



**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 to reflect your specific share of the partnership's or the S corporation's income, modifications, and credits. Use the completed schedule and these instructions to help you report the items shown on Schedule K-1-P on your Illinois Income Tax return.

**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.

**Note** If you receive a Schedule K-1-P that has "the following information is included in the Schedule K-1-P from \_\_\_\_\_" (the name of the partnership or S corporation) written at the top, it is a pro forma Schedule K-1-P. The pro forma Schedule K-1-P has been included to aid you in the completion of your return and should **not** be submitted with your tax return.

**Definitions**

- **Pass-through entity** - the partnership or S corporation that sent you Schedule K-1-P is a pass-through entity.
- **Pass-through entity income** is the income reported on your Schedule K-1-P.
- **Pass-through withholding** is the amount paid by the pass-through entity on your behalf. This amount is listed on Line 54 of your Schedule K-1-P. Not everyone who receives a Schedule K-1-P will have pass-through withholding reported. If you are a resident of Illinois or if you submitted Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments, to the pass-through entity, then you will not have pass-through withholding reported on your Schedule K-1-P. In this case, you will be responsible for reporting and paying Illinois Income tax on the pass-through income.

**When is pass-through entity income earned?**

Pass-through entity income is considered earned on the last day of the pass-through entity's taxable year. Pass-through entity income is not considered received equally throughout the year. The pass-through entity's tax year ending date is listed in the upper right corner of the Schedule K-1-P you received.

See **Publication 129, Pass-through Entity Income**, for more information.

**What if the partnership is an investment partnership?**

If the partnership that completed the Schedule K-1-P entered "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:

- **Nonresident individuals** - use Form IL-1040, Schedule NR.
- **Nonresident 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.
- **Partnerships or S corporations** - use Form IL-1065 or Form IL-1120-ST and complete Step 6, Figure your income allocable to Illinois.
- **Exempt organizations** - use Form IL-990-T and complete Step 3, Figure your income allocable to Illinois.

**Note** Illinois residents may not include any income from an investment partnership in Column B of their Schedule CR.

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

If you are engaged in a unitary business with this partnership but the partnership is not included in your Schedule UB, Combined Apportionment for Unitary Business Group, 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. If the partnership is included in your Schedule UB, report the items on the Schedule K-1-P in the same manner as you would report the items from a non-unitary partner.

**What if I am a Grantor Trust or Disregarded Entity?**

If you are a grantor trust or other disregarded entity for federal and Illinois income tax purposes, check the applicable box on Line 9b, enter the name and identification number of the taxpayer that will report the income or loss from your Schedule K-1-P on their tax return, and provide them with a copy of the Schedule K-1-P and a copy of these instructions.

**What if I received Schedule K-1-P from a Grantor Trust or Disregarded Entity?**

If the grantor trust or disregarded entity checkbox on Line 9b is checked and your name and identification number are listed, report the items from the Schedule K-1-P as if it were provided to you by the taxpayer in Step 1.

## 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, all amounts in Column A must be included as income, modifications, and credits allocated to Illinois. If you were a resident of Illinois on the last day of the partnership's or the S corporation's tax year, **and you are** claiming a credit for taxes paid to another state, see "What does Column B represent?" below.

## What does Column B represent?

Column B represents the portion of Column A that is allocated or apportioned to Illinois. If you were not a resident of Illinois on the last day of the partnership's or the S corporation's tax year, be 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 income allocable to Illinois;
- Form IL-1065 or Form IL-1120-ST, Step 6, Figure your income allocable to Illinois; or
- Form IL-990-T, Step 3, Figure your income allocable to Illinois.

If you were a resident of Illinois on the last day of the partnership's or the S corporation's tax year, **and you are** claiming a credit for taxes paid to another state, subtract the amount of each item in Column B from the amount of that item in Column A, and include the difference in the Non-Illinois Portion column for that item on your

- Form IL-1040, Schedule CR, Credit for Tax Paid to Other States, or
- Form IL-1041, Schedule CR, Credit for Tax Paid to Other States.

**Steps 3 and 4 - Column B** — Step 3, Column B represents your share of the partnership's or the S corporation's nonbusiness income allocated to Illinois. Step 4, Column B, represents your share of the partnership's or the S corporation's business income apportioned to Illinois.

## Should I round?

You must round the dollar amounts on Schedule K-1-P(2) to whole-dollar amounts. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

## What if I need additional assistance or forms?

- Visit our website at [tax.illinois.gov](http://tax.illinois.gov) for assistance, forms or schedules.
- Write us at:  
**ILLINOIS DEPARTMENT OF REVENUE**  
**PO BOX 19001**  
**SPRINGFIELD IL 62794-9001**
- Call **1 800 732-8866** or **217 782-3336** (TDD, telecommunications device for the deaf, at **1 800 544-5304**).
- Visit a taxpayer assistance office - 8:00 a.m. to 5:00 p.m. (Springfield office) and 8:30 a.m. to 5:00 p.m. (all other offices), Monday through Friday.

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## Step-by-Step Instructions

### for individuals filing Form IL-1040

If you were a resident of Illinois on the last day of the partnership's or S corporation's taxable year **and you are not** claiming a credit for taxes paid to another state, you will follow the Column A instructions beginning with Step 5. The figures in Steps 3 and 4 are included in the Adjusted Gross Income reported on Line 1 of your IL-1040.

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

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

Follow the Steps 3 and 4 instructions to determine the amounts to include on your Form IL-1040, Schedule NR or Schedule CR.

**Column A - Member's share** — The amounts reported on Lines 10 through 31 must match your federal Schedule K-1.

**Column B - Illinois share** — To determine the amount to include on specific lines of your Form IL-1040 and 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.

**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, or
- Form IL-1040, Schedule CR, Step 2, Lines 1 through 15, Column B.

**Interest income - (Lines 10 and 23)**

Nonbusiness interest is allocable to your state of residence. If you are a nonresident, Step 3, Line 10, Column B, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include the amount from Step 4, Line 23, Column B, on your Form IL-1040, Schedule NR, Step 3, Line 6, Column B.

**Residents claiming credit for taxes paid in other states:** Subtract the amount on Step 4, Line 23, Column B, from the amount on Step 4, Line 23, Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Line 2, Column B.

**Dividend income - (Lines 11 and 24)**

Nonbusiness dividends are allocable to your state of residence. If you are a nonresident, Step 3, Line 11, Column B, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include the amount from Step 4, Line 24, Column B, on your Form IL-1040, Schedule NR, Step 3, Line 7, Column B.

**Residents claiming credit for taxes paid in other states:** Subtract the amount on Step 4, Line 24, Column B, from the amount on Step 4, Line 24, Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Line 3, Column B.

**Rents, royalties, partnerships, S corporations, estates, and trusts - (Lines 12 - 15, 20 - 22, 25, and 28 - 29)**

Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	Column A	Column B
Line 12	_____	_____
Line 13	_____	_____
Line 14	_____	_____
Line 15	_____	_____
Line 20	_____	_____
Line 21	_____	_____

Line 22	_____	_____
Line 25	_____	_____
Line 28	_____	_____
Line 29	_____	_____
<b>Total</b>	_____	_____

**Note** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 3, Line 15, Column B.

**Residents claiming taxes paid in other states:** Subtract the amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Line 11, Column B.

**Capital gain or loss - (Lines 16 - 18 and 26 - 27)**

Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	Column A	Column B
Line 16	_____	_____
Line 17	_____	_____
Line 18	_____	_____
Line 26	_____	_____
Line 27	_____	_____
<b>Total</b>	_____	_____

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 3, Line 11, Column B.

**Note** You may include any capital loss amounts on your Form IL-1040, Schedule NR, Step 3, Line 11, Column B, only to the extent those loss amounts are included in your federal adjusted gross income.

**Residents claiming taxes paid in other states:** Subtract the amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Line 7, Column B.

**Other gains or losses - (Lines 28 and 30)**

Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Nonresidents:** Include the amount from Step 4, Line 30, Column B, on your Form IL-1040, Schedule NR, Step 3, Line 12, Column B.

**Residents claiming taxes paid in other states:** Subtract the amount on Step 4, Line 30, Column B, from the amount on Step 4, Line 30, Column A, and include the result on your Form IL-1040, Schedule CR, Step 2, Line 8, Column B.

**Other income - (Lines 19 and 31)**

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.

**Nonresidents:** The amounts reported in Column B need to be reported on the corresponding lines of your Form IL-1040, Schedule NR, Column B.

**Residents claiming taxes paid in other states:** Subtract the amounts in Column B from the corresponding amounts in Column A, and include the results on the appropriate lines of your Form IL-1040, Schedule CR, Step 2, Column B.

**Step 5 - Your share of Illinois additions and subtractions —**

*Column A - Member's share of additions and subtractions —*

**Lines 32 through 37 -** Enter the amounts from Column A for each line, and total the amounts for the column.

	<b>Column A</b>
Line 32	_____
Line 33	_____
Line 34	_____
Line 35	_____
Line 36	_____
Line 37	_____
<b>Total</b>	_____

Enter the total on Form IL-1040, Schedule M, Other Additions and Subtractions for Individuals, Step 2, Line 2 (see Form IL-1040, Schedule M instructions).

**Lines 38a, 38b and 41 through 47 -** Enter the amounts from Column A for each line, and total the amounts for the column.

	<b>Column A</b>
Line 38a	_____
Line 38b	_____
Line 41	_____
Line 42	_____
Line 43	_____
Line 44	_____
Line 45	_____
Line 46	_____
Line 47	_____
<b>Total</b>	_____

Enter the total on Form IL-1040, Schedule M, Step 3, Line 14 (see Form IL-1040, Schedule M Instructions).

**Line 39 -** Include the amount from Line 39 on your Form IL-1040, Schedule 1299-C, Income Tax Subtractions and Credits (for individuals), Step 1, Line 2.

**Line 40 -** Include the amount from Line 40 on your Form IL-1040, Schedule 1299-C, Step 1, Line 5.

*Column B - Illinois share of additions and subtractions —*

**Lines 32 through 37 -** Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	<b>Column A</b>	<b>Column B</b>
Line 32	_____	_____
Line 33	_____	_____
Line 34	_____	_____
Line 35	_____	_____
Line 36	_____	_____
Line 37	_____	_____
<b>Total</b>	_____	_____

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 4, Line 40, Column B.

**Residents claiming credit for taxes paid in other states:** Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1040, Schedule CR, Step 3, Line 35, Column B.

**Lines 38a through 47 -** Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	<b>Column A</b>	<b>Column B</b>
Line 38a	_____	_____
Line 38b	_____	_____
Line 39	_____	_____
Line 40	_____	_____
Line 41	_____	_____
Line 42	_____	_____
Line 43	_____	_____
Line 44	_____	_____
Line 45	_____	_____
Line 46	_____	_____
Line 47	_____	_____
<b>Total</b>	_____	_____

**Nonresidents:** Include the total amount from Column B on your Form IL-1040, Schedule NR, Step 4, Line 44, Column B.

**Residents claiming credit for taxes paid to other states:** Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1040, Schedule CR, Step 3, Line 39, Column B.

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

*Column A - Member's share —*

**Line 48** - Include the amount from Line 48 on your Form IL-1040, Schedule F, Gains from Sales or Exchanges of Property Acquired Before August 1, 1969, Step 3, Line 6, Column H.

**Lines 49 and 50** - If Line 50 is blank, include the amount on Line 49 on your Schedule F, Step 3, Line 6, Column I. Otherwise, skip Line 49 and include the amount on Line 50 on your Form IL-1040, Schedule F, Step 3, Line 6, Column I.

**Line 51** - Include the amount from Line 51 on your Form IL-1040, Schedule F, Step 2, Line 2.

*Column B - Illinois share —*

**Lines 48 through 51** - Enter the amounts from Columns A and B for each line, and total the amounts for each column.

If Line 50 is blank, add Lines 48, 49, and 51 for both Columns A and B. Otherwise, add Lines 48, 50, and 51.

	Column A	Column B
Line 48	_____	_____
Line 49	_____	_____
Line 50	_____	_____
Line 51	_____	_____
<b>Total</b>	_____	_____

**Nonresidents:** Include the total amount from Column B as a subtraction on your Form IL-1040, Schedule NR, Step 4, Line 44, Column B.

**Residents claiming taxes paid in other states:** Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1040, Schedule CR, Step 3, Line 39, Column B.

**Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge —** If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 56, see the specific instructions for Step 7 at the end of these instructions for more information.

## Step-by-Step Instructions

### for trusts or estates filing Form IL-1041

If you were a resident of Illinois on the last day of the partnership's or S corporation's taxable year **and you are not** claiming a credit for taxes paid to another state, you will follow the Column A instructions beginning with Step 5. The figures in Steps 3 and 4 are included in the Federal Taxable Income reported on Line 1 of your IL-1041.

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, then 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?"

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

**Note** → Follow the Steps 3 and 4 instructions to determine the amounts to include on your Form IL-1041, Schedule NR or Schedule CR.

*Column A - Member's share —* The amounts reported on Lines 10 through 31 must match your federal Schedule K-1.

*Column B - Illinois share —* To determine the amount to include on specific lines of your Form IL-1041 and Schedule CR or 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.

### Interest income - (Lines 10 and 23)

Nonbusiness interest is allocable to your state of residence. If you are a nonresident, Step 3, Line 10, Column B, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include your fiduciary's share of business interest from Step 4, Line 23, Column B, on your Form IL-1041, Schedule NR, Step 3, Line 1, Column C.

**Residents claiming credit for taxes paid in other states:** Subtract the amount on Step 4, Line 23, Column B, from the amount on Step 4, Line 23, Column A, and include the result on your Form IL-1041, Schedule CR, Step 2, Line 1, Column C.

**Dividend income - (Lines 11 and 24)**

Nonbusiness dividends are allocable to your state of residence. If you are a nonresident, Step 3, Line 11, Column B, should be "0." If the Schedule K-1-P you received shows an amount in Column B of this line, you should notify the partnership or S corporation who issued you the schedule and ask for a corrected Schedule K-1-P.

**Nonresidents:** Include your fiduciary's share of business dividends from Step 4, Line 24, Column B, on your Form IL-1041, Schedule NR, Step 3, Line 2, Column C.

**Residents claiming credit for taxes paid in other states:** Subtract the amount on Step 4, Line 24, Column B, from the amount on Step 4, Line 24, Column A, and include the result on your Form IL-1041, Schedule CR, Step 2, Line 2, Column C.

**Income or loss from partnerships and S corporations -**

**(Lines 12 - 22 and 25 - 31)**

Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	Column A	Column B
Line 12	_____	_____
Line 13	_____	_____
Line 14	_____	_____
Line 15	_____	_____
Line 16	_____	_____
Line 17	_____	_____
Line 18	_____	_____
Line 19	_____	_____
Line 20	_____	_____
Line 21	_____	_____
Line 22	_____	_____
Line 25	_____	_____
Line 26	_____	_____
Line 27	_____	_____
Line 28	_____	_____
Line 29	_____	_____
Line 30	_____	_____
Line 31	_____	_____
<b>Total</b>	_____	_____

**Note** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Nonresidents:** Include your fiduciary's share of this total amount from Column B on your Form IL-1041, Schedule NR, Step 3, Line 6, Column C.

**Note** You may include any capital loss amounts on your Form IL-1041, Schedule NR, Step 3, Line 6, Column C, only to the extent those loss amounts are included in your federal taxable income.

**Residents claiming credit for taxes paid in other states:** Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1041, Schedule CR, Step 2, Line 6, Column C.

**Step 5 - Your share of Illinois additions and subtractions —**

*Column A - Member's share of additions and subtractions —*

**Lines 32 through 37 -** Enter the amounts from Column A for each line and total the amounts for the column.

	Column A
Line 32	_____
Line 33	_____
Line 34	_____
Line 35	_____
Line 36	_____
Line 37	_____
<b>Total</b>	_____

Enter the total on Form IL-1041, Step 2, Line 9.

**Lines 38a, 38b and 41 - 47 -**

Enter the amounts from Column A for each line, and total the amounts for the column.

	Column A
Line 38a	_____
Line 38b	_____
Line 41	_____
Line 42	_____
Line 43	_____
Line 44	_____
Line 45	_____
Line 46	_____
Line 47	_____
<b>Total</b>	_____

Enter the total on Form IL-1041, Step 3, Line 22.

**Line 39** - Include the amount from Line 39 on your Schedule 1299-B, River Edge Redevelopment Zone or Foreign Trade Zone (or sub-zone) Subtractions (for corporations and fiduciaries), Step 1, Line 2.

**Line 40** - Include the amount from Line 40 on your Schedule 1299-B, Step 1, Line 5.

*Column B - Illinois share of additions and subtractions —*

**Lines 32 through 37** - Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	Column A	Column B
Line 32	_____	_____
Line 33	_____	_____
Line 34	_____	_____
Line 35	_____	_____
Line 36	_____	_____
Line 37	_____	_____
<b>Total</b>	_____	_____

**Nonresidents:** Include the total amount from Column B on your Form IL-1041, Schedule NR, Step 4, Line 35, Column B.

**Residents claiming credit for taxes paid in other states:** Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Line 32, Column B.

**Lines 38a, 38b, and 41 through 47** - Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	Column A	Column B
Line 38a	_____	_____
Line 38b	_____	_____
Line 41	_____	_____
Line 42	_____	_____
Line 43	_____	_____
Line 44	_____	_____
Line 45	_____	_____
Line 46	_____	_____
Line 47	_____	_____
<b>Total</b>	_____	_____

**Nonresidents:** Include the total amount from Column B on your Form IL-1041, Schedule NR, Step 4, Line 47, Column B.

**Residents claiming credit for taxes paid in other states:** Subtract the total amount in Column B from the total amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Line 45, Column B.

**Line 39 -**

**Nonresidents:** Include the amount from Column B on your Form IL-1041, Schedule NR, Step 4, Line 42, Column B.

**Residents claiming credit for taxes paid in other states:** Subtract the amount in Column B from the amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Line 40, Column B.

**Line 40 -**

**Nonresidents:** Include the amount from Column B on your Form IL-1041, Schedule NR, Step 4, Line 43, Column B.

**Residents claiming credit for taxes paid in other states:** Subtract the amount in Column B from the amount in Column A, and enter the result on your Form IL-1041, Schedule CR, Step 3, Line 41, Column B.

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

*Column A - Member's share —*

**Line 48** - Include the amount from Line 48 on your Form IL-1041, Schedule F, Line 2, Column K.

**Line 49** - Include the amount from Line 49 on your Form IL-1041, Schedule F, Line 2, Column L.

**Line 51** - Include the amount from Line 51 on your Form IL-1041, Schedule F, Line 2, Column M.

*Column B - Illinois share —*

**Lines 48, 49, and 51** - Enter the amounts from Columns A and B for each line, and total the amounts for each column.

	Column A	Column B
Line 48	_____	_____
Line 49	_____	_____
Line 51	_____	_____
<b>Total</b>	_____	_____

**Nonresidents:** Add Lines 48, 49 and 51, Column B. Include the total amount as a subtraction on your Form IL-1041, Schedule NR, Step 4, Line 38, Column B.

**Residents claiming taxes paid in other states:** Subtract the total amount in Column B from the total amount in Column A, and include the result on your Form IL-1041, Schedule CR, Step 3, Line 36, Column B.

**Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge —** If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 56, see the specific instructions for Step 7 at the end of these instructions for more information.

## Step-by-Step Instructions

### for partnerships filing Form IL-1065 and S corporations filing Form IL-1120-ST

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

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

**Column A - Member's share** — The amounts reported on Lines 10 through 31 must match your federal Schedule K-1.

**Column B - Illinois share** — To determine the amount to include on specific lines of your Form IL-1065 or Form IL-1120-ST, 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.

**Lines 10 through 31** - Include the amounts in Step 3, Column B in the total amount you report on your Schedule NB.

**Note** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Note** You may include any capital loss amounts on your Schedule NB only to the extent those loss amounts are included in your unmodified base income on Form IL-1065 or Form IL-1120-ST, Step 3, Line 13.

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

**Note** You may include any capital loss amounts on your Form IL-1065 or Form IL-1120-ST, Step 6, Line 45, only to the extent those loss amounts are included in your unmodified base income on Form IL-1065 or Form IL-1120-ST, Step 3, Line 13.

#### Step 5 - Your share of Illinois additions and subtractions —

**Column A - Member's share of additions and subtractions** —

**Lines 32 through 37** - The amounts on these lines are reported in your Illinois base income by including them on Step 4, Line 19, of your Form IL-1065 or IL-1120-ST.

**Lines 38a, 38b, and 44 through 47** - The amounts on these lines are reported in your Illinois base income by including the total of these lines on Step 5, Line 32, of your Form IL-1065 or Form IL-1120-ST.

**Line 39** - Include the amount from Line 39 on your Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations), Step 1, Line 2.

**Line 40** - Include the amount from Line 40 on your Schedule 1299-A, Step 1, Line 5.

**Line 41** - Include the amount from Line 41 on your Schedule 1299-A, Step 1, Line 8.\*

**Line 42** - Include the amount from Line 42 on your Schedule 1299-A, Step 1, Line 11.\*

**Line 43** - Include the amount from Line 43 on your Schedule 1299-A, Step 1, Line 14.\*

\*Partnerships filing Form IL-1065 are not eligible for these subtractions.

In addition, report the business and nonbusiness amounts in Column A, Lines 32 through 47 as indicated in the following instructions.

**Column A - Member's share of business and nonbusiness amounts** —

#### Lines 32 through 47 -

**Nonbusiness amounts** - Enter the total of any nonbusiness amounts from Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a), Column A.

**A** Total of nonbusiness amounts from Lines 32 through 37, Column A. \_\_\_\_\_

**B** Total of nonbusiness amounts from Lines 38b through 47, Column A. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on your Schedule NB.

**Business amounts** - Enter the total of any business amounts from Lines 32 through 37 and 38a through 47 (excluding Line 38b), Column A.

**A** Total of business amounts from Lines 32 through 37, Column A. \_\_\_\_\_

**B** Total of business amounts from Lines 38a through 47 (excluding Line 38b), Column A. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_



Include the total amount from Line C in the total amount reported on Step 6, Line 37, of your Form IL-1065 or Form IL-1120-ST.

*Column B - Illinois share of business and nonbusiness amounts —*

**Lines 32 through 47 -**

**Nonbusiness amounts** - Enter the total of any nonbusiness amounts from Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a), Column B.

**A** Total of nonbusiness amounts from Lines 32 through 37, Column B. \_\_\_\_\_

**B** Total of nonbusiness amounts from Lines 38b through 47, Column B. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on your Schedule NB.

**Business amounts** - Enter the total of any business amounts from Lines 32 through 37 and 38a through 47 (excluding Line 38b), Column B.

**A** Total of business amounts from Lines 32 through 37, Column B. \_\_\_\_\_

**B** Total of business amounts from Lines 38a through 47 (excluding Line 38b), Column B. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on Step 6, Line 45, of your Form IL-1065 or Form IL-1120-ST.

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

*Column A - Member's share —*

**Line 48** - Include the amount from Line 48 on your Schedule F, Line 2, Column K.

**Line 49** - Include the amount from Line 49 on your Schedule F, Line 2, Column L.

**Line 51** - Include the amount from Line 51 on your Schedule F, Line 2, Column M.

*Column B - Illinois share —*

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

**Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge —** If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 56, see the specific instructions for Step 7 at the end of these instructions for more information.

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## **Step-by-Step Instructions**

### **for corporations filing Form IL-1120**

If the partnership that completed the Schedule K-1-P entered "investment partnership" in Step 1, Line 4, then 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?"

#### **Steps 3 and 4 - Your share of nonbusiness and business income or loss —**

*Column A - Member's share —* See General Information.

*Column B - Illinois 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 IL-1120, 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.

**Lines 10 through 31** - Include the amounts in Step 3, Column B in the total amount you report on your Schedule NB.

**Note** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Note** You may include any capital loss amounts on your Schedule NB only to the extent those loss amounts are included in your federal taxable income.

Include the amounts in Step 4, Column B in the total amount you report on your Form IL-1120, Step 4, Line 33.

**Note** You may include any capital loss amounts on your Form IL-1120, Step 4, Line 33, only to the extent those loss amounts are included in your federal taxable income.

**Step 5 - Your share of Illinois additions and subtractions —**

*Column A - Member's share of additions and subtractions —*

**Lines 32 through 37** - The amounts on these lines are reported in your Illinois base income by including them on your Form IL-1120, Step 2, Line 7.

**Lines 38a, 38b, and 44 through 47** - The amounts on these lines are reported in your Illinois base income by including the total of these lines on your Form IL-1120, Step 3, Line 20.

**Line 39** - Include the amount from Line 39 on your Schedule 1299-B, Step 2, Line 10.

**Line 40** - Include the amount from Line 40 on your Schedule 1299-B, Step 2, Line 13.

**Line 41** - Include the amount from Line 41 on your Schedule 1299-B, Step 2, Line 16.

**Line 42** - Include the amount from Line 42 on your Schedule 1299-B, Step 2, Line 19.

**Line 43** - Include the amount from Line 43 on your Schedule 1299-B, Step 2, Line 22.

In addition, report the business and nonbusiness amounts in Lines 32 through 47, Column A, as indicated in the following instructions

*Column A - Member's share of business and nonbusiness amounts —*

**Lines 32 through 47 -**

**Nonbusiness amounts** - Enter the total of any nonbusiness amounts from Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a), Column A.

**A** Total of nonbusiness amounts from Lines 32 through 37, Column A. \_\_\_\_\_

**B** Total of nonbusiness amounts from Lines 38b through 47, Column A. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on your Schedule NB.

**Business amounts** - Enter the total of any business amounts from Lines 32 through 37 and 38a through 47 (excluding Line 38b), Column A.

**A** Total of business amounts from Lines 32 through 37, Column A. \_\_\_\_\_

**B** Total of business amounts from Lines 38a through 47 (excluding Line 38b), Column A. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on Step 4, Line 25, of your Form IL-1120.

*Column B - Illinois share of business and nonbusiness amounts —*

**Lines 32 through 47 -**

**Nonbusiness amounts** - Enter the total of any nonbusiness amounts from Lines 32 through 37 and 38b through 47 (do not include amounts from Line 38a), Column B.

**A** Total of nonbusiness amounts from Lines 32 through 37, Column B. \_\_\_\_\_

**B** Total of nonbusiness amounts from Lines 38b through 47, Column B. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on your Schedule NB.

**Business amounts** - Enter the total of any business amounts from Lines 32 through 37 and 38a through 47 (excluding Line 38b), Column B.

**A** Total of business amounts from Lines 32 through 37, Column B. \_\_\_\_\_

**B** Total of business amounts from Lines 38a through 47 (excluding Line 38b), Column B. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on Step 4, Line 33, of your Form IL-1120.

**Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge —**

If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 56, see the specific instructions for Step 7 at the end of these instructions for more information.

## Step-by-Step Instructions

### for exempt organizations filing Form IL-990-T

#### Step 4 - Your share of business income or loss —

*Column A - Member's share* — See General Information.

*Column B - Illinois share* — Step 4 represents your share of the partnership's or the S corporation's business income apportioned to Illinois. 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 entered "investment partnership" in Step 1, Line 4, then 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?"

**Lines 20 through 31** - Include the amounts in Step 4, Column A in the total amount you report on Form IL-990-T, Step 3, Line 4.

**Note** Do not double count items reported as both unrecaptured Section 1250 gains on Schedule K-1-P, Line 28, and as Section 1231 gains on Schedule K-1-P, Line 30.

**Note** You may include any capital loss amounts on your Form IL-990-T, Step 3, Line 4, only to the extent those loss amounts are included in your unrelated business taxable income.

Include the amounts in Step 4, Column B in the total amount you report on your Form IL-990-T, Step 3, Line 10.

**Note** You may include any capital loss amounts on your Form IL-990-T, Step 3, Line 10, only to the extent those loss amounts are included in your unrelated business taxable income.

#### Step 5 - Your share of Illinois additions and subtractions —

*Column A - Member's share of business amounts* —

#### Lines 32 through 47 (excluding Line 38b) -

Enter the total of any business amounts from Lines 32 through 37 and 38a through 47 (excluding Line 38b), Column A.

**A** Total of business amounts from Lines 32 through 37, Column A. \_\_\_\_\_

**B** Total of business amounts from Lines 38a through 47 (excluding Line 38b), Column A. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on Step 3, Line 4, of your Form IL-990-T.

*Column B - Illinois share of business amounts* —

#### Lines 32 through 47 (excluding Line 38b) -

Enter the total of any business amounts from Lines 32 through 37 and 38a through 47 (excluding Line 38b), Column B.

**A** Total of business amounts from Lines 32 through 37, Column B. \_\_\_\_\_

**B** Total of business amounts from Lines 38a through 47 (excluding Line 38b), Column B. \_\_\_\_\_

**C** Subtract Line B from Line A. \_\_\_\_\_

Include the total amount from Line C in the total amount reported on Step 3, Line 10, of your Form IL-990-T.

#### Step 7 - Your share of Illinois credits, recapture, pass-through withholding payments, and federal income subject to surcharge —

If the partnership or S corporation has passed through to you any credit, recapture amounts, income tax payments made on your behalf, or federal income subject to surcharge on Lines 52a through 56, see the specific instructions for Step 7 at the end of these instructions for more information.

## Step-by-Step Instructions for Step 7

### Your share of the Illinois credits, recapture, pass-through withholding, and federal income subject to surcharge

**Line 52 - Illinois Income Tax Credits** — The following income tax credits are available for partnerships and S corporations to pass through to you.

**Line 52a** - Film Production Services

**Line 52b** - Enterprise Zone Investment

**Line 52c** - Enterprise Zone Construction Jobs

**Line 52d** - High Impact Business Construction Jobs

**Line 52e** - Affordable Housing Donations

**Line 52f** - Economic Development for a Growing Economy (EDGE)

**Line 52g** - New Construction EDGE

**Line 52h** - Research and Development

**Line 52i** - Wages paid to Ex-Felons

**Line 52j** - Student-Assistance Contribution

**Line 52k** - Angel Investment

**Line 52l** - New Markets

**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.

**Line 52m** - River Edge Historic Preservation

**Line 52n** - River Edge Construction Jobs

**Line 52o** - Live Theater Production

**Line 52p** - Hospital

**Line 52q** - Invest in Kids

**Line 52r** - Data Center Construction Employment

**Line 52s** - Apprenticeship Education Expense

**Line 52t** - Historic Preservation

**Line 52u** - Other Credits

**Line 52v** - Replacement Tax Investment Credit

Use the chart below to complete your Schedule 1299. Schedule K-1-P, Step 7, for each Line 52a through 52v that has an amount listed, enter, on your Schedule 1299, the corresponding Credit Code in Column B and include the income tax credit amount in Column F. See your Schedule 1299, Instructions, for details.

Enter the amount from Schedule K-1-P, Step 7, Line	Individuals: on Schedule 1299-C, Step 3	Trusts/Estates/Corporations/ Exempt Organizations: on Schedule 1299-D, Step 3	Partnerships/S corporations: on Schedule 1299-A, Step 3
<b>52a</b> <i>Film Production Services</i>	5000	5000	5000
<b>52b</b> <i>Enterprise Zone Investment</i>	5080	5080	5080
<b>52c</b> <i>Enterprise Zone Construction Zone</i>	5120	5120	5120
<b>52d</b> <i>High Impact Business Construction Jobs</i>	5160	5160	5160
<b>52e</b> <i>Affordable Housing Donations</i>	5260	5260	5260
<b>52f</b> <i>EDGE</i>	5300	5300	5300
<b>52g</b> <i>New Construction EDGE</i>	5320	5320	5320
<b>52h</b> <i>Research and Development</i>	5340	5340	5340
<b>52i</b> <i>Wages paid to Ex-Felons</i>	5380	5380	5380
<b>52j</b> <i>Student-Assistance Contribution</i>	5420	5420	5420
<b>52k</b> <i>Angel Investment</i>	5430	5430	5430
<b>52l</b> <i>New Markets</i>	5500	5500	5500
<b>52m</b> <i>River Edge Historic Preservation</i>	5540	5540	5540
<b>52n</b> <i>River Edge Construction Jobs</i>	5560	5560	5560
<b>52o</b> <i>Live Theater Production</i>	5580	5580	5580
<b>52p</b> <i>Hospital</i>	5620	5620	5620
<b>52q</b> <i>Invest in Kids</i>	5660	5660	5660
<b>52r</b> <i>Data Center Construction Employment</i>	5820	5820	5820
<b>52s</b> <i>Apprenticeship Education Expense</i>	0160	0160	0160
<b>52t</b> <i>Historic Preservation</i>	1030	1030	1030
<b>52u</b> <i>Other Credits</i>	n/a	n/a	n/a
<b>52v</b> <i>Replacement Tax Investment Credit</i>	n/a	Form IL-477, Line 4	Form IL-477, Line 4

**Lines 53a, 53b, and 53c — Recapture** — 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 53a, 53b, and 53c will be the only lines completed on this schedule.
- If your share in the year of the original investment credit is different from your share in the year of the recapture, Lines 53a, 53b, and 53c will be completed and the partnership or the S corporation will attach a sheet explaining the difference.

If recapture is reported to you for a particular investment credit, and you claimed the corresponding credit against your Illinois income or replacement tax liability in a previous year, you must file a completed Illinois Income Tax return including Schedule 4255, Recapture of Investment Tax Credits. Include the total amount from

- Schedule K-1-P Lines 53a and 53b on Schedule 4255, Step 4, Line 15, and
- Schedule K-1-P Line 53c on Schedule 4255 Step 5, Line 20.

**Line 54** — If the partnership or S corporation made income tax payments on your behalf, include the amount on your

- Form IL-1040, Step 8, Line 27,
- Form IL-1041, Step 7, Line 55c,
- Form IL-1065, Step 9, Line 62c,
- Form IL-1120-ST, Step 9, Line 61c,
- Form IL-1120, Step 8, Line 61c, or
- Form IL-990-T Step 6, Line 29c.

Schedule K-1-P, Step 1, Line 3, must be completed or the pass-through withholding reported on this line may not be credited to your return.

**Note** → **Individuals, trusts, estates, partnerships, and corporations (including S corporations) only** - Pass-through withholding payments made on your behalf and reported to you on Schedule K-1-P, Line 54, are based on items of business income and certain items of nonbusiness income only. If you had Illinois income from other sources and the payments made on your behalf do not cover your liability, you must file a return to report the tax on all of your Illinois income and claim a credit for pass-through withholding payments made on your behalf.

**Line 55** — This is your share of federal income attributable to transactions subject to the Compassionate Use of Medical Cannabis Program Act surcharge. Use this information when calculating the surcharge on your return.

See the instructions below and the instructions for the return you are filing for more information.

#### **Definitions related to the surcharge —**

**Organization registrant** means a corporation, partnership, trust, limited liability company (LLC), or other organization that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

**Transactions subject to the surcharge** means sales and exchanges of

- capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

#### **What is the surcharge?**

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

#### **To whom does the surcharge apply?**

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a “transaction subject to the surcharge,” including individuals and other taxpayers who are not themselves the “organization registrant” that engaged in the transaction.

A partner or shareholder who incurs a federal income tax liability on income from a transaction subject to surcharge passed through from a partnership or S corporation will incur a surcharge.

**Note** → Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

#### **How do I use the amount reported on Line 55?**

The amount reported on Line 55 identifies your share of any federal income attributable to transactions subject to the surcharge. The partnership and S corporation listed in Step 1 should have also provided you with a breakdown itemizing any amount reported on Line 55.

Use this information when completing the “Surcharge Worksheet” found in the instructions for the return you are filing. Line 55 identifies federal income attributable to transactions subject to the surcharge that should not be included when you complete Line 2 of the worksheet.

**Note** → The amount on Line 55 identifies **federal income** attributable to transactions subject to the surcharge, **not** federal income tax liability for the taxable year attributable to the transactions subject to the surcharge. Exclude this income before figuring the federal income tax amount on Line 2 of the worksheet.

For more information, see Illinois Income Tax Regulations, Section 100.2060.

**Line 56** — This is your share of federal income attributable to transactions subject to the surcharge on the sale of assets by gaming licensee. Use this information when calculating the surcharge on your return.

See the instructions below and the instructions for the return you are filing for more information.

### Definitions related to the surcharge —

**Gaming licensee** is an organization licensee under the Illinois Horse Racing Act of 1975 and/or an organization gaming licensee under the Illinois Gambling Act.

**Transactions subject to the surcharge** means sales and exchanges of

- capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of a gaming licensee.

### What is the surcharge?

For each taxable year 2019 through 2027, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge on the sale of assets by gaming licensee.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

### To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a “transaction subject to the surcharge,” including individuals and other taxpayers who are not themselves the “gaming licensee” that engaged in the transaction.

The surcharge imposed shall not apply if

- the organization gaming license, organization license, or racetrack property is transferred as a result of any of the following:
  - bankruptcy, a receivership, or a debt adjustment initiated by or against the initial licensee or the substantial owners of the initial licensee;
  - cancellation, revocation, or termination of any such license by the Illinois Gaming Board or the Illinois Racing Board;
  - a determination by the Illinois Gaming Board that transfer of the license is in the best interests of Illinois gaming;
  - the death of an owner of the equity interest in a licensee;
  - acquisition of a controlling interest in the stock or substantially all of the assets of a publicly traded company;
  - a transfer by a parent company to a wholly owned subsidiary; or
  - the transfer or sale to or by one person to another person where both persons were initial owners of the license when the license was issued; or

- the controlling interest in the organization gaming license, organization license, or racetrack property is transferred in a transaction to lineal descendants in which no gain or loss is recognized or as a result of a transaction in accordance with Section 351 of the Internal Revenue Code in which no gain or loss is recognized; or
- live horse racing was not conducted in 2010 at a racetrack located within 3 miles of the Mississippi River under a license issued pursuant to the Illinois Horse Racing Act of 1975.

The transfer of an organization gaming license, organization license, or racetrack property by a person other than the initial licensee to receive the organization gaming license is not subject to a surcharge.

A partner or shareholder who incurs a federal income tax liability on income from a transaction subject to surcharge passed through from a partnership or S corporation will incur a surcharge.

**Note** Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

### How do I use the amount reported on Line 56?

The amount reported on Line 56 identifies your share of any federal income attributable to transactions subject to the surcharge. The partnership and S corporation listed in Step 1 should have also provided you with a breakdown itemizing any amount reported on Line 56.

Use this information when completing the “Surcharge Worksheet” found in the instructions for the return you are filing. Line 56 identifies federal income attributable to transactions subject to the surcharge that should not be included when you complete Line 2 of the worksheet.

**Note** The amount on Line 56 identifies **federal income** attributable to transactions subject to the surcharge, **not** federal income tax liability for the taxable year attributable to the transactions subject to the surcharge. Exclude this income before figuring the federal income tax amount on Line 2 of the worksheet.