



# Illinois Department of Revenue

# Informational Bulletin

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## For information or forms...

- Call us at:  
**1 800 732-8866** or  
**217 782-3336**
- Call our TDD  
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- Write us at:  
 Illinois Department of Revenue  
 P.O. Box 19044  
 Springfield, IL 62794-9044
- Visit our web site at:  
**www.tax.illinois.gov**
- Call our 24-hour  
 Forms Order Line at:  
**1 800 356-6302**

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

## What's New for Illinois Income Tax

To:  
**All Income Tax Preparers**

This bulletin summarizes the 2005 Illinois Income Tax changes for both the individual and business income tax forms and schedules.

### What changes have been made to the 2005 Illinois Income Tax forms?

The income tax forms include the following changes:

- Form IL-1120, Corporate Income and Replacement Tax Return, has been completely revised. The new form provides a step-by-step structure that should allow taxpayers ease in completing the form, including detailed line items for all addition and subtraction modifications that require additional Illinois schedules to be attached.
- If you have Form IL-1120 "other additions" on Line 8 or "other subtractions" on Line 23, you must complete the new Schedule M, Other Additions and Subtractions for IL-1120 filers. See "What changes have been made to the 2005 Illinois Income Tax Schedules?" for more information.
- For tax years ending before December 31, 2005, use the Form IL-1120-X, Amended Corporate Tax Return, with the revision date of 12/05. A new Form IL-1120-X is being developed for tax years ending on or after December 31, 2005. This form will be available on our web site, but not in the Illinois Package X.
- No major changes have been made to the 2005 Form IL-1040, Individual Income Tax Return. However, as part of an effort to make filing taxes easier, we have simplified the instructions for filing, focusing on the majority of filers, while referring unique or unusual circumstances to specialized publications.

**Publication 119, K-12 Education Expense Credit General Rules and Requirements**, gives taxpayers who homeschool their children detailed information about the education expense credit.

**Publication 120, Retirement Income**, gives retirees detailed information about what retirement income they may subtract on Form IL-1040, Line 5.



- If you were a member of a professional athletic team in 2005 and you file Form IL-1040, you must check the new box found in Step 1, Line D. See the Specific Instructions for Form IL-1040, Step 1, Line D for more information. The same box is included on the 2005 Form IL-1040-X.
- In addition to the voluntary contribution funds that were available on the 2004 Form IL-1040, several new funds have been added to the 2005 return.

### What changes have been made to the 2005 Illinois Income Tax schedules?

The income tax schedules include the following changes:

- For the 2005 tax year, attachment numbers have been added to the top of most Illinois schedules. As with your federal returns, you should attach schedules to your returns starting with the lowest attachment number, and working to higher attachment numbers sequentially. Failure to attach documents in the order provided may result in processing delays. If a schedule does not have an attachment number, you should attach that schedule behind all other Illinois schedules.
- Schedule M, Other Additions and Subtractions for IL-1120 filers, has been developed to allow you to figure the total amount of additions you must include on Form IL-1120, Line 8, and subtractions you may claim on Form IL-1120, Line 23.
- Schedule UB/NLD, Unitary Net Loss Deductions, has been revised to calculate unitary losses used and available to each unitary member. This change will assist both the taxpayer and the department in tracking loss amounts.

- Schedule UB, Combined Apportionment for Unitary Business Groups, has been revised to reflect changes made to the Form IL-1120. The form also now calculates net income or loss apportionable to Illinois on an individual basis before reaching a combined number, in order to assist in tracking unitary membership and allowable losses.
- The 30 percent credit for start-up expenses for the Employee Child Care Credit on Schedule 1299-D expired on December 31, 2004. This credit has been removed from Schedule 1299-D, Income Tax Credits. However, the credit for 5 percent of operating expenses is still in effect.
- The Film Production Services Tax Credit on Schedules 1299-A, 1299-C, and 1299-D, has been extended and allows a five year credit carryforward provision. In addition, taxpayers earning the credit may also transfer the credit to another taxpayer. Contact the Department of Commerce and Economic Opportunity (DCEO) for more information about the Film Services Tax Credit.
- The Cigarette Use Tax return has been added to the IL-1040 booklet. Use this form to calculate your tax if you purchased cigarettes over the internet or had cigarettes shipped to you by a retailer located outside of Illinois.

### What changes have been made to filing and paying employment taxes for household employees?

You can no longer use Form IL-700-H when using the annual option for paying withholding tax. Go to [household.illinois.gov](http://household.illinois.gov) for information.

### What changes have been made to the electronic filing methods for individuals in 2005?

- The federal/state joint TeleFile program for individuals has been discontinued because of federal changes. We encourage you to use our free WebFile program or one of our other electronic methods to file your 2005 Form IL-1040.
- The electronic funds withdrawal payment option is now available for all types of electronically filed individual income tax returns. This option was previously not available for returns filed using tax-preparation software.

### What changes were made for contributions to college savings plans?

- The "Bright Directions" College Savings Pool was launched in late November 2005. Like contributions made to the "Bright Start" College Savings Pool and the "College Illinois" Prepaid Tuition Program, contributions to a "Bright Directions" plan may be subtracted using Form IL-1040 Schedule M. You should enter the amount of "Bright Directions" contributions on IL-1040 Schedule M, Line 10a along with any "Bright Start" contribution amounts.
- The subtraction for total contributions made to all "Bright Start" or "Bright Directions" College Savings Pools and "College Illinois" Prepaid Tuition Programs cannot exceed \$10,000 (\$20,000 if married filing jointly). Previously, there was no deduction limit for "Bright Start" contributions, and "College Illinois" contributions could not be deducted.