



# Publication 120

October 2005

## *Retirement Income*

The information in this publication is current as of the date of the publication. Please visit our web site at **tax.illinois.gov** to verify you have the most current revision.

This publication is written in the plain English style so the tax information is easier to understand. As a result, we do not directly quote Illinois statutes and the Illinois Administrative Code. The contents of this publication are informational only and do not take the place of statutes, rules, and court decisions. For many topics covered in this publication, we have provided a reference to the applicable section or part of the Illinois Administrative Code for further clarification or more detail. All of the sections and parts referenced can be found in Title 86 of the Code.

### ***About this publication***

Publication 120, Retirement Income, gives retirees detailed information about what retirement income they may subtract from their federal adjusted gross income when completing Form IL-1040, Individual Income Tax Return. The objectives of Publication 120 are to

- identify what retirement income you may subtract on Form IL-1040, Line 5, and the line numbers on which this income is reported on your U.S. 1040 or U.S. 1040A form.
- identify federally taxed income you may not subtract.
- list required attachments to Form IL-1040 for taxpayers who subtract retirement income on Line 5.

### ***Taxpayer Bill of Rights***

You have the right to call the Department of Revenue for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to department notices by asking questions, paying the amount due, or providing proof to refute the department's findings.

You have the right to appeal department decisions, in many instances, within specified time periods, by asking for department review or by taking the issue to court.

If you have overpaid your taxes, you have the right, within specified time periods, to a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other department procedures, you may write us at the following address:

Problems Resolution Office  
Illinois Department of Revenue  
PO Box 19014  
Springfield, IL 62794-9014

**Get forms and other information faster and easier at [tax.illinois.gov](http://tax.illinois.gov)**

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## General Information

### **What retirement income may I subtract on Form IL-1040, Line 5, and where is it reported on my federal return?**

You may subtract the amount of any federally taxed portion (not the gross amount) included in your Form IL-1040, Line 1 that you received from

- a qualified employee benefit plan including 401(k) plans as reported on your U.S. 1040, Line 16b, or U.S. 1040A, Line 12b.
-  A qualified employee benefit plan is defined in IRC Sections 402 through 408. If you do not know whether your employee benefit plan is qualified, check with your employer.
- railroad retirement income as reported on your U.S. 1040, Line 16b, or U.S. 1040A, Line 12b.
- an Individual Retirement Account (IRA) (including amounts rolled over to a Roth IRA) or a self-employed retirement (SEP) plan as reported on your U.S. 1040, Line 15b, or U.S. 1040A, Line 11b.
- Social Security benefits as reported on your U.S. 1040, Line 20b, or U.S. 1040A, Line 14b. Do not include Social

Security withheld from wages shown on your Form W-2, Wage and Tax Statement.

- a government retirement or government disability plan, including military plans, reported on your U.S. 1040 or U.S. 1040A, Line 7.
- a state or local governmental deferred compensation plan paid under Internal Revenue Code (IRC) Section 457 and reported on your U.S. 1040, Line 7 or 16b, or U.S. 1040A, Line 7 or 12b.
- capital gains on employer securities received in a lump-sum distribution, to the extent the gains are due to net unrealized appreciation on the securities at the time of distribution and reported on your U.S. 1040, Line 13.
- retirement payments to retired partners as reported on your U.S. 1040, Line 17.
- group term life insurance premiums paid by a qualified retirement plan or government retirement plan and included as wages on your U.S. 1040 or U.S. 1040A, Line 7.
- interest income realized on the redemption of U.S. retirement bonds as reported on your U.S. 1040, Line 8a, or U.S. 1040A, Line 8a.

You may include early distributions from qualified plans and IRAs.

## What federally taxed income may I not subtract?

You may not subtract

- income that is not from a qualified employee benefit plan. This includes income received
  - as third-party sick pay, or
  - from deferred compensation and disability plans that are not government plans.
- any ordinary income from a qualified retirement plan for which you have elected to use the "Special 10-Year Averaging Method" on U.S. Form 4972, Tax on Lump-Sum Distributions.

- U.S. 1040 or U.S. 1040A, Page 1, and U.S. 1040, Schedule B or Schedule 1, Interest and Dividend Income, for redemption of U.S. retirement bonds.
- U.S. 1040 or U.S. 1040A, Page 1, and Form W-2, showing the amount of group term life insurance premiums paid by a qualified retirement plan or government retirement plan and included as wages on your federal return.
- U.S. 1040, Page 1, and Schedule K-1-P, Schedule K-1-T, or any other notification identifying your share of the income received from a partnership, S corporation, trust, or estate including the payer's name and federal employer identification number (FEIN) for retirement payments to retired partners.

## What must I attach to my Form IL-1040 when I subtract retirement income on Line 5?

You must attach a copy of your

- U.S. 1040 or U.S. 1040A, page 1 to support your subtraction for income from
  - qualified employee benefit plans, including 401(k),
  - railroad retirement,
  - IRA distribution,
  - converting a traditional IRA to a Roth IRA,
  - self-employed retirement,
  - Social Security benefits,
  - government retirement, including military plans,
  - governmental disability, including military plans.

**Note** If your U.S. 1040 Lines 15b, 16b, and 20b, or U.S. 1040A, Lines 11b, 12b, and 14b do not **clearly** identify the Social Security benefits and retirement income you are reporting on Line 5, you must attach a copy of Form 1099-R or Form SSA-1099, Social Security Benefit Statement, as applicable.

- U.S. 1040 or U.S. 1040A, Page 1, and Form W-2, Wage and Tax Statement, or Form 1099-R, showing the amount of state and local governmental deferred compensation paid under IRC Section 457.
- U.S. 1040, Schedule D, Capital Gains and Losses, and Form IL-4644, Gains from Sales of Employer's Securities Received from a Qualified Employee Benefit Plan, for a gain on the sale or exchange of employer securities.

## Office locations

Maine North Regional Building  
9511 Harrison Street FA 203  
Des Plaines, Illinois 60016-1563  
847 294-4200

200 South Wyman Street  
Rockford, Illinois 61101-1237  
815 987-5210

James R. Thompson Center  
Concourse Level  
100 West Randolph Street  
Chicago, Illinois 60601-3274  
800 732-8866

Willard Ice Building  
101 West Jefferson  
Springfield, Illinois 62702  
800 732-8866  
217 782-3336

15 Executive Drive  
Business Center One, Suite 2  
Fairview Heights, Illinois 62208-1331  
618 624-6773

2309 W. Main  
Suite 114  
Marion, Illinois 62959-1196  
618 993-7650

### For information or forms

Visit our web site at [tax.illinois.gov](http://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.

Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.

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

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