



Informational

Bulletin

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What's New for Illinois Income Tax

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

This bulletin summarizes the 2010 Illinois Income Tax changes for business, individual, and withholding income tax forms and schedules.

Individual Income Tax

What changes have been made to the 2010 Form IL-1040, Illinois Individual Income Tax Return?

- Form IL-1040 now includes a new line for reporting Illinois Use Tax. If you owe \$600 or less in use tax for 2010, you may use Form IL-1040 to report and pay your use tax rather than filing Form ST-44, Illinois Use Tax Return.
Note If you owe more than \$600 in use tax, you must file Form ST-44.
- We no longer mail preprinted Form IL-1040 booklets. We encourage you to file electronically or download forms from our web site. Forms are available at most libraries and post offices.
- The due date for filing your Form IL-1040 and paying any tax you owe is extended to April 18, 2011. We follow the Internal Revenue Service and will extend the due date because of the Emancipation Day holiday being observed on April 15, 2011, in the District of Columbia.

What changes have been made to the 2010 Illinois Individual Income Tax schedules?

- Schedule M, Other Additions and Subtractions for Individuals, includes a new subtraction for unjust imprisonment compensation awarded by the Illinois Court of Claims.

For information or forms
Visit our web site at:
tax.illinois.gov

Call our 24-hour
Forms Order Line at:
1 800 356-6302

Call us at:
1 800 732-8866 or
217 782-3336

Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304

What changes were made for preparers and software vendors preparing 2010 Form IL-1040 returns electronically?

- We now accept an electronically filed Form IL-1040 with an individual taxpayer identification number (ITIN) when Form W-2, Wage and Tax Statement, shows wages reported to a Social Security number (SSN). In the past, these returns could only be filed on paper. The taxpayer's correct ITIN should be used as the identifying number at the top of Form IL-1040. When inputting wage data, the SSN should be entered exactly as shown on Form W-2 issued by the employer.
- A new check box on Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, used to identify a spouse who was living in Illinois only to accompany their military servicemember spouse who was stationed in Illinois, will be accepted with e-File and software prepared returns.
- Form IL-1040 returns with the new Illinois Use Tax line and Schedule M subtraction for compensation awarded by the Illinois Court of Claims for unjust imprisonment may be filed using e-File and tax-preparation software methods.
- The new credit lines on the Schedule K-1-P (Lines 52i, 52j, and 52k) will be accepted with e-File and software prepared returns.

Business Income Tax

What changes have been made to the 2010 Illinois Business Income Tax returns?

- Step 1 of all business income and replacement tax returns (Forms IL-1120, IL-1120-ST, IL-1065, IL-1041, IL-1023-C, IL-1000, and IL-990-T) and corresponding amended returns, have been changed to include a new process for reporting your business name and address, as well as several new informational questions. Please

refer to your instruction booklet for specific information for completing Step 1 of your annual tax return.

What new schedule has been developed for 2010 Illinois Business Income Tax?

- We created a new Schedule INL, Illinois Net Loss Adjustment for Cooperatives, to
 - ◆ allow all cooperatives that file Form IL-1120, Corporation Income and Replacement Tax Return, to make the first-time mandatory election for treatment of patronage and nonpatronage income, and
 - ◆ provide a means for cooperatives choosing to divide patronage and nonpatronage income each year to figure their income accordingly.

What changes have been made to the 2010 Illinois Business Income Tax schedules?

- For tax years ending on or after December 31, 2010, the subtraction modification for federally taxed refunds is now taken on Schedule M, Other Additions and Subtractions (for businesses), for all return types. In previous years, Form IL-1120 and Form IL-1041 filers took this subtraction on their tax returns.
- Form IL-1041, Schedule CR, Credit for Tax Paid to Other States, Step 5, Figure your credit, has been changed. In addition, a line reference chart has been added to the instructions to assist you in cross-referencing figures between your U.S. Form 1041, Form IL-1041, Schedule CR, and Form IL-1041, Schedule NR.

What changes were made for preparers and software vendors preparing 2010 Illinois Business Income Tax returns electronically?

- For tax years ending on or after December 31, 2010, electronic filing for

taxpayers filing Form IL-1120 and accompanying schedules, including unitary returns, is available as part of the federal-state electronic filing program. Currently, developers can obtain the XML layout information for Illinois forms and schedules from our web site. More information will be posted as it becomes available.

- The new credit lines on the Schedule K-1-P (Lines 52i, 52j, and 52k) will be accepted with e-File and software prepared returns.

programs. The credit is limited to \$500 per qualifying employee, cannot reduce tax to less than zero, and may be carried forward five years.

- ◆ The Veterans Jobs Credit has increased to the lesser of 10 percent of wages or \$1,200 per qualifying employee.
- ◆ Effective January 1, 2011, through December 31, 2016, the Angel Investment Credit may be claimed in an amount equal to 25 percent of an investment made directly in a qualified new business. The credit cannot reduce tax below zero and may be carried forward five years.

Individual and Business Income Tax

- The following changes have been made on Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations), Schedule 1299-C, Income Tax Subtractions and Credits (for individuals), and Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries):

- ◆ The Research and Development Credit that was previously scheduled to expire on July 30, 2009, has been extended to tax years ending on or before December 31, 2010. If you earned qualifying credit and filed a 2009 tax return but did not claim the credit, you may file an amended tax return to claim the credit. However, no credit may be earned or carried forward on or after January 1, 2011.
- ◆ The New Markets Credit is allowed for qualified investments made between 2008 and 2012 in a community development entity. Credits are allowed on the second anniversary of the investment (tax years ending on or after December 31, 2010), and the next four anniversaries. The credit may not reduce tax below zero and may be carried forward for five years.
- ◆ The Student-Assistance Contribution Credit is allowed for tax years ending on or after December 31, 2009, through tax years ending on or before December 30, 2020, and allows a credit for employers who make matching contributions to Illinois pre-paid tuition

Withholding Income Tax

What changes have been made to the 2011 Illinois Withholding Income Tax forms?

- We no longer mail preprinted Withholding Income Tax Booklets to new registrants. We encourage you to file electronically or download forms from our web site.
- Form IL-941-A, Illinois Yearly Withholding Income Tax Return, becomes obsolete for tax years beginning on or after January 1, 2011. All taxpayers must use Form IL-941, Illinois Withholding Income Tax Return, for the 2011 tax year.
Note If you are eligible to file an annual Form IL-941, we will notify you. Otherwise, you are required to file quarterly Form IL-941s.

What changes have been made for employers who make Illinois Withholding Income Tax payments?

- Beginning January 1, 2011, employers who are required to make semi-weekly payments **must make all payments electronically.**

What new credits are available for Illinois Withholding Income Tax?

- Beginning in the 3rd quarter of 2011, a new Small Business Job Creation Tax Credit of \$2,500 per new employee is available for small businesses with a tax credit certificate from the Department of Commerce and Economic Opportunity (DCEO). For further information, visit DCEO's web site at jobstaxcredit.illinois.gov.

What addresses have changed?

- We now have one address for withholding tax returns and payments. The new address for Form IL-941 and Form IL-501, Payment Coupon, is

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19447
SPRINGFIELD ILLINOIS 62794-9447