



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 2011 Illinois Income Tax changes for business, individual, and withholding income tax forms and schedules.

Individual Income Tax

What changes have been made to the 2011 Form IL-1040, Illinois Individual Income Tax Return?

- For tax years ending on or after December 31, 2011, if you are in a same-sex civil union, you must file a paper Form IL-1040 with your civil union partner using either the “married filing jointly” or “married filing separately” filing status. You may not file “single or head of household.”

Since same-sex civil union partners are not allowed to file “married” returns for federal purposes,

- if you and your partner choose to file a joint Illinois return, you must complete a federal “as-if-married-filing-jointly” return, for Illinois purposes only.
- if you and your partner choose to file separate Illinois returns, you must complete federal “as-if-married-filing-separately” returns, for Illinois purposes only.

You must also mark the “same-sex civil union” status box on Form IL-1040, Step 1, Line D, and attach your federal “as-if-married” return to your Illinois return.

If you choose to file a joint Illinois return, you and your partner will both be liable for the joint tax liability, and each partner’s share of any joint refund may be applied against unpaid liabilities of the other partner.

If you are an Illinois resident, and your partner is not, and you choose to file a joint Illinois return, you must treat both yourself and your partner as residents.

- If you withheld Illinois Income Tax from a household employee, you may use Form IL-1040 to report and pay the tax withheld. See the instructions for Line 22 and Publication 121, Illinois Income Tax Withholding for Household Employees, for details. Form UI-WIT, Combined Return for Household Employees, can no longer be used.

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

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

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

- The due date for filing your Form IL-1040 and paying any tax you owe is extended to April 17, 2012. We follow the Internal Revenue Service and will extend the due date because of the Emancipation Day holiday being observed on April 16, 2012, in the District of Columbia.
- If you owe \$600 (\$1,200 for a joint return) or less in Illinois Use Tax for 2011, you may use Form IL-1040 to report and pay your use tax rather than filing Form ST-44, Illinois Use Tax Return. See the Line 23 instructions for details. If you owe more than \$600 in use tax, you must file Form ST-44.
- Beginning January 2013, we will no longer mail 1099-G forms to report your prior year individual income tax overpayment unless you specifically request a paper form. Instead, your refund information will be available on our website. If you want us to mail you a paper 1099-G form, you must check the appropriate box in Step 13 of your Form IL-1040.
- You may choose to authorize another person to discuss your 2011 Form IL-1040 with us by checking the box in Step 13 of your Form IL-1040 and printing the designee's name and telephone number. This authorization automatically ends no later than the due date of your 2012 Form IL-1040. Or, you may revoke the authorization at any time by calling or writing us.

What changes have been made to the 2011 Illinois Individual Income Tax schedules?

- We redesigned Form IL-2210, Computation of Penalties for Individuals, to change the way your payments are applied. We encourage you to let us figure your penalties and send you a bill instead of completing this form yourself. If you must complete this form because you are annualizing your income, please follow the instructions closely.

Business Income Tax

What changes have been made to the 2011 Illinois Business Income Tax returns?

- Form IL-1120, Illinois Income and Replacement Tax Return for Corporations, has been modified to preclude taxpayers from claiming any Illinois net loss deduction. No Illinois net loss deduction may be taken in a tax year ending after December 31, 2010, and prior to December 31, 2012.

- A separate address has been added to each business return type for taxpayers filing paper returns that do not have a payment enclosed. If you file a paper form IL-1120, IL-1120-ST, IL-1065, IL-1041, IL-990-T, or IL-1023-C, please review the form and use the correct address noted on the form.

What changes have been made to the 2011 Illinois Business Income Tax schedules?

- Schedule INL, Illinois Net Loss Adjustment for Cooperatives and REMICS, has been expanded to allow REMIC owners to adjust their Illinois income due to disallowed deductions or losses, that would otherwise be allowable, except for IRC limitations, which prohibit taxable income of the REMIC holder from being less than the excess inclusion amount derived from the REMIC.
- We redesigned Form IL-2220, Computation of Penalties for Businesses, to change the way your payments are applied. We encourage you to let us figure your penalties and send you a bill instead of completing this form yourself. If you must complete this form because you are annualizing your income, please follow the instructions closely.

Individual and Business Income Tax

What changes have been made that effect both individuals and businesses for the 2011 tax year?

- 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 scheduled to expire December 31, 2010, has been extended through tax years ending on or before December 31, 2015. If you are a fiscal year filer and did not claim any Research and Development Credit on your return for a tax year ending in 2011, you may amend your return for that tax year to claim the credit, as if the credit never expired.

- ◆ Any tax credit scheduled to expire in 2011, 2012, and 2013, as required in the Illinois Income Tax Act, has been extended by adding five years to the named expiration date.
- ◆ Short-year filers: For tax years beginning on or after January 1, 2012, a Live Theater Production Tax Credit and a River Edge Historic Preservation Credit are available. These credits are administered by DCEO, cannot reduce your tax liability below zero, and provide a five-year carryforward for any excess credit unused in the earned year.
- We changed Schedule M (for businesses) to include the following subtraction modifications:
 - ◆ Reduction in depreciation related to railroad maintenance credits under IRC Section 45G.
 - ◆ Gross income resulting from alternative energy credits under IRC Section 87.
 - ◆ Estates (Form IL-1041 filers only) are allowed to subtract the recovery of itemized deductions claimed by the decedent on his or her federal 1040.
 - ◆ Trusts and estates (Form IL-1041 filers only) that elected to claim the Schedule CR credit for a tax year, and therefore had to add back their deductions for other states' taxes for that year, may subtract any federally taxable refund of those taxes.
 - ◆ Corporations who are subject to the provision in IRC Section 965(e)(2)(A) are allowed a subtraction equal to the amount that would cause their taxable income to equal the amount it would be if the IRC Section 965(e)(2)(A) limitation did not apply.
- Schedule M (for individuals), Line 32, and Schedule M (for businesses), Line 19, were expanded to include the following bonds as exempt from Illinois Income Tax. Determination of exempt status is made by the issuing authority in all instances.
 - ◆ Illinois Power Agency Bonds issued by the Illinois Finance Authority under the Other Powers Article in the Illinois Finance Authority Act.
 - ◆ Bonds issued by the Central Illinois Economic Development Authority under the Central Illinois Economic Development Authority Act.
 - ◆ Bonds issued by the Eastern Illinois Economic Development Authority under the Eastern Illinois Economic Development Authority Act.
 - ◆ Bonds issued by the Southeastern Illinois Economic Development Authority under the Southeastern Illinois Economic Development Authority Act.

- ◆ Bonds issued by the Southern Illinois Economic Development Authority under the Southern Illinois Economic Development Authority Act.
- ◆ Bonds issued by the Illinois Urban Development Authority under the Illinois Urban Development Authority Act.
- ◆ Bonds issued by the Western Illinois Economic Development Authority under the Western Illinois Economic Development Authority Act.
- ◆ Bonds issued by the Downstate Illinois Sports Facilities Authority under the Downstate Illinois Sports Facilities Authority Act.
- ◆ Bonds issued by the Upper Illinois River Valley Development Authority under the Upper Illinois River Valley Development Authority Act.

What changes were made for preparers and software vendors preparing 2011 Illinois tax returns electronically?

- Effective January 1, 2012, paid preparers who filed more than ten Illinois Individual Income Tax returns in a year and are mandated by the federal government to file individual income tax returns electronically in the next year, must also file those Illinois returns electronically.

This requirement does not extend to electronic filing of amended returns or of original returns for trusts, estates, or of any return the department has announced cannot be filed by electronic means.
- Beginning with returns required to be filed for taxable years ending on or after December 31, 2011, taxpayers required to file their federal income tax returns by electronic means are required to file the equivalent Illinois income tax return for the same taxable year by electronic means. This requirement does not extend to the electronic filing of amended returns or of original returns of individuals or estates, or to any return the department has announced cannot be filed by electronic means.
- Illinois now participates in the Internal Revenue Service's Modernized E-File program (MeF). Individual taxpayers may file their state return at the same time as their federal return using software packages that also participate in the program.
- Taxpayers in a same-sex civil union may not file their Illinois tax returns electronically.

- For tax years ending on or after December 31, 2011, electronic filing for taxpayers filing Form IL-1120-ST 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 website.

Withholding Income Tax

What changes have been made to the 2012 Illinois Withholding Income Tax Return?

- The format of the Form IL-941 has changed to a full-page return, which is easier to complete and asks for additional information.
- We have a new address for Form IL-941, 2012 Illinois Withholding Income Tax Return. See "What addresses have changed?" below.

What new credits are available for Illinois Withholding Income Tax?

- The Small Business Job Creation Tax Credit and the EDGE Credit are available for employers to apply against withholding income tax liabilities if the employer receives a credit certificate from the Department of Commerce and Economic Opportunity (DCEO), for one of these credits. Any amount of credit that exceeds the tax liability shown on Form IL-941 (e.g., the amount you withheld from your employees), may be carried forward for five years.

A new line is available on Form IL-941 to report any credit amounts received from DCEO.

What addresses have changed?

- We have a new address for Form IL-941, 2012 Illinois Withholding Income Tax Return. The new address for Form IL-941 is

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19052
SPRINGFIELD ILLINOIS 62794-9052

The address for Form IL-501, Payment Coupon, remains the same.

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

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

- Effective for tax years beginning in 2011, Form UI-WIT was discontinued. If you are eligible for the federal Schedule H option, you should file your Illinois household employee withholding on Form IL-1040, Line 22.

If you filed Form IL-941 to report your household employee withholding in a prior year, you may make the election to report and pay your household withholding on Form IL-1040, Line 22, if you inform the department that you will no longer be filing Form IL-941 before you make any payments of withholding tax for this year. You must call 217 785-3707 to close your IL-941 account. See Publication 121, Illinois Income Tax Withholding for Household Employees, and the instructions for Form IL-1040, Line 22, for more information.

What to watch for in 2012—

- Illinois net loss deductions, previously suspended for corporations (excluding S corporations) through 2014, will be allowed for tax years ending on or after December 31, 2012, but will be limited to \$100,000.
- A new special apportionment formula will be available for federally regulated exchanges. If you qualify to use the new apportionment factor, you will also be required to use a different calculation for figuring your estimated payments. See Public Act 97-0636 for more information.
- The personal exemption allowed for individuals will increase to \$2,050 per person for tax years ending on or after December 31, 2012.
- The Illinois earned income credit will increase from 5 percent to 7.5 percent for tax years ending on or after December 31, 2012.