



What's new for 2013?

- Your mailing address is now required information on Step 1.
 - If you wish to allow us to speak with your preparer about your return, check the box in Step 5, and see Specific Instructions for more information.
 - A number of Income tax credit and subtraction changes are in place for the 2013 filing season. See the instructions for Forms IL-1120-ST, IL-1065, or IL-1041 for more information.
 - Taxpayers who are entitled to a refund may now choose to direct deposit their refund into their checking or savings account. See Specific Instructions for more information.
 - Composite return filers now have access to some features of MyTax Illinois including the ability to make electronic return payments. MyTax Illinois is a centralized location on our website where taxpayers may register a new business, make payments, and manage their tax accounts. MyTax Illinois does not currently support filing of Form IL-1023-C or payment of Form IL-1023-CES. See tax.illinois.gov for details.
 - Changes are in place for Form IL-1023-C and Form IL-1000 filers that affect this year's and next year's filing. Form IL-1023-C and Form IL-1000 will be retired **next year** and cannot be used for tax years ending on or after December 31, 2014. The amounts that would have been reported on these forms will be
 - reported** on your 2014 Form IL-1065, Form IL-1120-ST, or Form IL-1041, and
 - paid** with those returns or with Form IL-505-B.
- If you elect to credit an overpayment on this year's return to a tax year ending on or after December 31, 2014, you must include the overpayment credit as an overpayment credit claimed on your IL-1065 or Form IL-1120-ST for that tax year.
- In addition, Form IL-1023-CES and Form IL-1000-P cannot be used for making voluntary prepayments for tax years ending on or after December 31, 2014. These vouchers have been replaced by Form IL-516-I and Form IL-516-B, Pass-through Prepayment Vouchers. Form IL-516-I and Form IL-516-B allow you to voluntarily prepay your own tax liability from Form IL-1065 or Form IL-1120-ST, as well as make voluntary pass-through entity prepayments on behalf of your partners or shareholders for tax years ending on or after December 31, 2014. See Form IL-516-I and IL-516-B for more information.

General Information

Who may file Form IL-1023-C?

A partnership or S corporation may choose to act as authorized agent and file Form IL-1023-C for selected partners or shareholders.

A person transacting an insurance business organized under a Lloyd's plan of operation may file a composite return on behalf of all its underwriters, including corporations and residents. You must refer to Illinois Income Tax Regulations, Section 100.5130, for specific instructions on how to properly complete Form IL-1023-C and determine what you need to attach to your return.

You, as authorized agent, are not required to notify the Illinois Department of Revenue (IDOR) that you will start or stop filing Form IL-1023-C. In addition, you are not required to give advance notice of changes from year to year of the members included on Form IL-1023-C. However, for any year a Form IL-1023-C is filed, you are responsible for

- filing any petitions required,
- paying tax, penalty or interest assessed,
- responding to notices,
- filing amended returns, and
- participating in any audit of the return.

Who may be included in a composite return?

Individuals, estates, or trusts that are members of the same partnership or S corporation may be included on Form IL-1023-C. The form is generally for nonresidents of Illinois who have no Illinois income other than the income reported on Form IL-1023-C. **All** eligible members of the partnership or S corporation **do not** have to be included. The decision of whether or not to include a member on Form IL-1023-C must be made by that member and you, the authorized agent. All members **not included** on Form IL-1023-C are required to meet their Illinois filing obligations independently.

All underwriters who are members of an insurance business organized under a Lloyd's plan of operation may be included on Form IL-1023-C.

The Department may grant approval to include a member who is an Illinois resident, or a member whose residency cannot be determined if you petition for their inclusion (see "Do I need to file a petition?").

Example: The Acme partnership consists of a general partner and 50 limited partners. The general partner is a regular corporation, and the limited partners consist of 26 nonresident individuals, 20 resident individuals, an S corporation, a partnership, a nonresident estate, and a nonresident trust. The 26 nonresident individuals, the nonresident estate, and the nonresident trust may be included on Form IL-1023-C. The 20 resident individuals **may** be included **if** you submit a petition and we grant approval. None of the other partners may be included.

Note → A qualifying member may be included in more than one composite return.

Do I need to file a petition?

You must file a petition and receive approval if you wish to include

- a member who is a resident of Illinois, or
- a member whose residency cannot be determined.

Note → No petition needs to be filed by a Lloyd's plan of operation to include any of its underwriters. Also, no credit is allowed to any underwriter for its share of composite tax paid on Form IL-1023-C.

You must file the petition **prior to** the end of the partnership's or S corporation's tax year. We will notify you of the approval or denial of the petition prior to the original due date for filing Form IL-1023-C.

We will grant a petition if you clearly demonstrate that no other method of filing would achieve the same degree of compliance and administrative ease, or if you provide sufficient evidence that residency cannot be accurately determined. Mail petitions to:

**BUSINESS PROCESSING DIVISION
 ILLINOIS DEPARTMENT OF REVENUE
 PO BOX 19014
 SPRINGFIELD IL 62794-9014**

Must I file Form IL-1000, Pass-through Entity Payment Income Tax Return and Form IL-1023-C?

You are required to file Form IL-1000 and make payments only if you have nonresident partners or shareholders who are not included on your Form IL-1023-C. Payments cannot be made on behalf of the same

partner or shareholder for the same taxable year on both forms. Do not claim a credit on one form for payments made on the other. Amounts you pay on behalf of your partners and shareholders on the Form IL-1000 and Form IL-1023-C are both reported as pass-through entity payments on your Forms IL-1065 or IL-1120-ST, Schedule B, Step 2, Column F.

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 failure to file penalties, a delay in the processing of your return, or a delay in the generation of 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. 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's forms. Computer generated forms from a Department-approved software developer are acceptable.

When should I file?

Form IL-1023-C is due on or before the 15th day of the **4th** month following the close of the authorized agent's tax year.

If you are operating as a business organized under the Lloyd's plan of operation, your due date is the same as your federal return due date.

Automatic Illinois extension — We grant an automatic six-month extension of time to file Form IL-1023-C, whether or not the automatic extension was requested. You are not required to file Form IL-505-B, Automatic Extension Payment, in order to obtain this automatic six-month 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-1023-C is not an extension of time for payment of Illinois tax.

Note → Do not use Form IL-505-I, Automatic Extension Payment (for individuals), to submit composite tax payments.

When should I pay?

Payment of tax — You must pay your Illinois Income and 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 — You may make estimated payments on the basis of the income tax expected to be shown on the composite return. Estimated payments must be submitted with Form IL-1023-CES. **Do not** use Form IL-1040-ES or Form IL-1120-ES to pay composite tax.

Note → Payments submitted to the Department for any other type of tax or overpayments of tax from any other type of tax return **cannot** be transferred to Form IL-1023-CES or Form IL-1023-C to satisfy your composite tax payment requirements.

Form IL-1023-CES cannot be used for tax years ending on or after December 31, 2014. You may, however, use Form IL-516-I and Form IL-516-B, Pass-through Prepayment Vouchers, to make voluntary pass-through prepayments on behalf of your partners or shareholders for **tax years ending on or after December 31, 2014**. Form IL-1000, Pass-through Entity Payment Income Tax Return, and Form IL-1023-C, Composite Income and Replacement Tax Return, will be retired for tax years ending on or after December 31, 2014, and the amounts that would have been reported on these forms will be

- **reported** on your Form IL-1120-ST or Form IL-1065, and
- **paid** with those returns or Form 505-B.

Form IL-516-I and Form IL-516-B allow you to voluntarily prepay your own tax liability from Form IL-1120-ST or Form IL-1065 as well as make pass-through entity prepayments on behalf of your partners or shareholders.

Who should sign the return?

If you are filing Form IL-1023-C 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 Lloyd's plan of operation, an officer of that plan must sign Form IL-1023-C.

Preparer information — Any person paid to prepare your 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 identification number. 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, available at tax.illinois.gov.

Who needs to file an independent return?

Nonresident members that do not have Illinois income, other than the income included on Form IL-1023-C, generally are **not required** to file an independent Form IL-1040 or Form IL-1041 return. However, if a nonresident member made tax payments on Forms IL-1040-ES, Estimated Income Tax Payments for Individuals, the payments can **only** be claimed by filing the appropriate independent return. These payments cannot be transferred to Form IL-1023-C.

To recover these payments, a Form IL-1040 or Form IL-1041 must be filed and a credit claimed for the amount paid on the taxpayer's behalf on the Form IL-1023-C, as reported to the taxpayer on Schedule K-1-P.

Nonresident members that have Illinois income in addition to the income included in a Form IL-1023-C and all resident members are **required** to file an independent Form IL-1040 or Form IL-1041. The member's share of income reported on Form IL-1023-C (except in the case of a Form IL-1023-C filed by a Lloyd's plan of operation) must also be included on the independent return. These members are allowed to claim a credit on their independent Form IL-1040 or Form IL-1041 for their share of the composite tax paid on Form IL-1023-C. Specific instructions for filing independent Form IL-1040 or Form IL-1041 are provided with the approval of the petition (see "Do I need to file a petition?").

What if I need to correct or change my return?

Do not file another Form IL-1023-C with “amended” figures to change your originally filed Form IL-1023-C. If you need to correct or change your return after it has been filed, you must file Form IL-1023-C-X, Amended Composite Income and Replacement Tax Return. Returns filed before the extended due date of the return are treated as your original return for all purposes. For more information see Form IL-1023-C-X instructions.

You should file Form IL-1023-C-X only after you have filed a processable Illinois Income Tax return. You must file a separate Form IL-1023-C-X for each tax year you wish to change.

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 those amended returns separately.

Note → Form IL-1023-C **cannot** be amended to transfer tax payments or overpayments from (or to) any other type of return, or to claim a net operating loss or credit carryforward.

What attachments do I need?

You must complete Schedule BC, Composite Return Membership, and report all required information. See Specific Instructions for Schedule BC for more information.

If you are operating as a business organized under the Lloyd's plan of operation, refer to Illinois Income Tax Regulations, Section 100.5130, to determine what you need to attach to your Form IL-1023-C.

Where should I file?

If a payment is enclosed with your return, mail your Form IL-1023-C to

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19053
SPRINGFIELD IL 62794-9053

If a payment is **not** enclosed, mail your Form IL-1023-C to

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19009
SPRINGFIELD IL 62794-9009

What if I need additional assistance or forms?

If you need additional assistance -

- Visit our website 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 → When filing your Form IL-1023-C, 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

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.

Your disclosure with Form IL-1023-C will fulfill any obligation of the members included on the return to file a disclosure of the same transactions with 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 second copy to

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

If you are operating as a business organized under the Lloyd's plan of operation, you should mail your Form IL-1023-C to

ATTN: LLOYD'S OF LONDON
BUSINESS PROCESSING DIVISION
PO BOX 19014
SPRINGFIELD IL 62794-9014

Mail your Form IL-1023-C to us separately. Do not attach it to Form IL-1065 or Form IL-1120-ST.

If you need additional forms or schedules -

- Visit our website at tax.illinois.gov.
- Write to us at
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19010
SPRINGFIELD IL 62794-9010

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 — Identify your partnership or S corporation

A — All taxpayers: Type or print your legal business name. If you have a name change from last year, check the corresponding box.

B — Type or print your mailing address. If your address has changed since you filed your last return or if this is your first return, check the box.

Note → If you checked the box in Line B because you have never filed an Illinois return, you must also check the “first return” box in Line C.

IL-1023-C Instructions (R-12/13)

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

D — Write your federal employer identification number.

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

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

F — If this composite return includes **trust members**, you **must** check this box.

G — If this composite return includes **only individuals and/or estates**, you **must** check this box.

If you are operating a business organized under a Lloyd's plan of operation, you **must** refer to Illinois Income Tax Regulations, Section 100.5130, for specific instructions on how to properly complete Form IL-1023-C.

Step 2 — Figure your income and net income tax

Note — Composite income cannot be reduced by the standard exemption, nor by any type of net operating loss deduction.

Line 1a — Write the amount of modified base income of the partnership or S corporation. Figure this modified income by using information from your Form IL-1065 or Form IL-1120-ST, and eliminating certain additions and subtractions from Steps 4 and 5, identified below.

Line 2a — Write the amount of modified base income allocable to Illinois. Figure this amount by using information from your Form IL-1065 or Form IL-1120-ST, Step 6. See the instructions below.

Partnerships — Use a blank Form IL-1065 as a worksheet and complete Steps 4 through 6. Write the amount from Line 13, of the partnership's return. Write zeros on Lines 21, 26, and 27. On Line 20, write the amount of any guaranteed payments made to a partner included in this composite return.

Special Note — **Unitary filers:** If your original Form IL-1065 was completed on a unitary basis, complete the worksheet mentioned above on a **non-unitary** basis.

Note — **On Line 33, include any amount of the federal domestic production activity or oil and gas depletion deductions that you are not allowed to claim on your Form IL-1065, but may pass through to eligible partners.**

S corporations — Use a blank Form IL-1120-ST as a worksheet and complete Steps 4 through 6. Write the amount from Line 13, of the corporation's return. Write zeros on Lines 20, 24, 26, 28, and 29. On Line 33, do not include any subtractions allowed to you for foreign dividend gross-up, Subpart F income, or foreign dividends received.

Special Note — **Unitary filers:** If your original Form IL-1120-ST was completed on a unitary basis, complete the worksheet mentioned above on a **non-unitary** basis.

Note — **On Line 33, include any amount of the federal domestic production activity or oil and gas depletion deductions that you are not allowed to claim on your Form IL-1120-ST, but may pass through to eligible shareholders.**

Partnerships and S corporations — Copy the amounts for all other lines (except total lines) from your return. Recalculate the Form IL-1065 or Form IL-1120-ST worksheet and write the recalculated amount from

- Step 5, Line 35, on Step 2, Line 1a, of Form IL-1023-C and
- Step 6, Line 46, on Step 2, Line 2a, of Form IL-1023-C.

Line 1b — Write the total percentage of ownership for resident members in this composite return.

Note — **Do not** include any Illinois residents in this composite return unless you have received written permission from us (see "Do I need to file a petition?").

Line 2b — Write the total percentage of ownership for nonresident members in this composite return.

Lines 2c through 4 — Follow the instructions on the form.

Note — If a partnership agreement provides for a specific allocation of certain items that differs from that used to allocate income or loss, such as guaranteed payments, compute the amount on Line 3 in accordance with this allocation. You **must** write the special items and percentage allocations on a separate sheet and attach it to your return. If specific

allocations cause some partners to have income and others to have losses, the loss of one partner may not be used to offset the income of another.

Line 5 — Write the total amount of recapture of investment tax credits passed through to members included on this return as shown on their Schedules K-1-P and K-1-T. **Attach** Schedule 4255.

Line 7 — 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 3 — Figure your net replacement tax

Members that are **trusts** are also subject to Illinois replacement tax. If your return includes any trust members, you must complete Step 3. If your return includes only individual and/or estate members, do not complete Step 3.

Line 11 — Write the total amount of recapture of investment tax credits passed through to members included on this return as shown on their Schedules K-1-P and K-1-T. **Attach** Schedule 4255.

Line 13 — 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 4 — Figure your refund or balance due

Line 16a — 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. Take into account any correspondence we may have sent that changed the amount of your credit carryforward from the previous year.

Line 16b — Write the total amount of estimated payments you made with Form IL-1023-CES during this tax year.

Line 16c — Write the amount of Illinois income and replacement tax paid with Form IL-505-B.

Line 16d — Write the amount you wish to claim of Illinois pass-through entity payments made on your behalf by the partnerships, S corporations, or trusts included in the composite return, as reported to you on Schedule K-1-P or K-1-T. If you have more than one Schedule K-1-P or K-1-T, add the amounts you wish to claim from all the schedules and write the total on Line 16d. **Attach copies of the Schedules K-1-P and K-1-T you received from the pass-through entities to your Form IL-1023-C.**

Note — **Do not** include payments made with any other type of form. Do not include any overpayment from an independent Form IL-1040 or Form IL-1041, or from your Form IL-1065 or Form IL-1120-ST. These payments **cannot** be transferred to Form IL-1023-C.

Lines 17 and 18 — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

Lines 19 — Write the amount of overpayment you wish to be credited to 2014.

Special Note — Form IL-1023-C will be retired for tax years ending on or after December 31, 2014, and the amounts previously reported on Form IL-1023-C will be reported on your Form IL-1120-ST or Form IL-1065. If you elect to credit an overpayment on this return to a tax year ending on or after December 31, 2014, you must include this overpayment credit on your IL-1120-ST or Form IL-1065 for tax years ending on or after December 31, 2014.

Lines 20 — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

Note — If you overpay your estimated tax payments for any reason (including paying tax on behalf of an owner who decides not to join in the composite return), you may not transfer the overpayment to any other liability. You must file Form IL-1023-C and request a refund of the overpayment or a credit to your estimated tax obligation for the following year.

Line 21 — Direct deposit information.

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

- Enter your routing number.
 - 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 this 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 to indicate whether you want your refund deposited into your checking or savings account.
- Enter your account number.
 - For a checking account, your account number may be up to 17 digits.

The sample check on this page has an example of an account number.

- For a savings account, you must contact your financial institution for your account number.

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

Note → If your financial institution does not honor your request for direct deposit, we will send you a check instead.

Note → We do not support international ACH transactions. We will only deposit refunds into accounts located within the United States. If your financial institution is located outside the United States, we will send you a check instead of depositing your refund into your account.

The image shows a sample check form with the following fields and annotations:

- Business Taxpayer:** 1234 Square, Lincoln Land, IL 12345. The number 9876 is written in the top right corner.
- Date:** A line for the date.
- PAY TO THE ORDER OF:** A line for the payee name.
- Amount:** A box for the amount in dollars.
- Bank Information:** The Land Bank, Land IL 12345.
- Routing Number:** 9101112131415. A callout bubble says "Do not include your check number".
- Account Number:** 123456789. A callout bubble says "Routing number".
- Memo:** 9876. A callout bubble says "Account number".

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. If you are not paying electronically, complete a payment voucher, Form IL-1023-C-V, make your check or money order payable to “**Illinois Department of Revenue**” and attach them to the front of your return.

Note → If you are paying electronically **do not** complete and attach a payment voucher.

You should also **write the amount you are paying in the box located at the top of Page 1** of the Form IL-1023-C.

We will compute any penalty or interest due and notify you (see General Information, “What are the penalties and interest?”).

Step 5 — Signature, date, and preparer’s information

You must sign and date your return. If you do not sign your return, it will not be considered filed and you may be subject to a **nonfiler penalty**.

If you want to allow the preparer listed in this step to discuss this return with us, check the box. This authorization will allow your preparer to answer any questions that arise during the processing of your return, call us with questions about your return, and receive or respond to notices we send. The authorization will automatically end no later than the due date for filing your 2014 tax return (excluding extensions.) You may revoke the authorization at any time by calling or writing us.

Illinois Schedule BC Instructions

Complete Illinois Schedule BC identifying any person who is included in the composite return. You **must** attach Schedule BC to your Form IL-1023-C.

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.

Note → If the partner or shareholder is a foreign entity and does not have a SSN or FEIN leave this column blank for that partner or shareholder. If you leave this column blank, you may be contacted for further information.

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

- “I” for individual
- “T” for trust
- “M” for estate

Column D — Write the percentage representing each partner’s or shareholder’s share of income, loss, deductions, credit, or recapture.

Column E — Check the box if

- the partner or shareholder is an Illinois resident, and
- you have received Department approval of your petition.

Column F — Write the amount of composite return payments that you made on behalf of each partner or shareholder and reported to them on Schedule K-1-P, Line 54b. **Do not** include pass-through entity payments that you made on behalf of each partner or shareholder and reported to them on Schedule K-1-P, Line 54a.