



Illinois Department of Revenue

E-Connection

A publication from the Electronic Commerce Division

Fall 2011

A Note from Electronic Commerce

As the 2011 filing season comes to a close and preparations are well underway for the 2012 processing season, I would like to take a moment to thank everyone who participated in our electronic filing program. This year, the Illinois Department of Revenue set another record and will receive over 4.3 million, or 74%, of the individual income tax returns through our electronic filing channels. This level of success would not be possible without your

participation and our continued partnership of working together. We have worked very hard over the last twelve months to continue to expand and enable more taxpayers to participate in our electronic filing programs for 2012. We are also very focused on expanding our offerings for electronic filing for business taxes with the addition of the IL-1120-ST. Please contact your software provider to ensure that they are including electronic filing options for the IL-1120 and IL-1120-ST

in 2012. I think you all will be pleased with the changes we have made. If you have questions or suggestions regarding our electronic commerce programs at IDOR, please do not hesitate to contact me directly. I wish you all the best in 2012.

Sincerely,
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Tax Professional E-File Mandate for Illinois

Illinois has expanded the electronic filing mandate effective January 1, 2012. Any tax professional who prepares more than 10 returns in Illinois must electronically file those state income tax returns with IDOR. Following is an excerpt from Regulation Section 760.100, Electronic Returns:
Beginning January 1, 2011, each income tax return preparer who is required to

file by electronic means any federal income tax return for any individual or individuals is required to file by electronic means any Illinois income tax returns he or she prepares for the same individual or individuals for the same taxable year for which the federal return was filed. This requirement does not require electronic filing of amended returns or of trusts or estates.

If you are already registered to file returns electronically with the Internal Revenue Service, you are automatically enrolled to file returns electronically with the Illinois Department of Revenue. For more information, visit our website at <http://tax.illinois.gov> and look for "Tax Professionals."



IL-941 Form Redesign

The IL-941, Illinois Withholding Income Tax Return, and corresponding IL-941-X, Amended Illinois Withholding Tax Return, have been redesigned, effective January 1, 2012. The form will now be a full-page form, different from the current 1/3 page coupon-sized form. There are additional lines to be completed with the form

redesign.

Annual returns will be filed by using the IL-941 and checking the box indicating the return is an annual return.

All electronic filing methods for the IL-941 (WebFile, TaxNet, and FSET) will be updated to accommodate the form changes.

Electronic payment methods will continue to

be available to make your IL-501 deposits and any balance due with Form IL-941.

Please note that if IDOR notifies you or your client that they are required to file annually and a quarterly return is filed, the filing status will change to quarterly and IDOR will expect four IL-941 returns to be filed.

ST-1 Changes for 911 Surcharge Tax

The ST-1, Sales and Use Tax Return, is being updated. The deductions reported on Line 2 of the ST-1 will now come from Schedule A of the return. These were previously reported on the ST-1 Worksheet for Line 2. In addition, the return will now report the Prepaid Wireless E911 Surcharge. The surcharge is a charge imposed on the consumer,

to be collected by sellers, when a retail transaction takes place which includes prepaid wireless communications service. Effective January 1, 2012, retailers of prepaid wireless telecommunications service are required to collect and remit the E911 Surcharge on sales of prepaid wireless telecommunications service as part of their

retail transaction. Retailers and tax professionals who file Form ST-1 will include the E911 Surcharge as part of their filing. The new Schedule B will be used to calculate the E911 Surcharge due and the amount will be reported on Line 21 on the ST-1 return. For more information, please visit the department's website at tax.illinois.gov.

IL-1040 Modernized E-File

Illinois has joined the IRS in the migration toward 1040 Modernized E-File (MeF). Illinois currently supports both Direct and Fed/State Electronic Filing Programs and 1040 MeF. The first phase of 1040 MeF began in July 2010 for the 2009 IL-1040. All Illinois 1040 MeF Acknowledgements will be sent to the IRS for retrieval by the transmitter.

The MeF Schemas are available on IDOR's web site. Illinois will support both the MeF Schema Layouts and Direct and Fed/State in their "Legacy" layouts through December 2012. Beginning January 2013, Illinois will only be supporting MeF in Schema Layouts.

IDOR E-File Program Dates

April 16, 2010:
Direct, Fed/State "Legacy"
Fed/State MeF

January 2011 through
December 2012:
Direct, Fed/State "Legacy"
Fed/State MeF

January 2013:
Fed/State MeF only

Business Income Tax Electronic Filing Update

Illinois has joined the IRS's Modernized e-File program for business income taxes. In March 2012, IDOR will roll out electronic filing for the IL-1120-ST, Small Business Corporation Replacement Tax Return. This is in addition to the existing ability to file the IL-1120, Corporation Income and Replacement Tax Return, all associated schedules, and unitary business group returns electronically. IDOR has

approved several software vendors for business income tax e-Filing. A list of approved vendors can be found on our website at tax.illinois.gov.

Business income tax electronic filing allows all IRS qualified corporate modernized e-Filers to submit their IL-1120 or IL-1120-ST, attachments, payments, and the federal form electronically. It also allows Illinois to retrieve transmissions and send

acknowledgements to transmitters through the MeF system.

In the future, IDOR plans to roll out other Illinois business income tax forms including the IL-1041, Fiduciary Income and Replacement Tax Return; IL-1065, Partnership Replacement Tax Return; and IL-990-T, Exempt Organization Income and Replacement Tax Return.



Fall Fed/State e-Filing Seminars

Plan on attending the **free** 2011 Illinois Fed/State e-File Seminars to learn the latest electronic filing information.

Representatives from IDOR's Electronic Commerce Division and several areas from the IRS will be on hand to provide information about the latest tax law and e-Filing program updates, current information on electronic payment options, and more. Attendees who qualify will receive up to

four hours CPE credit for attending the event. For more information or to register, please email us at rev.econnection@illinois.gov and provide your name, business name, EFIN, selected date, address, phone number, and email address. You must supply all of this information to have your registration processed. Classes are held from 9:00 a.m. to 1:00 p.m.

Fall 2011 Dates Fed/State E-file Seminars

Thursday, December 1
Capital City Training Center
130 West Mason St.
Springfield, IL

Thursday, December 8
James R. Thompson Center
100 W. Randolph St.
Chicago, IL

Thursday, December 15
SIU-E Campus
Morris University Center
Edwardsville, IL



Did you know?

IDOR has special place on our web site with info specifically for tax professionals.

Visit tax.illinois.gov and look for the "Tax Professionals" topic on our home page.



For a complete listing of all Electronic Services available, visit our website at tax.illinois.gov

IL-1040 Changes for 2011

There are several changes for the upcoming filing season that may affect returns you file for your clients.

- There will be a line on the IL-1040 again this year for reporting and remitting use tax. This was a new line on last year's IL-1040 and will remain on the form.
- The Illinois Individual Income Tax rate was increased from 3% to 5% on January 1, 2011. The new tax rate is reflected on this year's IL-1040.
- The Household Employment Tax has been added to the IL-1040. This allows taxpayers who had a household employee to remit their withholding on the IL-1040 instead of on Form UI/WIT.
- There is a new section on the IL-1040 for the taxpayer to name a third party designee for the discussion of tax return information. Unless a third-party designee is named or a valid Power of Attorney form is on file, taxpayer assistance representatives will no longer be able to assist with account-specific information.
- A box has been added to the IL-1040 for taxpayers who wish to have a paper 1099-G mailed to them for the next tax year. IDOR is no longer mailing 1099-G forms unless this box is checked.
- Schedule M, Other Additions and Subtractions for Individuals, has had several lines added for tax exempt bonds.

There is also a new subtraction line concerning distributions from college savings accounts.

- Schedule G, Voluntary Contributions, has changes in the contribution programs available for donation.
- Schedule IL-2210, Computation of Penalties for Individuals is changing in regards to how payments are applied when calculating penalties. Please refer to the instructions for further information about this change.

As always, for the most up-to-date information, please visit our website at tax.illinois.gov to see the latest concerning forms, schedules, and other tax information.

Discontinuation of ST-1 TeleFile Program

Effective February 1, 2012, TeleFile will no longer be available for filing the Form ST-1, Sales and Use Tax Return, by telephone.

Tax professionals and taxpayers are encouraged to begin filing returns using the department's free WebFile program. WebFile uses the same personal identification number (PIN) that has been used for TeleFile.

Despite the initial success, TeleFile has since

experienced a decline in use as other electronic filing alternatives have become available. This, coupled with the declining state budget to maintain TeleFile, led to the decision to discontinue the program. There are electronic filing alternatives. These alternatives include the department's free WebFile program or using tax preparation software enabled for electronic filing. Beginning February 1, 2012,

taxpayers who were required to report their liquor purchases and file Form ST-1 using TeleFile must now use WebFile or other electronic means. The paper Form ST-1-T, Sales and Use Tax TeleFile Worksheet, will not be accepted as a return.



IL-1040 Dates To Remember

December 1, 2011

IL-1040 Test Transmissions Accepted

January 13, 2012

IL-1040 Production Transmissions Accepted

April 16, 2012

IL-1040 Due Date

2012 1st Quarter ES Payment Due

October 15, 2012

Last Date to Transmit IL-1040 Returns

Extended Due Date for IL-1040



IDOR Paper Reduction Goal

During the last year, your clients may have received a letter urging them to participate in the ST-1/ST-2 electronic filing program. In an effort to reduce costs and focus on green practices, IDOR is actively undertaking a paper reduction process. We have greatly reduced or discontinued mailing several tax forms and booklets, including the

IL-1040, ST-1/ST-2, and the Withholding Coupon Booklet. All of the forms and schedules included in the paper reduction program can be electronically filed for free on our website at tax.illinois.gov. Electronic filing is fast, easy, and secure, and it saves both time and money in paper and processing costs. If you still require a paper

form, you may contact us to order your personalized ST-1 or IL-941 forms; other forms and schedules remain available in a .PDF format on our website to download and print. You can also find informational bulletins, tax publications, compliance alerts, and the rules and regulations available for downloading.

Electronic W-2 Program

Did you know that if you are a payroll company **or** an employer with 250 or more employees, you are required to electronically transmit your employees' Forms W-2? The file must be created using the Social Security Administration's EFW2 format. Employers with fewer than 250 employees may also voluntarily electronically file their employees'

Forms W-2. This program began in 2010 for 2009 Forms W-2. Registration is easy. Simply visit our website and complete the W-2 Transmitter Registration Application to receive your Login ID (ETIN) and test and production passwords. If you have already registered to obtain your credentials, you do not need to re-register. New

this year is a simple web upload form that does not require any software downloads or installation. Many users find it to work better with the firewall and security features installed on their networks. Complete information about the program can be found on our website at tax.illinois.gov and look for "Electronic W-2 Program."



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