3, Line 38.

Line 53i - Since individuals do not pay replacement tax, these credits cannot be passed through to you.

► *For trusts or estates filing Form IL-1041 or corporations filing Form IL-1120 —*

Line 53a - Include this amount on Schedule 1299-D, Step 1, Line 5.

Line 53b - Include this amount on Schedule 1299-D, Step 1, Line 12.

Line 53c - Include this amount on Schedule 1299-D, Step 1, Line 19.

Line 53d - Include this amount on Schedule 1299-D, Step 1, Line 22.

Line 53e - Include this amount on Schedule 1299-D, Step 1, Line 32.

Line 53f - Include this amount on Schedule 1299-D, Step 1, Line 40.

Line 53g - Include this amount on Schedule 1299-D, Step 1, Line 43.

Line 53h - Include this amount on Schedule 1299-D, Step 1, Line 46.

Line 53i - Include this amount on Form IL-477, Step 1, Line 4.

► *For partnerships filing Form IL-1065, or S corporations filing Form IL-1120-ST —*

Line 53a - Include this amount on Schedule 1299-A, Step 2, Line 11b.

Line 53b - Include this amount on Schedule 1299-A, Step 2, Line 13.

Line 53c - Include this amount on Schedule 1299-A, Step 2, Line 16.

Line 53d - Include this amount on Schedule 1299-A, Step 2, Line 19.

Line 53e - Include this amount on Schedule 1299-A, Step 2, Line 28.

Line 53f - Include this amount on Schedule 1299-A, Step 2, Line 31.

Line 53g - Include this amount on Schedule 1299-A, Step 2, Line 34.

Line 53h - Include this amount on Schedule 1299-A, Step 2, Line 37.

Line 53i - Include this amount on your Form IL-477, Step 1, Line 4.

► *For individuals and entities —*

Recapture — Lines 54a and 54b - Your share of recapture is based on your share of the original investment credit. If you shared in the original credit and you are no longer a partner or shareholder of the partnership or the S corporation in the year of recapture, Lines 54a and 54b will be the only lines completed on this schedule. You must complete Schedule 4255, Recapture of Investment Tax Credits, and include this total amount on Step 4, Line 15.

If your share in the year of the original investment credit is different from your share in the year of the recapture, Lines 54a and 54b will be completed and the partnership or the S corporation will attach a sheet explaining the difference. You must complete Schedule 4255 and include this total amount on Step 4, Line 15.

Lines 55a and 55b - If the partnership or S corporation made income tax payments on your behalf, add Lines 55a and 55b and write the total amount on your

• Form IL-1040, Step 8, Line 24;

• Form IL-1041, Step 7, Line 51d;

• Form IL-1065, Step 9, Line 61c;

• Form IL-1120-ST, Step 9, Line 58c; or

• Form IL-1120, Step 8, Line 57d.

