



# Illinois Department of Revenue Schedule 4255 Instructions

## Who must file?

### Taxpayers who claimed an Enterprise Zone or River Edge Redevelopment Zone, High Impact Business, or Replacement Tax Investment Credit —

You **must** file Schedule 4255, Recapture of Investment Credits, if you claimed an investment credit against your Illinois income or replacement tax liability in a previous year and any of the property considered in the computation of that investment credit becomes disqualified.

You must recapture any such investment credit in the year in which the property becomes disqualified (to the extent the credit was actually used in any previous year). Use this form to figure the amount of recaptured credit that you must add to this year's tax liability. You **must** complete and file a **separate Schedule 4255** for each tax year in which the now disqualified property was placed in service, beginning with the earliest year. Each Schedule 4255 should report only items placed in service during the same tax year you entered at the top of the form. You **cannot** amend a previous year's return in order to exclude the disqualified property. **Attach all completed Schedules 4255 to your return.**

### Taxpayers who claimed an Angel Investment Credit —

You **must** file Schedule 4255 if you claimed an Angel Investment Credit against your Illinois income tax liability in a previous year and are required to recapture the credit. See "When am I required to recapture an Angel Investment Credit?" for more information.

You must recapture any such investment credit (to the extent the credit was actually used in any previous year) in the year in which the recapture event took place (see "When am I required to recapture an Angel Investment Credit?"). Use this form to figure the amount of recaptured credit that you must add to this year's tax liability. If you attach multiple Schedules 4255 because you are required to recapture other investment credit amounts from multiple years, you **must** complete Step 5 only on the last succeeding Schedule 4255 completed. If you have recapture amounts to report for multiple Angel Investment Credits (including credits claimed in multiple years), include them all in the amounts reported in Step 5 on the last succeeding Schedule 4255 you complete. You **cannot** amend a previous year's return in order to exclude the credit you are required to recapture. **Attach all completed Schedules 4255 to your return.**

**Note** For tax years ending on or after December 31, 2000, investment credits earned by you and allocable to your partners and shareholders subject to replacement tax automatically flow through to those partners and shareholders. The amount allocable to other partners and shareholders remains with you.

Partners and shareholders **are required** to report any recapture on their respective returns. You **must** attach Schedule 4255 to your return and provide a copy to your partners or shareholders.

## When does property cease to qualify?

**Enterprise Zone or River Edge Redevelopment Zone Investment Credit** — Property ceases to qualify if, within 48 months of placing it into service, you dispose of the property, convert it to personal use, or move it outside an Illinois enterprise zone or river edge redevelopment zone.

**High Impact Business Investment Credit** — For tax years ending on or before December 31, 1996, property ceases to qualify if, within 48 months of placing it into service, you dispose of the property, convert it to personal use, or move it outside of Illinois. For tax years ending on or after January 1, 1997, if you entered into an agreement with a

taxing district and were granted a tax abatement and you relocate your entire facility in violation of the terms and length of the contract under Section 18-183 of the Property Tax Code, you must recapture the amount of credit previously received under the agreement.

**Replacement Tax Investment Credit** — Property ceases to qualify if, within 48 months of placing it into service, you dispose of the property or move it outside of Illinois. In addition, property placed in service prior to January 1, 1994, becomes disqualified if it is used for purposes other than manufacturing, retailing, coal mining, or fluorite mining within 48 months after being placed in service. Property placed in service on or after January 1, 1994, also becomes disqualified if it is converted to personal use, or if you are no longer primarily engaged in manufacturing, retailing, coal mining, or fluorite mining.

**Note** Property is "disposed of" if it is sold, exchanged, traded-in, abandoned, retired from use, destroyed by casualty, stolen, or transferred as a gift. Property is not "disposed of" if it is mortgaged or used as security for a loan, unless it is converted to a non-qualifying use.

## When am I required to recapture an Angel Investment Credit?

You are required to recapture an Angel Investment Credit you claimed in a prior tax year if, during this tax year, you disposed of your investment in the qualified new business venture for which you claimed the credit or the business venture moved from the State of Illinois, and the disposition or move occurred within three years after you made your qualifying investment in that business.

## Steps 1, 2, and 3 Specific Instructions

**Step 1** — Complete Step 1 if your now disqualified property was considered in computing the Enterprise Zone or River Edge Redevelopment Zone Investment Credit on

- Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations),
- Schedule 1299-C, Income Tax Subtractions and Credits (for individuals), or
- Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries).

**Step 2** — Complete Step 2 if your now disqualified property was considered in computing the High Impact Business Investment Credit on

- Schedule 1299-C or
- Schedule 1299-D.

**Step 3** — Complete Step 3 if your now disqualified property was considered in computing the Replacement Tax Investment Credit on Form IL-477, Replacement Tax Investment Credits.

**Use the following instructions to complete Columns A through E in Steps 1 through 3.**

**Column A** — Enter the date the now disqualified property was placed in service. All entries must be within the same tax year.

**Column B** — Enter the date the property became disqualified. All entries must be within the tax year of the return to which you are attaching this form.

**Column C** — Describe the property exactly as it was described when you computed the investment credit.

**Column D** — Briefly describe the reason for the disqualification (e.g., removed from service, involuntarily converted, etc.).

**Column E** — Enter the basis that was shown when the investment credit was computed.

Use the following instructions to complete Columns F through H in Steps 1 through 3.

### Step 1 - Enterprise Zone or River Edge Redevelopment Zone Investment Credit recapture

**Column F** — Enter the name of the enterprise zone or river edge redevelopment zone in which your property was used when the investment credit was computed.

**Column G** —

**For property placed in service in an enterprise zone**

- enter .005.

**For property placed in service in a river edge redevelopment zone,**

- enter the percentage used on your Schedule 1299-A, Schedule 1299-C, or Schedule 1299-D, River Edge Redevelopment Zone Investment Credit, Column G, for the year you claimed the credit for that property.

**Column H** — For each item of property that is now disqualified, multiply Column E by Column G, and enter the result here.

### Step 2 - High Impact Business Investment Credit recapture

**Column F** — Enter the name of the foreign trade zone or sub-zone in which the property was used when the investment credit was computed. If your high impact business was designated after January 1, 1989, enter "N/A."

**Column G** — The correct rate is printed on the form.

**Column H** — For each item of property that is now disqualified, multiply Column E by Column G, and enter the result here.

### Step 3 - Replacement Tax Investment Credit recapture

**Column F** — Enter the sum of .005 and the rate you used on your Form IL-477 to claim an additional credit based on an increase of employment in Illinois.

- If you did not claim an additional credit for an increase in employment on your Form IL-477, enter .005.
- If you reported an increase in employment of one percent or more on Form IL-477, or if you claimed the credit as a new business in Illinois, enter .01.
- If you reported an increase in employment of less than one percent, add .005 to the decimal shown on Form IL-477, Line 21\*.

\* **Note** For tax years ending on or after

**December 31, 2003, and before December 31, 2015,** refer to Form IL-477, Line 18.

**For tax years ending before December 31, 2003,** refer to Form IL-477, Part II, Line 6.

**Column G** — For each item of property that is now disqualified, multiply Column E by Column F, and enter the result here.

### Step 4 - Specific Instructions

**Column A** — Complete this column if you are reporting the disqualification of property for which you previously claimed an Enterprise Zone or River Edge Redevelopment Zone Investment Credit.

**Column B** — Complete this column if you are reporting the disqualification of property for which you previously claimed a High Impact Business Investment Credit.

**Column C** — Complete this column if you are reporting the disqualification of property for which you previously claimed a Replacement Tax Investment Credit.

**Line 7** — Enter the total basis of all property from your Schedule 1299-A, 1299-C, or 1299-D or Form IL-477 for which you computed a credit in the tax year that the now disqualified property was originally placed in service.

**Line 8** — Enter the total amount of the applicable credit(s) as shown on your Schedule 1299-A, 1299-C, or 1299-D or Form IL-477.

**Line 9** — Enter the following amounts:

**Column A** — Enter the amount from Line 2.

**Column B** — Enter the amount from Line 4.

**Column C** — Enter the amount from Line 6.

**Line 11**

**Columns A and B** — Enter the income tax shown on the return for the tax year in which the credit was originally computed.

**Column C** — Enter the replacement tax shown on the return for the tax year in which the credit was originally computed.

**Note** If an eligible credit was carried forward to the succeeding tax year, you must also include the tax shown on the return for the tax year to which the credit was carried.

**Line 14** — Enter the recapture from any other Schedule 4255 (Step 4, Line 18) you completed to recapture any Enterprise Zone or River Edge Redevelopment Zone, High Impact Business, or Replacement Tax Investment Credit originating in a tax year prior to the tax year that corresponds to the date shown in Column A of Steps 1, 2, or 3.

**Line 15 — Columns A and C** — Enter your distributive share of recapture from partnerships and S corporations from Schedule K-1-P.

**Line 16** — Add Lines 13, 14, and 15.

**Line 17 — Columns A and C — (Partnerships and S corporations only)** Enter the amount from Line 16 that you passed through to your partners or shareholders.

Report each partner's or shareholder's share of the amount —

- from **Column A** on each partner's or shareholder's Schedule K-1-P, Line 53a.
- from **Column C** on each partner's or shareholder's Schedule K-1-P, Line 53b.

If you attach multiple Schedules 4255, report each of your partner's or shareholder's share of the total amount reported on each column of Line 17 of each attached Schedule 4255 on the corresponding lines of the Schedule K-1-P you issue to that partner or shareholder.

**Note** If you have Angel Investment Credit recapture amounts, you must include those amounts in the amounts you report on Schedule K-1-P. See the Step 5 instructions for more information.

**Line 18** — Subtract Line 17 from Line 16. Carry this amount to any succeeding Schedule 4255, Step 4, Line 14, to be completed for this tax year. If you do not need to complete a succeeding Schedule 4255, include this amount —

**from Column A in the amount reported on**

- IL-1040, Line 13,
- IL-1120, Line 46,
- IL-1041, Line 43, or
- IL-990-T, Line 20.

**from Column B in the amount reported on**

- IL-1040, Line 13,
- IL-1120, Line 46,
- IL-1041, Line 43, or
- IL-990-T, Line 20.

**Note** → If you complete Column A or B and you have Angel Investment Credit recapture amounts, you must include those amounts in the amounts you report on your return. See the Step 5 instructions for more information.

**from Column C on**

- IL-1120, Line 41,
- IL-1041, Line 35,
- IL-1065, Line 55,
- IL-1120-ST, Line 53, or
- IL-990-T, Line 14.

## Step 5 - Specific Instructions

**If you attach multiple Schedules 4255, complete Step 5 only on the last succeeding Schedule 4255 you complete.**

**Line 19** — Enter the total amount of Angel Investment Credit you claimed in a prior tax year if, during this tax year, you disposed of your investment in the qualified new business venture for which you claimed the credit or the business venture moved from the State of Illinois, and the disposition or move occurred within 3 years after you made your qualifying investment in that business.

If you have recapture amounts to report for multiple Angel Investment Credits (including credits claimed in multiple years), include them all on this line.

**Line 21** — Add Lines 19 and 20 and include this amount in the amount reported on —

- IL-1040, Line 13,
- IL-1120, Line 46,
- IL-1041, Line 43,
- IL-990-T, Line 20, or
- Schedule K-1-P, Line 53c.

**Note** → If you are reporting recapture in both Step 4 and Step 5, total the amount of recapture you are required to report and enter the amount of recapture (or share of recapture) on the corresponding line of the corresponding form.