Illinois Department of Revenue

IL-1120-ST Instructions

Use for tax years ending on or after December 31, 2015.

2015

What's new for 2015?

- Check the federal Schedule M-3 checkbox on Form IL-1120-ST, Step 1, Line P, and attach a copy of the federal Schedule M-3 **only** if you reported an amount on federal Schedule M-3, Part II, Line 10.
- Form IL-1023-C and Form IL-1000 have been eliminated for tax years ending on or after December 31, 2014. **Do not** file Form IL-1000 or IL-1023-C for tax years ending on or after December 31, 2014. The amounts that would have been reported on behalf of your members on these forms must be
  - **reported** on your Form IL-1120-ST and Schedule B, and
  - **paid** with your return, with Form IL-505-B, or voluntarily prepaid with Form IL-516-I or Form IL-516-B.

  The Form IL-1120-ST and Schedule B have been redesigned to accommodate these changes. See Specific Instructions for Form IL-1120-ST and Schedule B for more information.

  In addition, the calculation for the amount of pass-through withholding you are required to report and pay on behalf of your nonresident members has changed. Some nonbusiness income and income tax credits are now included in this calculation. Schedule K-1-P(3) has been developed to assist you in calculating pass-through withholding. You are required to complete and keep a copy of Schedule K-1-P(3) for each of your nonresident members who have not submitted Form IL-1000-E to you. See the Schedule K-1-P(1) and the Schedule B instructions for more information.

  Finally, Form IL-1023-CES and Form IL-1000-P cannot be used for making voluntary prepayments for tax years ending on or after December 31, 2014. These vouchers have been replaced by Form IL-516-I and Form IL-516-B, Pass-through Prepayment Vouchers. Form IL-516-I and Form IL-516-B allow you to voluntarily prepay your own tax liability from Form IL-1120-ST, as well as make voluntary pass-through entity prepayments on behalf of your shareholders for tax years ending on or after December 31, 2014. See Form IL-516-I and IL-516-B for more information.

  Failure to comply with these requirements will result in further correspondence, a delay in the processing of your return, or a delay in the generation of any overpayment.
- For tax years ending on or after December 31, 2014, Schedule 80/20 has been redesigned. See the Schedule 80/20 Instructions for more information.
- For tax years ending on or after December 31, 2014, several subtractions have been added to Line 19 of the Schedule M (for businesses). See the Schedule M Instructions for more information.
- For tax years ending on or after December 31, 2014, **Schedule NLD**, Illinois Net Loss Deduction has been redesigned. See Schedule NLD for more information.
- For tax years ending on or after December 31, 2014, Schedule 4255 has been redesigned to allow you to report and pay any recaptured Angel Investment Credit amounts. See the Schedule 4255 Instructions for more information.
- As a result of Public Act 98-0925 taxpayers can now elect to apply their overpayments from this return against their tax obligation for next year, even if the election is made after the extended due date of their return. See Specific Instructions for more information.
- For tax years ending on or after December 31, 2014, date of merger fields have been added to Step 1 of the Schedule UB. This information is required if applicable. See the Schedule UB Instructions for more information.
- **Short-year filers -** The River Edge Redevelopment Zone Investment Credit has expired for tax years **beginning** on or after July 12, 2016. If your tax year **begins** on or after July 12, 2016, you cannot claim this credit on Schedule 1299-A, Lines 20a through 20c. You may still claim any distributive share of this credit passed through to you on Schedule(s) K-1-P by reporting it on Schedule 1299-A, Line 21. The Enterprise Zone Investment Credit is still allowed.
- **Fiscal-year filers -** The Research and Development Credit has expired for tax years **ending** after December 31, 2015. If your tax year **ends** after December 31, 2015, enter zero on Schedule 1299-A, Lines 29 through 35. You may still claim any distributive share of this credit passed through to you on Schedule(s) K-1-P by reporting it on Schedule 1299-A, Line 36.
- The Veterans Jobs Credit for "qualified veterans" has expired. You cannot claim a Veterans Jobs Credit for "qualified veterans" for tax years **beginning** on or after January 1, 2015. The credit for "qualified unemployed veterans" is still allowed.
- **Short-year filers -** The River Edge Historic Preservation Credit has expired for tax years **beginning** on or after July 28, 2016. If your tax year **begins** on or after July 28, 2016, you cannot claim this credit on Schedule 1299-A, Line 53. You may still claim any distributive share of this credit passed through to you on Schedule(s) K-1-P by reporting it on Schedule 1299-A, Line 54.
- **Fiscal-year filers -** The Historic Preservation Credit has expired for tax years **ending** after December 31, 2015. If your tax year **ends** after December 31, 2015, you cannot claim this credit on Schedule 1299-A, Line 66. You may still claim any distributive share of this credit passed through to you on Schedule(s) K-1-P by reporting it on Schedule 1299-A, Line 67.

General Information

Who must file Form IL-1120-ST?

You must file Form IL-1120-ST if you are a small business corporation ("S corporation"), as defined in Internal Revenue Code (IRC) Section 1361(a), that

- has net income or loss as defined under the Illinois Income Tax Act (IITA); or
- is qualified to do business in the state of Illinois and is required to file U.S. Form 1120S (regardless of net income or loss).

If you own a Qualified Subchapter S Subsidiary (QSSS) defined in IRC Section 1361(b)(3), as well as any other entity that is disregarded as an entity separate from you for purposes of the IRC, it is likewise disregarded as a separate entity for purposes of the IITA. You must include all items of income, deduction, loss, credit, etc., from such entities on your return as if they were earned or incurred by you directly.

If you are an S corporation that is a member of a unitary business group, see the instructions for Illinois Schedule UB, Combined Apportionment for Unitary Business Group, and "What if I am a member of a unitary group?" in the general instructions below for information about filing requirements. S corporations may be required to apportion their business income as members of a unitary group, but cannot file a combined return.

What forms must I use?

In general, you must obtain and use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the Department will not be accepted and you will be asked for appropriate documentation. **Failure to comply with this requirement may result in failure to file penalties, a delay in the processing of your return, or a delay in the generation of any overpayment.** Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

S corporations must complete Form IL-1120-ST. Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the return. Computer generated printouts are not acceptable, even if they are in the same format as the Department's forms. Computer generated forms from a Department-approved software developer are acceptable.

How do I register my business?

If you are required to file Form IL-1120-ST, you should register with the Illinois Department of Revenue. You may register

- online with MyTax Illinois, our free online account management program for taxpayers; or
- by calling our Central Registration Division at **217 785-3707**.

Visit our website at **tax.illinois.gov** for more information.

Registering with the Illinois Department of Revenue (IDOR) **prior to filing your return** ensures that your tax returns are accurately processed.

Your identification numbers as an Illinois business taxpayer are your federal employer identification number (FEIN) and your Illinois account number.

When should I file?

Your Illinois filing due date is the same as your federal filing due date. In general, Form IL-1120-ST is due on or before the 15th day of the **3rd** month following the close of the tax year.

Automatic seven-month extension — We grant you an automatic seven-month extension of time to file your small business corporate tax return. You are not required to file Form IL-505-B, Automatic Extension Payment, in order to obtain this automatic extension. However, if you expect tax to be due, you must use Form IL-505-B to pay any tentative tax due in order to avoid interest and penalty on tax not paid by the original due date of the return. An extension of time to file your Form IL-1120-ST is not an extension of time for payment of Illinois tax.

Additional extensions beyond the automatic extension period — We will grant an extension of more than seven months **only** if an extension of more than six months is granted by the Internal Revenue Service (IRS). You must attach a copy of the approved federal extension to your Form IL-1120-ST. Your additional Illinois extension will be equal to the federal extension, plus one month.

When should I pay?

Payment of tax — You must pay your Illinois Replacement Tax and pass-through withholding reported on behalf of your members in full on or before the original due date of the return. This payment date applies even though an automatic extension for filing your return has been granted.

Estimated tax payments — Small business corporations are not required to make estimated tax payments.

You may, however, use Form IL-516-I and Form IL-516-B, Pass-through Prepayment Vouchers, to make voluntary prepayments for **tax years ending on or after December 31, 2014.** Form IL-1000, Pass-through Entity Payment Income Tax Return, and Form IL-1023-C, Composite Income and Replacement Tax Return, have been eliminated for tax years ending on or after December, 31, 2014, and the amounts that would have been reported on these forms must be

- **reported** on your Form IL-1120-ST and Schedule B, and
- **paid** on your Form IL-1120-ST or Form IL-505-B.

Form IL-516-I and Form IL-516-B allow you to voluntarily prepay your own tax liability as well as make pass-through entity prepayments on behalf of your partners or shareholders.

Note Do not use Form IL-1120-ES, Estimated Income and Replacement Tax Payments for Corporations, to make voluntary prepayments.

Who should sign the return?

Your Form IL-1120-ST must be signed by the president, vice president, treasurer, or any other officer duly authorized to sign the return. In the case of a bankruptcy, a receiver, trustee, or assignee must sign any return required to be filed on behalf of the corporation. The signature verifies by written declaration (and under penalties of perjury) that the signing individual has personally examined the return and the return is true, correct, and complete. The fact that an individual's name is signed to a return is prima facie evidence that the individual is authorized to sign the return on behalf of the corporation.

Any person paid to prepare the return (other than a regular, full-time employee of the taxpayer, such as a clerk, secretary, or bookkeeper) must provide a signature, date the return, and enter the paid preparer's taxpayer identification number. If the paid preparer is an employee or partner of a firm or corporation, the preparer must also provide the firm's name and address, and instead of the preparer's taxpayer identification number, the preparer must provide the firm's FEIN. Self-employed preparers must provide their own name, address, and taxpayer identification number in the appropriate spaces.

Note If your return is not signed, any overpayment of tax is considered forfeited if, after notice and demand for signature, you fail to provide a signature within three years from the date your return was filed.

What are the penalties and interest?

Penalties — You will owe

- a **late-filing penalty** if you do not file a processable return by the extended due date;
- a **late-payment penalty** if you do not pay the tax you owe by the original due date of the return;
- a **bad check penalty** if your remittance is not honored by your financial institution;

- a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on your bill.

Interest — Interest is calculated on tax from the day after the original due date of your return through the date you pay the tax.

We will bill you for penalties and interest. For more information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes, available at **tax.illinois.gov**.

What if I am discontinuing my business?

Liquidation, withdrawal from Illinois, or loss of charter — If you are a corporation that is liquidated, withdraws either voluntarily or involuntarily from Illinois, **or** in any manner surrenders or loses your charter during any tax year, you are still required to file tax returns. Also, we will pursue the assessment and collection of taxes owed by you or your shareholders.

Sales or transfers — If you are a corporation that, outside the usual course of business, sells or transfers the major part of any one or more of

- the stock of goods which you are in the business of selling,
- the furniture or fixtures of your business,
- the machinery and equipment of your business, or
- the real property of your business,

you or the purchaser must complete and send us Form CBS-1, Notice of Sale, Purchase, or Transfer of Business Assets, no later than 10 days after the date the sale took place. Mail this form, along with copies of the sales contract and financing agreement, to:

ILLINOIS DEPARTMENT OF REVENUE
BULK SALES UNIT
100 WEST RANDOLPH, Level 7-400
CHICAGO IL 60601

Request for prompt determination — You may make a request for prompt determination of liability, in accordance with IITA 35 ILCS 5/905(i), if you are a corporation in the process of dissolution. A completed tax return must be on file with us before you can submit a request for prompt determination. Do not submit your return and request at the same time. Mail your initial return to the address indicated on the form. You should allow 12 weeks for processing. If your request is properly made, the expiration of the statute of limitations (absent fraud) will not extend beyond 18 months from the date of your request. Mail your request and a copy of your previously submitted return to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

Note The procedure described above does not apply to 11 U.S. Code Section 505 Determination of Tax Liability requests.

What if I need to correct or change my return?

Do not file another Form IL-1120-ST with "amended" figures to change your originally filed Form IL-1120-ST. If you need to correct or change your return after it has been filed, you must file Form IL-1120-ST-X, Amended Small Business Replacement Tax Return. Returns filed before the extended due date of the return are treated as your original return for all purposes. For more information, see Form IL-1120-ST-X instructions.

You should file Form IL-1120-ST-X only after you have filed a processable Illinois Income Tax return. You must file a separate Form IL-1120-ST-X for each tax year you wish to change.

State changes only — File Form IL-1120-ST-X promptly if you discover an error on your Illinois return that does not relate to an error on your federal return but rather was caused by

- a mistake in transferring information from your federal return to your Illinois return;
- failing to report or misreporting to Illinois an item that has no effect on your federal return; or
- a mistake in another state's tax return that affects the computation of your Illinois tax liability.

If you are claiming an overpayment, Form IL-1120-ST-X must be filed within three years after the extended due date or the date the return was filed, or within one year after the tax giving rise to the overpayment was paid, whichever is latest.

Federal changes only — File Form IL-1120-ST-X if you have filed an amended federal return or if you have been notified by the IRS that they have made changes to your return. This includes any change in your federal income tax liability, any tax credit, or the computation of your federal taxable income as reported for federal income tax purposes, if the change affects any item entering into the computation of net income, net loss, or any credit for any year under the IITA. You must file Form IL-1120-ST-X no later than 120 days after the federal changes have been agreed to or finally determined to avoid a late-payment penalty.

If you are filing Form IL-1120-ST-X to claim an overpayment resulting from a federal change, it must be filed within two years after the date such notification was due (regardless of whether such notice was given).

Attach a copy of federal finalization or proof of acceptance from the IRS along with a copy of your amended federal form, if applicable, to your Form IL-1120-ST-X. Examples of federal finalization include a copy of one or more of the following items:

- your audit report from the IRS
- your federal record of account verifying your ordinary business income

What records must I keep?

You must maintain books and records to substantiate any information reported on your Form IL-1120-ST. Your books and records must be available for inspection by our authorized agents and employees.

Do the IDOR and the IRS exchange income tax information?

The IDOR and the IRS exchange income tax information for the purpose of verifying the accuracy of information reported on federal and Illinois tax returns. All amounts you report on Form IL-1120-ST are subject to verification and audit.

Should I round?

You must round the dollar amounts on Form IL-1120-ST and accompanying schedules to whole-dollar amounts. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

What if I have an Illinois net loss deduction (NLD)?

If you have an Illinois NLD from any loss year ending on or after December 31, 1986, it is subtracted from and limited to your base income allocable to Illinois.

To determine your "Illinois net loss" start with federal ordinary income plus separately stated items, and apply all addition and subtraction modifications and all allocation and apportionment provisions.

Illinois net losses incurred in tax years ending on or after December 31, 2003, may only be carried forward 12 years. If you are carrying forward an Illinois NLD, you must complete Illinois Schedule NLD, Illinois Net Loss Deduction, and claim the deduction on Step 7, Line 50.

If you had discharge of indebtedness income for a taxable year ending on or after December 31, 2008, and all or a portion of this income was excluded from your federal gross income due to bankruptcy or insolvency, then you may be required to reduce any Illinois net loss you incurred for that year before you determine an Illinois NLD. See the Step 7 Instructions and Schedule NLD or UB/NLD for more information.

If you have an Illinois net loss for this tax year, you must file Form IL-1120-ST reporting the loss in order to carry the loss forward to another year.

If you need more information, see the Schedule NLD instructions, or Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330, available on our website at **tax.illinois.gov**.

What attachments do I need?

When filing your return there are certain types of income items and subtraction modifications that require the attachment of Illinois or federal forms and schedules. Breakdowns, statements, and other documentation may also be required. Instructions for these attachments appear throughout the specific instructions for completing your return.

Note All Illinois forms and schedules include an **"IL Attachment No."** in the upper right corner of the form. Required attachments should be ordered numerically behind the tax return, as indicated by the IL Attachment No. Failure to attach forms and schedules in the proper order may result in processing delays.

Required copies of documentation from your federal return or other sources should be attached **behind the completed Illinois return**.

All taxpayers, including unitary business groups, must attach a copy of your U.S. Form 1120S, Pages 1 through 5, to your Illinois return.

Schedule B, Partners' or Shareholders' Information, **must** to be completed and attached to all Form IL-1120-ST filings.

If you are required to attach any Schedule(s) K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, only attach Schedule(s) K-1-P **you received** which lists your name and FEIN in Step 2 of Schedule K-1-P. **Do not** attach copies of Schedule(s) K-1-P **you issued** and which lists your name and FEIN in Step 1 of Schedule K-1-P.

Note When filing your Form IL-1120-ST, include only forms and schedules required to support your return. Send correspondence separately to:

ILLINOIS DEPARTMENT OF REVENUE
TAXPAYER CORRESPONDENCE
PO BOX 19044
SPRINGFIELD IL 62794-9044

Definitions to help you complete your Form IL-1120-ST.

All references to "income" include losses.

Base income means federal ordinary income modified by additions and subtractions as shown in Steps 2 through 5 of Form IL-1120-ST. See specific instructions for Steps 2 through 5.

Business income means all income (other than compensation) that may be apportioned by formula among the states in which you are doing business without violating the Constitution of the United States. All income of a corporation is business income unless it is clearly attributable to only one state and is earned or received through activities totally unrelated to any business you are conducting in more than one state. Business income is net of all deductions attributable to that income.

Most income of a corporation is regarded as business income. Consequently, in the case of a corporation other than a personal holding company, the consistent treatment of income from intangibles as business income in filing Illinois tax returns will be presumed correct.

Commercial domicile means the principal place from which your trade or business is directed or managed.

Nonbusiness income means all income other than business income or compensation. For more information about the different types of nonbusiness income, see the instructions for Illinois Schedule NB, Nonbusiness Income.

A **pass-through entity** is any entity treated as a partnership, subchapter S corporation, or trust for federal income tax purposes.

Pass-through entity income is the income that any partnership, subchapter S corporation, or trust passes through to its partners, shareholders, or beneficiaries.

Pass-through withholding payments are payments required to be reported and paid by the pass-through entity on behalf of its **nonresident** partners, shareholders, and beneficiaries

- who have **not** submitted Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments, to the pass-through entity, and
- who receive business and nonbusiness income from the pass-through entity.

Pass-through withholding payments are

- reported to your shareholders on the Schedule K-1-P you send to them,
- reported to the Department on your Form IL-1120-ST and Illinois Schedule B, and
- paid with your return, with Form IL-505-B, or voluntarily prepaid with Form IL-516-I or Form IL-516-B.

Note If any of your shareholders are pass-through entities themselves, they are required to report and pay pass-through withholding payments on behalf of their own nonresident partners, shareholders, or beneficiaries on the income you passed through. Your shareholders may claim a credit on their Illinois Income Tax return for pass-through payments you reported and paid on their behalf.

Special Note For tax years ending before December 31, 2014, pass-through withholding payments were known as "pass-through entity payments" or "composite return payments" and were reported on Form IL-1000 or Form IL-1023-C respectively.

S corporations can both make and receive pass-through withholding payments.

- **Pass-through withholding payments you owe on behalf of your members** are pass-through withholding payments **you make** on behalf of your nonresident shareholders who have not submitted Form IL-1000-E to you. This amount will be reported on Form IL-1120-ST, Line 58.
- **Pass-through withholding payments reported to you** are credits for pass-through withholding payments **you receive** on Schedules K-1-P and K-1-T as a partner, shareholder, or beneficiary of a pass-through entity. This amount will be reported on Form IL-1120-ST, Line 60c.

All residents and pass-through entities must file their own annual Illinois Income Tax return and claim a credit for any pass-through withholding payments reported to them.

What does taxable in other states mean?

Taxable in other states means you are subject to and pay "tax" in another state. "Tax" includes net income tax, franchise tax measured by net income, franchise tax for the privilege of doing business, and corporate stock tax. You are considered taxable in another state if that state has jurisdiction to subject you to a net income tax, even though that state does not impose such a tax. This definition is for purposes of allocating nonbusiness income and apportioning business income inside or outside Illinois.

When must I use Illinois Schedules K-1-P, K-1-P(3), and B?

You must use **Illinois Schedule K-1-P** to supply each shareholder with that individual's or entity's share of the amounts reported on your federal and Illinois tax returns. For Illinois Income Tax purposes, you must give a completed Illinois Schedule K-1-P and a copy of the **Illinois Schedule K-1-P(2)**, Partner's and Shareholder's Instructions, to each shareholder. **Do not file copies of Illinois Schedule K-1-P that you issue to your shareholders with your Form IL-1120-ST**. However, you must keep a copy of each Illinois Schedule K-1-P with your tax records. See Illinois Schedule K-1-P(1), Instructions for Partnerships and S Corporations Completing Schedule K-1-P and Schedule K-1-P(3), for more information.

You must use **Illinois Schedule K-1-P(3)**, Pass-through Withholding Calculation for Nonresident Members, to calculate the required tax you must report and pay on behalf of your nonresident shareholders who receive business or nonbusiness income from your S corporation. You must complete the schedule if you have business or nonbusiness income distributable to Illinois nonresident shareholders who have not provided you with Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments. You are required to complete Schedule K-1-P(3) for each such shareholder and keep a copy of the completed schedule in your files. **Do not submit Schedule K-1-P(3) to the Department unless we request it from you.** The information entered on this schedule will assist you in completing Illinois Schedule B. See Schedule K-1-P(1) for more information.

You must use **Illinois Schedule B** to supply us with a listing of your shareholders, certain items of income and credits they received from you, and pass-through withholding payments you made on their behalf. You **must** complete all lines of Illinois Schedule B, as applicable, and file it with your Form IL-1120-ST.

What if I am a member of a unitary group?

If an S corporation is

- unitary with a combined group and uses the same taxable year as the combined group, it should use the Schedule UB prepared by the combined group in completing its Form IL-1120-ST;
- unitary with a combined group, but it uses a different taxable year, it must complete a Schedule UB using its own taxable year; or,
- not unitary with a group filing a combined return, it must complete its own Schedule UB using its own taxable year.

Unitary members that are S corporations can use the line reference chart in the Schedule UB instructions to help complete 2015 Form IL-1120-ST.

Steps 2 and 3 of each separately filed Form IL-1120-ST must be completed showing only the S corporation's separate-company items. The amounts on each member's Form IL-1120-ST, Lines 14 through 21 (less Line 20) and Lines 23 through 33 (less Line 24), shall be the combined totals shown on Schedule UB, Step 3, Column E.

Note The modifications for Form IL-1120-ST Lines 20 and 24 are not included as modifications on the Schedule UB. The amount on Form IL-1120-ST, Lines 20 or 24 must be computed on the Illinois Schedule B, Column E Worksheet, found in these instructions. Carry the combined total amounts from Schedule UB, Step 3, Column E for each line item of the Column E Worksheet.

Use the Line 20 and Line 24 amounts to compute the S corporation's base income on Form IL-1120-ST, Step 5, Line 35. Check the box on Form IL-1120-ST, Step 5, Line 35 B and complete Form IL-1120-ST, Step 6 by subtracting

- on Line 36, the combined nonbusiness income of the entire unitary business group, minus the portion allocable to shareholders subject to replacement tax, and
- on Line 37, the amount received by the entire unitary business group from nonunitary partnerships, partnerships included on the Schedule UB, S corporations, trusts, and estates, minus the portion allocable to shareholders subject to replacement tax.

On Form IL-1120-ST, Step 6, Line 40, include the everywhere sales amount from Schedule UB, Step 4, Column D, Line 2. On Line 41 of Step 6 of Form IL-1120-ST, include only the S corporation's Illinois sales. On Form IL-1120-ST, Step 6, Lines 44 and 45, include only the nonbusiness income of the S corporation, and the business income or loss apportionable to Illinois received by the S corporation from trusts, estates, nonunitary partnerships, partnerships included on the Schedule UB, and S corporations minus the portion of those amounts allocable to shareholders subject to replacement tax.

Schedules used to compute any amounts shown **must** be attached to Form IL-1120-ST.

If you need more information, visit our website at **tax.illinois.gov** and view the Illinois Income Tax Regulations referenced in these and the Schedule UB instructions.

May I file a composite return or pass-through entity payment return for nonresident shareholders?

No. You may not file a composite return or pass-through entity payment return for any nonresident members that have income from your S corporation. Form IL-1023-C and Form IL-1000 have been eliminated for tax years ending on or after December 31, 2014. **Do not** file Form IL-1000 or IL-1023-C for tax years ending on or after December 31, 2014. The amounts that would

have been reported on behalf of your members on these forms must be reported on your Form IL-1120-ST and Schedule B. See Schedule B instructions for more information.

What if I participated in a reportable transaction?

If you participated in a reportable transaction, including a "listed transaction," during this tax year and were required to disclose that transaction to the IRS, you are also required to disclose that information to Illinois.

You must send us two copies of the form you used to disclose the transaction to the IRS.

- Mail the first copy of the federal disclosure statement to:

  ILLINOIS DEPARTMENT OF REVENUE
  PO BOX 19029
  SPRINGFIELD IL 62794-9029

- Attach the second copy to your Illinois Income Tax return for the tax year that the IRS disclosure was required. Mail the second copy and your Illinois Income Tax return to the address shown on your return. **Do not** mail the second copy and your Illinois Income Tax return to the address listed above.

Where should I file?

If a payment is enclosed with your return, mail your Form IL-1120-ST to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19053
SPRINGFIELD IL 62794-9053

If a payment is **not** enclosed, mail your Form IL-1120-ST to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19032
SPRINGFIELD IL 62794-9032

What if I need additional assistance or forms?

If you need additional assistance -

- Visit our website at **tax.illinois.gov**.
- Write to us at:

  ILLINOIS DEPARTMENT OF REVENUE
  PO BOX 19044
  SPRINGFIELD IL 62794-9044

- Call **1 800 732-8866** or **217 782-3336** (TDD, telecommunications device for the deaf, at **1 800 544-5304**).

Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

If you need additional forms or schedules, visit our website at **tax.illinois.gov**.

Specific Instructions

Specific instructions for most of the lines are included. If a specific line is not referenced, follow the instructions on the form.

Step 1 — Identify your small business corporation

A — All taxpayers: Type or print your legal business name. If you have a name change from last year, check the corresponding box.

B — Type or print your mailing address. If your address has changed since you filed your last return or if this is your first return, check the box.

Note If you checked the box in Line B because you have never filed an Illinois return, you must also check the "first return" box in Line C.

C — If this is your first or final return, check the appropriate box.

D — If you checked final return on Line C, answer the questions on Line D, if applicable.

E — Special Apportionment Formulas - If you use a special apportionment formula because you are categorized as a financial organization or transportation company, check the appropriate box. If you are categorized as a federally regulated exchange and are electing to use a special apportionment formula for this year, check the appropriate box. For more information, see the specific instructions for "Special Apportionment Formulas."

F — If you are claiming a special depreciation addition or subtraction modifications on Form IL-1120-ST, mark the box and attach Form IL-4562, Special Depreciation, to your tax return.

G — If you are claiming other addition or subtraction modifications on Form IL-1120-ST, mark the box and attach Schedule M, Other Additions and Subtractions (for businesses), to your tax return.

H — If you are claiming related-party expenses modifications on your Form IL-1120-ST, mark the box and attach Schedule 80/20, Related-Party Expenses, to your tax return.

I — Check the box if you are claiming deductions or credits listed on Illinois Schedule 1299-A, Tax Subtractions and Credits. You must check the box on Line I and attach Illinois Schedule 1299-A and any other required support listed on Schedule 1299-A to your tax return to support any deductions or credits you are claiming or passing to your shareholders.

J — Enter your federal employer identification number.

K — If you are a member of a group filing as a unitary business, check the box and enter the FEIN of the member who prepared Illinois Schedule UB. Attach Schedule UB to this return.

L — Enter your North American Industry Classification System (NAICS) Code. If you are unsure of your code, you can research the information at www.census.gov/eos/www/naics or www.irs.gov.

M — Enter your Illinois corporate file (charter) number assigned to you by the Illinois Secretary of State.

N — If you keep your accounting records in a location different from the address indicated on Line B, enter the city, the two-letter state abbreviation, and the Zip Code for the location the records are kept.

O — If you are making the election to treat all of your income other than compensation as business income for this tax year, you must check the box on this line and enter zero on Step 6, Lines 36 and 44. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

P — If you are required to disclose reportable transactions and you have completed federal Form 8886 or federal Schedule M-3, Part II, Line 10, check the appropriate box and attach a copy of the federal form or schedule to this return. See "What if I participated in a reportable transaction?" for more information.

Q — Check the box if you must adjust your loss or loss carryover due to Discharge of Indebtedness. For more information, see the instructions for Line 48, the Loss Reduction worksheet on page 11 of these instructions, and Schedule NLD.

Note **You must complete a Department-issued or previously approved Form IL-1120-ST and corresponding schedules.** Do not send a computer printout or spreadsheets with line numbers and dollar amounts attached to a blank copy of the return.

Step 2 — Figure your ordinary income or loss

Note If you are a member of a unitary group, enter the figures on each line of Step 2 that reflect your separate company income. See "What if I am a member of a unitary group?" in the General Instructions.

Lines 1 through 5 — Enter the amount for each line item from the corresponding line(s) on your U.S. Form 1120S, Schedule K. See the chart below to determine the correct corresponding lines.

Form IL-1120-ST	Federal form 1120S, Schedule K
Line 1	Line 1
Line 2	Line 2
Line 3	Line 3c
Line 4	Lines 4, 5a, 6, 7, 8a
Line 5	Line 9

Line 6 — Include any items of income or loss from U.S. Form 1120S, Schedule K, that are not included on any other line of Step 2 or Step 3 of this Form IL-1120-ST.

Step 3 — Figure your unmodified base income or loss

Note If you are a member of a unitary group, enter the figures on each line of Step 3 that reflects your separate company income. See "What if I am a member of a unitary group?" in the General Instructions.

Lines 8 through 10 — Enter the amount for each line item from the corresponding line on your U.S. Form 1120S, Schedule K. See the chart on this page to determine the correct corresponding lines.

Form IL-1120-ST	Federal form 1120S, Schedule K
Line 8	Line 12a
Line 9	Line 11
Line 10	Line 12b

Line 11 — Include any items of expense that

- you are required to state separately to your shareholders, rather than include in ordinary income, and
- that would be taken into account by an individual in computing his or her taxable income, and
- that are not included on any other line of Step 2 or Step 3 of this Form IL-1120-ST.

Do not include any of the following items on this line:

- net operating loss carryovers;
- any domestic production activity deduction allowed under IRC Section 199; or
- any depletion amounts allowed federally on your oil and gas properties.

Note While the domestic production activity deduction is not allowed to partnerships or subchapter S corporations, you may calculate and "pass through" any allowable deduction to your partners and shareholders. See Information Bulletin FY 2006-07, Domestic Activity Production Deduction.

Line 13 — This is your total unmodified base income or loss.

Note If you are a member of a unitary group **this amount should reflect your separate company income** as shown on the corresponding column of Schedule UB, Step 2, Column A, B, or C, Line 30.

Step 4 — Figure your income or loss

Note If you are a member of a unitary group, see "What if I am a member of a unitary group?" in the General Instructions, and the instructions for Line 14, below.

Line 14 — Follow the instructions on the form.

Note If you are a member of a unitary group do not enter the amount from Form IL-1120-ST, Step 3, Line 13. **Enter your combined company income** as shown on Schedule UB, Step 2, Column E, Line 30.

Note Do not enter **negative** amounts on Lines 15 through 21.

Line 15 — Enter the total of all amounts excluded from unmodified base income that were received or accrued as interest and all distributions of exempt interest received from regulated investment companies during the tax year.

Line 16 — You must add back any amount of Illinois Replacement taxes and surcharge that you deducted on your U.S. Form 1120S to arrive at your ordinary business income. You are not required to add back taxes from other states taken as a federal deduction.

Line 17 — Enter the addition amount calculated on Form IL-4562, Step 2, Line 4. For more information, see Form IL-4562 and instructions. **Attach Form IL-4562 to your Form IL-1120-ST.**

Line 18 — Enter the interest or intangible expenses, or insurance premiums paid to an 80/20 company, to the extent these expenses exceed any taxable dividends you received from the affiliated company. To compute the amount of this addition,

complete Step 2 of Illinois Schedule 80/20 and enter on Line 18 the total from Illinois Schedule 80/20, Step 2, Line 13. **Attach Illinois Schedule 80/20 to your Form IL-1120-ST.**

Some interest and intangible expenses may be exempt from this add-back provision. See Illinois Schedule 80/20 Instructions for more information including definitions of "affiliated company," "intangible expenses," and "intangible assets."

Line 19 — If you are a partner in a partnership, a shareholder in an S corporation, or a beneficiary of a trust or an estate, include your distributive share of additions received from the partnership, S corporation, trust or estate on Schedules K-1-P or K-1-T. If you receive multiple schedules because you are a recipient from multiple entities, you should enter the combined total of Step 5, Column A, Lines 32 through 37, from all Illinois Schedules K-1-P you receive and Step 5, Column A, Lines 30 through 35, from all Illinois Schedules K-1-T you receive. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120-ST.**

Note The partnership or S corporation is required to send you an Illinois Schedule K-1-P and the trust or the estate is required to send you an Illinois Schedule K-1-T, specifically identifying your share of income.

Special Note Include only additions reported to you on the Schedule(s) K-1-P or K-1-T you received. Do not report amounts you reported to your shareholders on the Schedules K-1-P you issued to them. **Do not attach** copies of Schedules K-1-P you issued to your partners or shareholders. You should keep copies of these schedules in your records.

Line 20 — Complete Illinois Schedule B. Illinois Schedule B, Section A, Line 3 represents the share of distributable income or loss that is to be added to or subtracted from base income. If the total amount on Illinois Schedule B, Section A, Line 3 is a negative amount (loss), it should be entered on Line 20 as a **positive** amount. See the Illinois Schedule B Instructions following these Specific Instructions for more information. **Attach Illinois Schedule B to your Form IL-1120-ST.**

Line 21 — Enter the addition amount calculated on the 2015 Illinois Schedule M, Other Additions and Subtractions (for businesses), Step 2, Line 10. **Attach a copy of Illinois Schedule M to your Form IL-1120-ST.** The following are examples of items that must be added to taxable income and are included on Illinois Schedule M.

- Notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands.
- Lloyd's plan of operations loss if reported on your behalf on Form IL-1065, Partnership Replacement Tax Return, and included in your taxable income.
- Deductions you claimed this year and in your two most recent tax years for expenses connected with income from an asset or activity which were reported as business income in prior years and as nonbusiness income on this return. See Illinois Schedule NB, Nonbusiness Income, Line 11, and Illinois Schedule NB Instructions for more information.

Step 5 — Figure your base income or loss

Note Do not enter **negative** amounts on Lines 23 through 34.

Note A double deduction is prohibited by IITA, Section 203(g). You cannot deduct the same item more than once.

Line 23 — Enter the total interest received or accrued from U.S. Treasury bonds, notes, bills, federal agency obligations, and savings bonds included in ordinary business income. You may **not** subtract anything that is not identified in Illinois Publication 101, Income Exempt from Tax. This amount is net of any bond premium amortization deducted federally.

Line 24 — Complete Illinois Schedule B. Illinois Schedule B, Section A, Line 3 represents the share of distributable income or loss that is to be added to or subtracted from base income. If the total amount on Illinois Schedule B, Section A, Line 3 is a positive amount, enter that amount on Line 24. If the total amount on Illinois Schedule B, Section A, Line 3 is negative, leave Line 24 blank and see the instructions for Line 20. For more information, see the Illinois Schedule B Instructions following these Specific Instructions. **Attach Illinois Schedule B to your Form IL-1120-ST.**

Lines 25 through 29 —You must attach Illinois Schedule 1299-A, Tax Subtractions and Credits, and any other required support listed on Schedule 1299-A to your Form IL-1120-ST if you have an amount on any of the following lines.

Line 25 — Enter the River Edge Redevelopment Zone Dividend subtraction from Illinois Schedule 1299-A, Step 1, Line 3.

Line 26 — Enter the River Edge Redevelopment Zone Interest subtraction from Illinois Schedule 1299-A, Step 1, Line 12.

Line 27 — Enter the High Impact Business Dividend subtraction from Illinois Schedule 1299-A, Step 1, Line 6.

Line 28 — For financial organizations only — Enter the High Impact Business within a Foreign Trade Zone (or sub-zone) Interest subtraction from Illinois Schedule 1299-A, Step 1, Line 15.

Line 29 — Enter the amount of any Contribution subtraction from Illinois Schedule 1299-A, Step 1, Line 9.

Line 30 — Enter the subtraction allowance from Form IL-4562, Step 3, Line 10. **Attach Form IL-4562 to your Form IL-1120-ST.**

Line 31 — Enter the amount from Illinois Schedule 80/20, Step 4, Line 32. **Attach Illinois Schedule 80/20 to your Form IL-1120-ST.**

You should use Illinois Schedule 80/20 if

- you added back interest paid to an affiliated company on Step 4, Line 18. You may subtract any interest received from that company during this tax year, up to the amount of your addition for interest expense paid to that company. Also, if you added back intangible expenses from a transaction with an affiliated company on Line 18, you may subtract any income you received during the tax year from similar transactions with the affiliated company, up to the amount of your addition for intangible expense for that company. To compute the amount of this subtraction, complete Illinois Schedule 80/20.
- you are an affiliated company, and you received interest or intangible income from someone who had to add back the interest and intangible expense, or insurance premiums on their Illinois Schedule 80/20. You may subtract your interest or intangible income from that person.

Line 32 — Enter your distributive share of subtractions passed through to you by a partnership, S corporation, trust, or estate on Schedules K-1-P or K-1-T. Do not include any amounts passed through that are reflected on Illinois Schedule 1299-A. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120-ST.**

Note The partnership is required to send you an Illinois Schedule K-1-P and the trust or the estate is required to send you an Illinois Schedule K-1-T, specifically identifying your share of subtractions.

Special Note Include only subtractions reported to you on the Schedule(s) K-1-P or K-1-T you received. Do not report amounts you reported to your shareholders on the Schedules K-1-P you issued to them. **Do not attach** copies of Schedules K-1-P you issued to your partners or shareholders. You should keep copies of these schedules in your records.

Line 33 — Enter the subtraction amount calculated on the 2015 Illinois Schedule M, Step 3, Line 34. **Attach a copy of Illinois Schedule M to your Form IL-1120-ST**.

You may **not** subtract anything that is not identified below, on Schedule M (for businesses), or in Illinois Publication 101. Subtractions allowed on Illinois Schedule M include:

- notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands, to the extent that you were required to add these amounts to your federal ordinary income.
- the refund of Illinois replacement tax for a prior year, to the extent included in your federal ordinary income.
- any other income included on Step 4, Line 22, exempt from taxation by Illinois by reason of its Constitution or statutes or by the Constitution, treaties, or statutes of the United States. This amount is net of any bond premium amortization deducted federally. For more information, see Illinois Publication 101.
- the amount equal to the deduction used to compute the federal tax credit for restoration of amounts held under claim of right under IRC Section 1341.
- the deductions for "foreign dividend gross-up (IRC Section 78)," "subpart F income," or foreign dividends which are allowed as a subtraction modification under IITA, Sections 203(b)(2)(G) and 203(b)(2)(O). **You must provide supporting attachments clearly identifying each item taken as a subtraction.**
- contributions you made under the Tax Increment Allocation Redevelopment Act to a job training project. For more information, see FY Bulletin 1990-40.

Line 35 — This is your base income or loss.

Follow the instructions on the form and check a box on Line A or B. You must check one of these boxes and follow the instructions for that line.

Check the box on Line A if

- all of your base income or loss is derived inside Illinois; and
- you do not have any income or loss to report on Lines 36, 37, 44, or 45.

If you check the box on Line A, do not complete Step 6. All of your base income or loss is allocable to Illinois. Skip Step 6, enter the amount from Step 5, Line 35 on Step 7, Line 47, and complete the remainder of the return.

Check the box on Line B if any of the following apply

- your base income or loss is derived inside and outside Illinois;
- all of your base income or loss is derived outside Illinois; or
- you have income or loss to report on Lines 36, 37, 44, or 45.

If you check the box on Line B, you must complete all lines of Step 6. Submitting Form IL-1120-ST with an incomplete Step 6, including Lines 40, 41, and 42 may result in a delay in processing your return, further correspondence, and you may be required to submit further information to support your filing. See the Specific Instructions for Step 6 for more information.

Step 6 — Figure your income allocable to Illinois

You **must** check the box on Line B and complete all lines of Step 6 if any portion of Line 35, base income or loss, is derived outside Illinois, or you have any income or loss to report on Lines 36, 37, 44, or 45.

If you do not complete **all** of Step 6, Lines 36 through 46, we may issue a notice and demand proposing 100 percent of income as being allocable to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

In order to properly allocate your base income or loss you need to determine what portion of the total base income is business income or loss that is to be apportioned among all the states in which you do business, and what portion is nonbusiness income or loss that is to be allocated to a particular state.

Note **Unitary filers -** You must complete **both** Step 4 of the Schedule UB **and** Step 6 of the Form IL-1120-ST.

Line by Line Instructions

Note You must complete all lines of Step 6.

Line 36 — Enter the amount of all nonbusiness income or loss included in base income, net of any related deductions and any amount distributable to shareholders subject to replacement tax, from Illinois Schedule NB, Column A. Include any nonbusiness income you received from Illinois Schedules K-1-P or K-1-T in the amounts reported on Schedule NB. **Attach Illinois Schedule NB and all Illinois Schedules K-1-P or K-1-T you received to your Form IL-1120-ST.** If you do not have an amount to report on this line, enter "0".

Note If you are making the election to treat all income other than compensation as business income for this tax year, you must check the box in Step 1, Line O, and enter "0" here and on Line 44. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

Line 37 — Enter the amount of all business income or loss included in base income received from any non-unitary partnership, partnership included on a Schedule UB, S corporation, trust, or estate of which you are a partner or a beneficiary, net of any amount distributable to shareholders subject to replacement tax. See Illinois Schedules K-1-P(2) or K-1-T(2) for more information. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120-ST.** If you do not have an amount to report on this line, enter "0".

Note The partnership is required to send you an Illinois Schedule K-1-P and Schedule K-1-P(2), and the trust or the estate is required to send you an Illinois Schedule K-1-T and Schedule K-1-T(2), specifically identifying your share of income.

Special Note If you are a partner engaged in a unitary business with your partnership, you must include your distributable share of the partnership's business income in your business income. Do not subtract this business income on Line 37.

Lines 40 through 42 —

You must complete Lines 40 through 42 if any of the following apply

- your business income or loss is derived inside and outside Illinois;
- all of your business income or loss is derived outside Illinois; or
- you have income or loss to report on Lines 36, 37, 44, or 45.

Follow specific instructions below for Lines 40 through 42.

Note If you are a financial organization, transportation company, or federally regulated exchange, check the appropriate box in Step 1, Line E (financial organization, transportation company, or federally regulated exchange) and see "Special Apportionment Formulas" in these instructions.

Special Note If you are a partner engaged in a unitary business with your partnership, you must include your distributive share of the "everywhere" and "Illinois" sales factors from the partnership in your "everywhere" and "Illinois" sales factors. For more information, see Illinois Income Tax Regulations, Section 100.3380(d).

Line 40 — Enter your total sales everywhere.

Line 41 — Enter your total sales inside Illinois.

Note Lines 40 and 41 cannot be less than zero. The amount on Line 41 cannot exceed the amount on Line 40.

If you checked the box on Line 35 B and do not complete Lines 40 and 41 we may issue a notice and demand proposing 100 percent of income as being allocated to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

Include gross receipts from the license, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property in the numerator and denominator of your sales factor only if these gross receipts are more than 50 percent of the total gross receipts included in gross income for this tax year and each of the two immediately preceding tax years.

Do not include the following items of income in the numerator or denominator of your sales factor:

- dividends;
- amounts included under IRC Section 78;
- subpart F income as defined in IRC Section 952; and
- any item of income excluded or deducted from base income.

For more information on what should be included in the numerator or denominator of your sales factor, see Illinois Income Tax Regulations, Sections 100.3370 and 100.3380.

Sales of tangible personal property are in Illinois if

- the property is delivered or shipped from anywhere to a purchaser in Illinois, other than the United States government, regardless of the Free on Board (f.o.b.) point or other conditions of the sale;
- the property is shipped from Illinois to any place and the purchaser is the United States government;
- the property is shipped from Illinois to another state and you are not taxable in the state of the purchaser; or
- your salesperson operates out of an office in Illinois, and the property sold by the sales person is shipped from a state in which you are not taxable, to a state in which you are not taxable.

For radio and television broadcasting (including cable and satellite broadcasting), the following sales are in Illinois:

- advertising revenue received from an advertiser whose headquarters is in Illinois;
- fees received by a broadcaster from its viewers or listeners in Illinois;
- in the case of fees received by a broadcaster from the producer or other owner of the contents of a program, the percentage of the fees equal to the percentage of the broadcast's viewing or listening audience located in Illinois; or
- in the case of a person who owns the contents of a program and who provides the contents to a broadcaster for a fee or other charge, the fees received for that program from a broadcaster located in Illinois.

If the "sales everywhere" amount includes gross receipts from the licensing, sale, or other disposition of patents, copyrights, trademarks, and other similar items of intangible personal property, and the receipts are not covered by the broadcasting rules, then these receipts should be allocated in Illinois to the extent the item is used in Illinois during the year the gross receipts are included in gross income.

An item is used in Illinois if

- a patent is employed in production, fabrication, manufacturing, or other processing in Illinois or if the patented product is produced in Illinois;
- copyrighted material is printed or other publications originated in Illinois; or
- the commercial domicile of the licensee or purchaser of a trademark or other item of intangible personal property is in Illinois.

Note If you cannot determine from your (or related party's) books and records in which state an item is used, do not include the gross receipts from that item in the numerator or the denominator of the sales factor.

For sales of telecommunications services, the following sales are in Illinois:

- sales of telecommunications service sold on a call-by-call basis, where the call both originates and terminates in Illinois, or the call either originates or terminates in Illinois and the customer's service address is in Illinois;
- retail sales of postpaid telecommunications service if the point of origination of the signal is in Illinois;
- retail sales of prepaid telecommunications service where the purchaser receives the prepaid card or other means of conveyance at a location in Illinois;
- charges imposed at a channel termination point in Illinois;
- charges for channel mileage between two channel termination points in Illinois;
- charges for channel mileage between one or more channel termination points in Illinois and one or more channel termination points outside Illinois, times the number of channel termination points in Illinois divided by total termination channels;
- charges for services ancillary to sales of services in Illinois. If you provide ancillary services, but cannot determine where the sales of the related services are located, your sales are in Illinois if your customer is in Illinois;
- access fees charged to a reseller of telecommunication for a call that both originates and terminates in Illinois;
- 50 percent of access fees charged to a reseller of telecommunications services for an interstate call that originates or terminates in Illinois; and
- end user access line charges, if the customer's service address is in Illinois.

For more information, see Illinois Income Tax Regulations, Section 100.3371.

Illinois lottery winnings and proceeds from sales or other transfers of rights to lottery winnings are in Illinois.

Sales, other than sales of tangible personal property or telecommunications service, and gross receipts from broadcasting, or the licensing, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property, or Illinois lottery winnings or sales proceeds, are in Illinois as follows:

- sales or leases of real property in Illinois;
- leases or rentals of tangible personal property, to the extent it is located in Illinois during the rental period;
- interest, net gains, and other items of income from intangible personal property received by a taxpayer who is a dealer in that property from a customer who is a resident of Illinois (for individuals) or who is commercially domiciled in Illinois (for all other customers). A taxpayer without actual knowledge of the residence or commercial domicile of a customer may use the customer's billing address.
- interest, net gains, and other items of income from intangible personal property received by a taxpayer who is not a dealer in that property, if the income-producing activity is performed in Illinois or if the income-producing activity is performed inside and outside Illinois, and a greater proportion of the income-producing activity is performed inside Illinois rather than outside Illinois, based on performance costs; or
- in all other cases, if the services are received in Illinois.

For more information, see Illinois Income Tax Regulations, Section 100.3370.

If you use a special apportionment formula, see "Special Apportionment Formulas" in these instructions.

Line 42 — Divide Line 41 by Line 40 and enter the result, rounded to six decimal places. The result cannot be greater than "1" or less than "0."

Note If you checked the box on Line 35 B and do not complete Line 42 we may issue a notice and demand proposing 100 percent of your income as being allocated to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

Line 43 — Follow the instructions on the form. If you checked the box on Line 35 B and did not complete Lines 40, 41, and 42 we may

- propose 100 percent of your income as being allocable to Illinois
- propose none of your loss as being allocable to Illinois.

Line 44 — Enter the amount of nonbusiness income or loss allocable to Illinois from Illinois Schedule NB, Column B. Include any nonbusiness income you received from Illinois Schedules K-1-P or K-1-T in the amounts reported on Schedule NB. This amount is net of the portion of your Illinois nonbusiness income distributable to shareholders subject to replacement tax. **Attach a copy of Schedule NB and all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120-ST.** If you do not have an amount to report on this line, enter "0".

Note If you checked the box next in Step 1, Line O, making the election to treat all of your income other than compensation as business income, then enter "0" on Line 44.

Line 45 — Enter the amount of the income or loss reported on Step 6, Line 37 that is apportionable to Illinois as reported by the non-unitary partnership, partnership included on a Schedule UB, trust, or estate on Illinois Schedules K-1-P or K-1-T, net of the portion distributable to shareholders subject to replacement tax. See Illinois Schedules K-1-P(2) or K-1-T(2) for more information. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120-ST.** If you do not have an amount to report on this line, enter "0".

Step 7 — Figure your net income

Line 47 — Follow the instructions on the form. If this amount is a loss, you may be allowed to carry it forward to other years as an Illinois net loss deduction (NLD).

Line 48 — If the amount on Line 47 is a loss, and you were required to reduce the net operating loss reported on your federal Form 1120-S because you excluded any discharge of indebtedness income from this tax year's gross income, then you may be required to reduce the net loss reported on Line 47. Use the Loss Reduction Worksheet on page 11 to figure your loss reduction. **Attach a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, to your Form IL-1120-ST.** For more information, see Illinois Income Tax Regulations, Section 100.2310(c).

Line 49 — If you have a discharge of indebtedness adjustment on Line 48, add lines 47 (a negative number) and 48 (a positive number), and enter the result here. This amount cannot be greater than "0".

If you do not have a discharge of indebtedness adjustment, enter "0" on Line 48 and the amount from Line 47 on Line 49.

Loss Reduction Worksheet

1	Enter the amount of the reduction to your federal net operating losses from federal Form 982.	**1** _____
2	Enter your income allocation ratio. See instructions.	**2** _____
3	Multiply the amount on Line 1 by Line 2. This is your reduction amount. Enter the result here and on Form IL-1120-ST, Line 48.	**3** _____

Line 2 — Your income allocation ratio is calculated by dividing the amount of debt cancellation income excluded from your gross income that would have been allocated or apportioned to Illinois under the IITA if it was not excluded by the total amount of debt cancellation income excluded from your gross income. If all of your debt cancellation income would have been business income, use the apportionment factor you calculated on the return for the tax year of the debt cancellation.

Line 50 — Enter your Illinois NLD carryforward from Illinois Schedule NLD, Step 1, Line 5. **Attach Illinois Schedule NLD to your Form IL-1120-ST.**

Note **Do not use Illinois Schedule UB/NLD even if you are a member of a unitary business group.**

Step 8 — Figure your net replacement tax, surcharge, and pass-through withholding payments you owe

Line 53 — Enter your recapture of investment credits from Illinois Schedule 4255, Recapture of Investment Tax Credits, Step 4, Column C, Line 18.

If you claimed an Illinois investment tax credit in a prior year on Form IL-477, Replacement Tax Investment Credits, and any of the property was disqualified within 48 months of being placed in service, you must use Illinois Schedule 4255 to compute the amount of recapture. Credit must be recaptured in the year the property became disqualified.

Line 55 — Enter the amount from Form IL-477, Step 1, Line 13. **Attach Form IL-477 and any other required support listed on Form IL-477 to your Form IL-1120-ST.**

You may claim a replacement tax investment credit of .5 percent (.005) of the basis of qualified property placed in service in Illinois during the tax year.

An additional credit of up to .5 percent (.005) of the basis of qualified property is available if your Illinois base employment increased by 1 percent (.01) or more over the preceding year or if your business is new to Illinois. Excess credit may be carried forward for five years following the excess credit year. For more information, see Form IL-477 instructions.

Line 57 — Compassionate Use of Medical Cannabis Pilot Program Act surcharge.

Definitions

Organization registrant means a corporation, partnership, trust, limited liability company (LLC), or other organization, that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

Transactions subject to the surcharge means sales and exchanges of

- capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

What is the surcharge?

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Pilot Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Pilot Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge. For an S corporation, this would be a tax on built-in gain realized on the transaction.

To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a "transaction subject to the surcharge," including individuals and other taxpayers who are not themselves the "organization registrant" that engaged in the transaction.

A line has been included on Schedules K-1-P and K-1-T to identify the amount of federal income attributable to transactions subject to the surcharge that was passed through to you on federal Schedule K-1.

How do I figure the surcharge?

If the surcharge applies to you, complete the Compassionate Use of Medical Cannabis Pilot Program Act Surcharge Worksheet at the bottom of page 12.

For more information, see Illinois Income Tax Regulations, Section 100.2060.

Line 58 — Complete **all sections** of Illinois Schedule B and enter the amount from Illinois Schedule B, Section A, Line 8 on this line. This is the amount of pass-through withholding payments you owe on behalf of your members. **Attach Illinois Schedule B to your Form IL-1120-ST.** See "Definitions to help you complete your Form IL-1120-ST" in these instructions for more information.

Note Do not include on Line 58 any pass-through withholding payments **reported to you** on Schedule(s) K-1-P or K-1-T. Pass-through withholding payment amounts reported to you are included on Step 9, Line 60c.

Step 9 — Figure your refund or balance due

Line 60a — Enter the amount of any overpayment from your prior year tax returns that you requested to be applied to this year's tax return. Take into account any correspondence we may have sent you that changed the amount of your credit carryforward from the previous year.

Line 60b — Enter the amount of Illinois replacement tax paid with Form IL-505-B. **Do not** report amounts paid with Form IL-516-I or Form IL-516-B on this line. Those amounts are reported on Lines 60e and 60f.

Note If you made a payment on Form IL-1120-ES, enter that amount on Line 60b. In the future use Form IL-516-I or Form IL-516-B to make voluntary prepayments.

Compassionate Use of Medical Cannabis Pilot Program Act Surcharge Worksheet

1	Enter your federal income tax liability for the taxable year.	**1**	_____
2	Enter your federal income tax liability for the taxable year computed as if transactions subject to the surcharge made in that year had not been made by the organization registrant.	**2**	_____
3	Subtract Line 2 from Line 1. This is your Compassionate Use of Medical Cannabis Pilot Program Act surcharge. Enter the result here and on Form IL-1120-ST, Step 8, Line 57.	**3**	_____

Line 60c — Enter the amount you wish to claim of Illinois pass-through withholding payments reported to you by partnerships, S corporations, or trusts on Schedule(s) K-1-P or K-1-T. If you have received more than one Schedule K-1-P or K-1-T, add the amounts you wish to claim from all the schedules and enter the total on Line 60c. **Attach copies of the Schedules K-1-P and K-1-T you received from the pass-through entities to your Form IL-1120-ST.** See "Definitions to help you complete your Form IL-1120-ST" in these instructions for more information.

Note Do not include on Line 60c any pass-through withholding payments **you owe** on behalf of your members. Pass-through withholding payments you owe on behalf of your members are included on Step 8, Line 58.

Line 60d — Enter the amount of any gambling withholding shown on Form W-2G. **Attach Form W-2G.**

Line 60e — Enter the total amount of voluntary prepayments you paid for this tax year with **Form IL-516-I only**. **Do not** report amounts paid with Form IL-516-B, Form IL-505-B, or Form IL-1120-ES here.

Line 60f — Enter the total amount of voluntary prepayments you paid for this tax year with **Form IL-516-B only**. **Do not** report amounts paid with Form IL-516-I, Form IL-505-B, or Form IL-1120-ES here.

Line 63 — Enter the amount of overpayment you elect to be credited forward.

Your credit carryforward will not be applied if you do not file a processable return.

Note Your credit carryforward may be reduced by us due to corrections we make to your return, or to satisfy any unpaid tax, penalty, and interest due for this year or any other year. If we reduce your credit carryforward, it may result in a late-payment penalty in a subsequent year.

To which tax year will my credit apply?

If your 2015 return was filed

- ❑ **on or before the original filing and payment due date of your return,** your credit will be applied to the next full tax year, unless you elect to apply the credit to a different tax year.

  Example 1: You file your 2015 calendar-year return on March 1, 2016, requesting to receive your overpayment as a credit. March 1, 2016, falls before the original filing and payment due date of the 2015 tax year (March 15, 2016, for calendar-year filers). Your credit will be applied against your 2016 tax year liability.

- ❑ **after the original filing and payment due date of your return,** your credit will be applied to the next full tax year in which **timely** payments can be made as of the date you are filing this return, unless you elect to apply the credit to a different tax year.

  Example 2: You file your 2015 calendar-year return on August 4, 2016, requesting to receive your overpayment as a credit. August 4, 2016, is after the original filing and payment due date of the 2015 tax year (March 15, 2016, for calendar-year filers), but is before the original filing and payment due date of the 2016 tax year (March 15, 2017, for calendar-year filers). Your credit will be applied against your 2016 tax year liability.

  Example 3: You file your 2015 calendar-year return on April 28, 2017, requesting to receive your overpayment as a credit. April 28, 2017, is after the original filing and payment due date of the 2016 tax year (March 15, 2017, for calendar-year filers), but is before the original filing and payment due date of the 2017 tax year (March 15, 2018, for calendar-year filers). Your credit will be applied against your 2017 tax year liability.

You may complete the Credit Carryforward Worksheet on page 15 if you require assistance determining the year to which your credit will apply.

With what date will my credit apply against my tax liability?

If your 2015 return was filed

- ❑ **on or before the extended due date of your return** (October 17, 2016, for calendar-year filers), your credit is considered to be paid on the original due date of this return (March 15, 2016, for calendar-year filers).

  However, if all or a portion of your overpayment results from payments made after the original due date of this return, that portion of your credit is considered to be paid on the date you made the payment.

  Example 1: You file your 2015 calendar-year return on or before the extended due date of your return requesting $500 be applied as a credit. All of your payments are made before the original due date of your return. Your credit of $500 will be considered to be paid on March 15, 2016.

  Example 2: You file your 2015 calendar-year return on or before the extended due date of your return requesting $500 be applied as a credit. Your overpayment includes payments of $400 you made before the original due date of your return, and a $100 payment you made on June 1, 2016. Your credit of $400 will be considered to be paid on March 15, 2016. The remaining $100 credit will be considered to be paid on June 1, 2016.

- ❑ **after the extended due date of your return,** your credit is considered to be paid on the date you filed the return on which you made the election.

  Example 3: You file your 2015 calendar-year return on December 1, 2016, requesting $500 be applied as a credit. Your credit of $500 will be considered to be paid on December 1, 2016, because you filed your return after the extended due date of your 2015 calendar-year return.

You may complete the Credit Carryforward Worksheet on page 15 if you require assistance determining with what date your credit will apply.

May I apply my credit to a different tax year?

Yes. If you wish to apply your credit to a tax year other than the one during which you file this return, you must submit a separate request in writing to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19004
SPRINGFIELD IL 62794-9004

Note Submit your request at the time you file your return. **Do not** submit your return to this address.

Your request must include

- your name,
- your FEIN,
- the tax year of the return creating the overpayment, and
- the tax year you wish to have the credit apply.

If you do not follow these instructions, your election will be considered invalid and we will not apply your credit as you requested.

If you submit a valid request, we will apply your credit as you requested and notify you. Once made, your election to change the tax year to which your credit will apply is irrevocable. Requests will be worked in the order we receive them.

Note You may only apply your credit to tax years occurring after the year of the return creating the overpayment. If you request to apply more credit than our records show you have available, we will apply the maximum amount available and notify you of the difference.

Lines 64 — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

Note Your refund may be reduced by us to satisfy any unpaid tax, penalty, and interest due for this year or any other year.

Line 65 — Direct deposit information.

If you choose to deposit your refund directly into your checking or savings account, you must

- Enter your routing number.
  - For a checking account, your routing number must be nine digits and the first two digits must be 01 through 12 or 21 through 32.

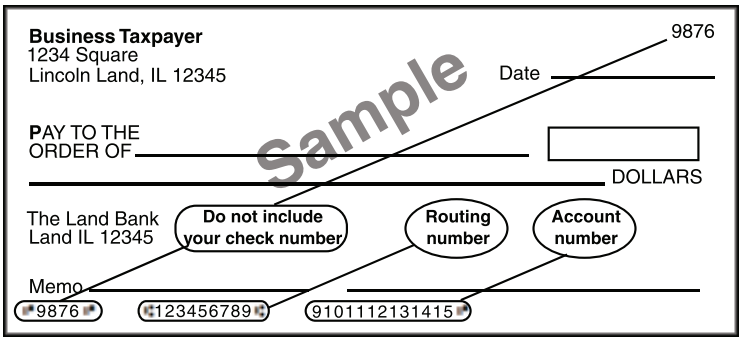
    The sample check following these instructions has an example of a routing number.
  - For a savings account, you must contact your financial institution for your routing number.
- Check the appropriate box to indicate whether you want your refund deposited into your checking or savings account.
- Enter your account number.
  - For a checking account, your account number may be up to 17 digits.

    The sample check following these instructions has an example of an account number.
  - For a savings account, you must contact your financial institution for your account number.

Do not use your account and routing numbers from your checking or savings account **deposit slip**. **Do not** include your check number. Include hyphens, but omit spaces and special symbols. You may have unused boxes.

Note If your financial institution does not honor your request for direct deposit, we will send you a check instead.

Note We do not support international ACH transactions. We will only deposit refunds into accounts located within the United States. If your financial institution is located outside the United States, we will send you a check instead of depositing your refund into your account.



Line 66 — Follow the instructions on the form. This is your amount of tax due that must be paid in full if $1 or more. If you are not paying electronically, complete a payment voucher, Form IL-1120-ST-V, make your check or money order payable to **"Illinois Department of Revenue" and attach them to the front of the return.**

Note If you are paying electronically **do not** complete and attach a payment voucher.

You should also **enter the amount you are paying in the box located on the top of Page 1** of the Form IL-1120-ST.

We encourage you to let us figure your penalties and interest and send you a bill instead of determining these amounts yourself. We will compute any penalty and interest due and notify you. See General Information, "What are the penalties and interest?"

Step 10 — Signature, date, and paid preparer's information

You must sign and date your return. If you do not sign your return, it will not be considered filed and you may be subject to a **nonfiler penalty.**

If you want to allow the paid preparer listed in this step to discuss this return with the Department, check the box. This authorization will allow your paid preparer to answer any questions that arise during the processing of your return, call us with questions about your return, and receive or respond to notices we send. The authorization will automatically end no later than the due date for filing your 2016 tax return (excluding extensions.) You may revoke the authorization at any time by calling or writing us.

Credit Carryforward Worksheet

Step 1: Determine the tax year to which your credit will apply

Check box A or B and follow the instructions for the box you checked. If you did not check a box, do not complete the question(s) associated with that box.

A ☐ I filed my return on or before the original filing and payment due date of my return.

Complete Line 1a only if you checked box A, above.

1a Enter the ending date of the next full tax year. This is the year your credit will be applied to unless you elect to apply it to a different year. **1a** ____/____/_____

Example:

- A calendar-year filer, filing a return on March 1, 2016 (which falls before March 15, 2016, the original filing and payment due date for the 2015 tax year), would enter the next full tax year ending date, 12/31/2016.

B ☐ I filed my return after the original filing and payment due date of my return.

Complete Lines 1b through 2b only if you checked box B, above.

1b Enter the date you filed this return. **1b** ____/____/_____

2b Enter the ending date of the next full tax year for which a payment made on the date entered on Line 1b would be considered a timely payment. This is the year your credit will be applied to unless you elect to apply it to a different year. **2b** ____/____/_____

Examples:

- A calendar-year filer, filing a return on August 4, 2016 (which falls after March 15, 2016, the original filing and payment due date for the 2015 tax year, but before March 15, 2017, the original filing and payment due date for the 2016 tax year), would enter 12/31/2016 on Line 2b.
- A calendar-year filer, filing a return on April 28, 2017 (which falls after March 15, 2017, the original filing and payment due date for the 2016 tax year, but before March 15, 2018, the original filing and payment due date for the 2017 tax year), would enter 12/31/2017 on Line 2b.

Step 2: Determine the date that your credit will apply against your tax liability

Check box A or B and follow the instructions for the box you checked. If you did not check a box, do not complete the question(s) associated with that box.

Note Credit carryforwards calculated on this worksheet will not be available until your return is processed by the Department. Your credit carryforward may be reduced by us due to corrections we make to your return, or to satisfy any unpaid tax, penalty, and interest due for this year or any other year. If we reduce your credit carryforward, it may result in a late-payment penalty in a subsequent year.

A ☐ I filed my return on or before the extended due date of my return.

Complete Lines 1a through 3a only if you checked box A, above.

1a Enter the original due date for this 2015 return. **1a** ____/____/_____

2a Enter the total amount of your overpayment from payments made **on or before** the date entered on Line 1a. A credit in this amount will be applied to your account with the date entered on Line 1a. **2a** _____

3a Enter the overpayment amount(s) and payment date(s) for any payment(s) you made **after** the date entered on Line 1a. Credit(s) in the amount(s) listed below will be applied to your account and will be considered to be paid on the date you made the payment.

Overpayment Amount	Date of Payment	Overpayment Amount	Date of Payment	Overpayment Amount	Date of Payment
$	/ /	$	/ /	$	/ /
$	/ /	$	/ /	$	/ /

B ☐ I filed my return after the extended due date of my return.

Complete Line 1b only if you checked box B, above.

1b Enter the date you filed this return. The date you enter is the date we will consider your credit to have been paid. **1b** ____/____/_____

Special Apportionment Formulas

Certain businesses that derive their income from inside and outside Illinois require a special apportionment formula. The following definitions will help in completing Step 6.

A Business income — See General Information, "Business income" under "Definitions to help you complete your Form IL-1120-ST."

B Financial organization — any bank, bank holding company, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, building and loan association, credit union, currency exchange, cooperative bank, small loan company, sales finance company, investment company, or any person owned by a bank or bank holding company.

C Revenue miles — A revenue mile is the transportation of one passenger, or one net ton of freight, the distance of one mile.

D Federally regulated exchange — A federally regulated exchange is:

- a regulated entity as defined in 7 U.S.C. Sections 1a (40)(A), 1a (40)(B), or 1a (40)(C);
- an exchange or clearing agency as defined in 15 U.S.C. Sections 78c (a)(1) or 78c (a)(23);
- any entity regulated under any successor regulatory structure to a registered entity, exchange, or clearing agency; or
- any member of the same unitary group (determined without regard to the prohibition against taxpayers using different apportionment formulas in the same group) as a federally regulated exchange. This provision applies only if 50 percent or more of the business receipts of the unitary business group for the taxable year are attributable to the matching, execution, or clearing of transactions conducted by members of the group described in the first three bullet points above.

What if I am a financial organization?

If you checked the box in Step 1, Line E, indicating that you are a financial organization and your income is derived from inside and outside Illinois, cross out the word "sales" on Lines 40 and 41, and write "Financial organization."

On Line 40, enter the amount of gross receipts from all sources.

On Line 41, enter the amount of gross receipts from:

- sales or leases of real property located in Illinois;
- leases or rentals of tangible personal property, to the extent it is located in Illinois during the rental period;
- interest income, commissions, fees, gains on disposition, and other receipts from:
  - loans secured by real or tangible personal property located in Illinois;
  - unsecured consumer loans to a resident of Illinois;
  - unsecured commercial or installment loans where the proceeds of the loan are applied in Illinois. If the place of application cannot be determined, the gross receipts are in Illinois if the office of the borrower from which the loan was negotiated is in Illinois. **If neither the place of application nor the office of the borrower can be determined, do not include the gross receipts in Lines 40 or 41;** and
  - credit card receivables billed to a customer in Illinois.
- sales of travelers checks and money orders at a location in Illinois;
- interest, dividends, net gains, and other income from investment and trading assets and activities, where the majority of your contacts with the asset or activity is in Illinois. The state to which an asset or activity is assigned in your books and records for federal or state regulatory requirements is presumed to be proper unless a majority of the evidence shows otherwise or you do not have a fixed place of business in that state. If the place with the majority of contacts cannot be determined under these rules, the gross receipts are in Illinois if your commercial domicile is in Illinois.
- any other transaction, if the gross receipts would be included on Line 41 under the general instructions for Line 41.

For more information, see Illinois Income Tax Regulations, Section 100.3405.

Divide Line 41 by Line 40 and enter the result, rounded to six decimal places, on Line 42. Complete Lines 43 through 46 as indicated in Specific Instructions for Step 6 — Figure your income allocable to Illinois.

What if I am a transportation company?

If you checked the box in Step 1, Line E, indicating that you are a company that furnishes transportation service both inside and outside Illinois, cross out the word "sales" on Lines 40 and 41 and write "Transportation." You must apportion business income as follows:

A Transportation by airline — On Line 40, enter the amount of revenue miles everywhere. On Line 41, enter the amount of revenue miles in Illinois. Divide Line 41 by Line 40 and enter the result, rounded to six decimal places, on Line 42.

B Other modes of transportation — On Line 40, enter the amount of your gross receipts from providing transportation services. On Line 41, enter the amount of gross receipts from Illinois, as follows:

- all gross receipts from transportation that both originates and terminates in Illinois; and
- gross receipts from interstate transportation, multiplied by a fraction equal to the miles traveled in Illinois on all interstate trips divided by miles traveled everywhere on all interstate trips.

Divide Line 41 by Line 40 and enter the result, rounded to six decimal places, on Line 42.

C Transportation of both freight and passengers or transportation by airline and other modes — Compute separate fractions for freight transportation and passenger transportation by airline and for freight transportation and passenger transportation by all other modes of transportation under A and B, in the list above and enter on Line 42 the average of those fractions, weighted by the gross receipts from freight or passenger transportation by airline or other modes, rounded to six decimal places.

For more information, see Illinois Income Tax Regulations, Section 100.3450.

Complete Lines 43 through 46 as indicated in Specific Instructions for Step 6, Figure your income allocable to Illinois.

What if I am a federally regulated exchange?

If you checked the box in Step 1, Line E, indicating that you are a federally regulated exchange that is electing to use a special apportionment formula this year, and your income is derived from inside and outside Illinois, cross out the word "sales" on Lines 40 and 41 and write "Exchange." You may apportion your business income as follows:

On Line 40, enter the amount of business income from all sources.

On Line 41, enter the amount of business income from:

- receipts attributable to transactions executed on a physical trading floor located in Illinois;
- receipts attributable to all other matching, execution, or clearing transactions. This includes, without limitation, receipts from the provision of matching, execution, or clearing services to another entity.
  - Multiply this amount by 27.54 percent (.2754) for tax years ending on or after December 31, 2013; and
- all other receipts for sales in Illinois.

Divide Line 41 by Line 40 and enter the result, rounded to six decimal places, on Line 42. Complete Lines 43 through 46 as indicated in Specific Instructions for Step 6, Figure your income allocable to Illinois.

Note For any tax year, the Illinois apportionment percentage computed using this formula may never be less than the Illinois apportionment percentage computed for the first full tax year ending on or after December 31, 2013, for which the taxpayer used this formula.

What if I am a member of a unitary business group?

The term "unitary business group" means a group of persons related through common ownership, whose business activities are integrated with, dependent on, and contribute to each other. In the case of a corporation, common ownership is defined as the direct or indirect ownership or control of more than 50 percent of the outstanding voting stock of a corporation.

If you determine that you are a member of a unitary business group, see Illinois Schedule UB for more information regarding your Illinois filing requirements and the computation of your Illinois tax liability. Once the Illinois Schedule UB has been completed, you must apportion your business income as follows:

On Line 40, enter the "everywhere" sales factor of the entire unitary business group from Illinois Schedule UB, Step 4, Line 2, Column D. On Line 41, enter only your Illinois sales (including your share of sales of any unitary partnerships in which you are a partner).

On Lines 44 and 45, enter your own nonbusiness income and the Illinois portion of business income from non-unitary partnerships or partnerships included on a Schedule UB in which you are a partner, S corporations in which you are a shareholder, or from trusts or estates of which you are a beneficiary.

What if I want to use an alternative apportionment formula?

If the apportionment methods prescribed by IITA, Sections 304(a) through (d), and (h) do not fairly and accurately represent the market for your goods, services, or other sources of business income, or lead to a grossly distorted result, you may want to use a more accurate alternative method. If you want to use an alternative apportionment method, you **must** receive permission from IDOR **prior to** filing your return.

Note Your request for an alternative apportionment formula must follow the requirement of the Illinois Income Tax Regulations, Section 100.3390. See the regulations or contact the Department for more information.

If you receive permission to use an alternative formula, you must attach to your Form IL-1120-ST a copy of the letter granting permission.

Send your request to:

ILLINOIS DEPARTMENT OF REVENUE
LEGAL SERVICES OFFICE
SENIOR COUNSEL - INCOME TAX, 5-500
101 WEST JEFFERSON STREET
SPRINGFIELD IL 62702

Illinois Schedule B Instructions

General Information

What's new for 2015?

Illinois Schedule B has been redesigned for tax years ending on or after December 31, 2014. Read these instructions carefully in order to complete Illinois Schedule B correctly and to avoid unnecessary delays in the processing of your return.

Read this information before completing Illinois Schedule B.

Amounts listed on the Schedule(s) K-1-P and Schedule(s) K-1-P(3) you complete are carried to your Illinois Schedule B and then reported on your Form IL-1120-ST or Form IL-1065. Therefore, you **must** complete Schedule(s) K-1-P and Schedule(s) K-1-P(3) **before** completing Schedule B.

In order to ensure you complete Schedule B correctly, do the following in order:

- ❑ Complete all Schedule(s) K-1-P and Schedule(s) K-1-P(3), as applicable, for your members **before** completing any section of Illinois Schedule B. The information reported on Schedule(s) K-1-P and Schedule(s) K-1-P(3) will be used to complete Illinois Schedule B. See Schedule K-1-P(1) for more information.
- ❑ Complete Section B of Illinois Schedule B **before** completing Section A of Illinois Schedule B. Section B reports specific amounts from each Schedule K-1-P and Schedule K-1-P(3) you completed. Section B is required to be completed in full in order to avoid processing delays, further correspondence, or delays in the processing of any overpayments.
- ❑ Complete Section A of the Illinois Schedule B. Section A reports total amounts from Section B, and is required to be completed in full in order to avoid processing delays, further correspondence, or delays in the processing of any overpayments.
- ❑ Carry the amount from Illinois Schedule B, Section A, Line 3 and Line 8 to your Form IL-1120-ST or Form IL-1065, as applicable.

See the Schedule K-1-P(1) instructions and Illinois Schedule B specific instructions for more information.

What is the purpose of Illinois Schedule B?

The purpose of Illinois Schedule B, Partners' or Shareholders' Information, is for you to identify any person who was a partner or shareholder at any time during your tax year.

The Illinois Schedule B also allows you to identify your partners or shareholders that are subject to the Illinois Personal Property Tax Replacement Income Tax and to figure the share of distributable income or loss that is to be added to or subtracted from your base income.

In addition, Form IL-1023-C and Form IL-1000 have been eliminated for tax years ending on or after December 31, 2014. The amounts that would have been reported on behalf of your members on these forms must be reported on your Illinois Schedule B. The Illinois Schedule B has been redesigned for tax years ending on or after December 31, 2014, to report certain items of income and credits reported to your partners or shareholders, and pass-through withholding payments made on behalf of your nonresident partners or shareholders. For a definition of resident and nonresident partners or shareholders see "What is a resident" and "What is a nonresident?" below.

Is Schedule B required?

Yes. You are required to have a copy of this form on file. You **must** attach a copy to your Form IL-1065, Illinois Partnership Replacement Tax Return, or your Form IL-1120-ST, Illinois Small Business Corporation Replacement Tax Return, to support the addition modification claimed on Form IL-1065, Step 4, Line 21 or Form IL-1120-ST, Step 4, Line 20, or the subtraction modification claimed on Form IL-1065, Step 5, Line 27, or Form IL-1120-ST, Step 5, Line 24.

In addition, Illinois Schedule B has replaced Form IL-1023-C and Form IL-1000 for tax years ending on or after December 31, 2014, and supports the amount reported on Form IL-1065, Step 8, Line 59, and Form IL-1120-ST, Step 8, Line 58, as pass-through withholding payments you owe on behalf of your nonresident members. Therefore, you **must** follow the instructions for Illinois Schedule B, complete it in full, and attach it to your return.

Note You must use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the Department will not be accepted and you will be asked for appropriate documentation. **Failure to comply with this requirement may delay the processing of your return or the generation of any overpayment.** Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

Partnerships and S corporations must complete Illinois Schedule B. Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the schedule. Computer generated printouts are not acceptable, even if they are in the same format as the Department's forms. Computer generated forms from a Department-approved software developer are acceptable.

What is a resident?

A resident is

- an individual who is present in Illinois for other than a temporary or transitory purpose;
- an individual who is absent from Illinois for a temporary or transitory purpose but who is domiciled in Illinois;
- the estate of a decedent who at his or her death was domiciled in Illinois;
- a trust created by a will of a decedent who at his or her death was domiciled in Illinois; or
- an irrevocable trust, whose grantor was domiciled in Illinois at the time the trust became irrevocable. For purposes of this definition, a trust is irrevocable to the extent that the grantor is not treated as the owner of the trust under Internal Revenue Code (IRC) Sections 671 through 678.

What is a nonresident?

A nonresident is a person who is not a resident, as previously defined. Corporations, S corporations, partnerships, and exempt organizations are considered nonresidents for purposes of Illinois Schedule B.

What do Section B, Columns G through J report?

Columns G through J report certain items of income, credits, and pass-through withholding payments you reported to your nonresident members on the Schedule K-1-P you issued to them.

How do I determine the amounts to report in Section B, Columns G through J?

Before completing Illinois Schedule B you must complete Schedule(s) K-1-P and Schedule(s) K-1-P(3) for each of your nonresident members, as applicable. The amounts reported on those schedules will be used to complete Illinois Schedule B, Section B, Columns G through J.

See Schedule K-1-P(1) for instructions and more information about Schedule K-1-P(3).

Specific Instructions

Section A: Total members' information

Note Complete Schedule(s) K-1-P and Schedule(s) K-1-P(3), as applicable, **and** all of Illinois Schedule B, Section B, before completing Section A.

Illinois Schedule B, Section A should be completed using the totals from Illinois Schedule B, Section B. When you submit your return you should only attach a single page of Section A. If you require multiple pages of Section B, you may attach as many pages of Section B as required behind Section A.

Lines 1 through 3 — Report amounts for **both resident and nonresident members**.

Line 1 — Add the amounts you reported on Step 3, Column A, Line 10 through Line 19, of all the Schedule(s) K-1-P you issued to your partners or shareholders and enter the total here. Include amounts you reported to both your resident and nonresident members.

Line 2 — Add the amount you reported on Step 7, Line 52a through Line 52p, of all the Schedule(s) K-1-P you issued to your partners or shareholders and enter the total here. Include amounts you reported to both your resident and nonresident members.

Line 3 — Add the amounts shown in Section B, Column E for all the partners or shareholders for which you have checked the box in Section B, Column D.

Note Do not include partners or shareholders that are identified as individuals or estates in Section B, Column B.

Enter the total amount on this line. If this is a

- positive amount, enter this amount on your Form IL-1065, Line 27 or Form IL-1120-ST, Line 24.
- negative amount (loss), enter this amount as a positive amount on your Form IL-1065, Line 21 or Form IL-1120-ST, Line 20.

Lines 4 through 8 — Report amounts for **nonresident members only**.

Line 4 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-P you issued to your **nonresident individual and estate members only**. Total the amounts reported in Section B, Column J, for members that are identified with an **"I"** or **"M"** in Section B, Column B, and enter it here.

Line 5 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-P you issued to your **partnership and S corporation members only**. Total the amounts reported in Section B, Column J, for members that are identified with a **"P"** or **"S"** in Section B, Column B, and enter it here.

Line 6 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-P you issued to your **nonresident trust members only**. Include members identified as an exempt organization (trust). Total the amounts reported in Section B, Column J, for members that are identified with a **"T"** or **"A"** in Section B, Column B, and enter it here.

Line 7 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-P you issued to your **C corporation members only**. Include members identified as an exempt organization (corporation). Total the amounts reported in Section B, Column J, for members that are identified with a **"C"** or **"N"** in Section B, Column B, and enter it here.

Line 8 — Add Section A, Lines 4 through 7 of this Illinois Schedule B and enter this amount here and on Form IL-1065, Line 59 or Form IL-1120-ST, Line 58. The amount on Line 8 should match the total amount from Schedule B, Section B, Column J for all nonresident members on all pages.

If you completed multiple pages of Section B, complete Section A one time reporting the totals from all pages of Section B. Place all pages of Section B behind the single page of Section A, and attach them to your return.

Section B: Members' information

Lines 1 through 5 —

Column A — Enter the name and address of each partner or shareholder. Use the following examples as a guide.

If the partner or shareholder is an individual, use the following formats:

John Doe 111 W. Main Street Anytown, IL 62666	John and Mary Doe 111 W Main Street Anytown, IL 62666	John Doe % Mary Doe 111 W Main St. #5A Anytown, IL 62666

If the partner or shareholder is a trust or an estate, use the following formats:

John Doe Bankruptcy Trust % Mary Doe, Trustee 111 W Main Street, Suite 4A Anytown, IL 62666	Estate of John Doe 111 W Main St., Ste 4A Anytown, IL 62666

If the partner or shareholder is a corporation (including S corporations), or a partnership, use the following formats:

Illinois Big Business Group % John Doe, VP Finance 111 West Main Street, Suite 4 Anytown, IL 62666	Illinois Small Business Group % Mary Doe 111 West Main Street Anytown, IL 62666

Column B — Indicate the type of each partner's or shareholder's organization. Enter

- "I" for individual
- "P" for partnership
- "M" for estate
- "T" for trust
- "C" for C corporation
- "S" for S corporation
- "A" for exempt organization (trust)
- "N" for exempt organization (corporation)

Column C — Enter the Social Security number (SSN) or federal employer identification number (FEIN) of each partner or shareholder.

Note If the partner or shareholder is a foreign entity and does not have an SSN or FEIN, leave this column blank for that partner or shareholder. If you leave this column blank, you may be contacted for further information.

Column D — Check the box if the partner or shareholder is subject to the Illinois Personal Property Tax Replacement Income Tax or is an exempt organization (including an Employee Stock Ownership Plan (ESOP)). Individuals and estates are **not** subject to this tax.

Column E — Enter the total amount of base income or loss distributable to this partner or shareholder, using the Column E Worksheet. Enter the amount from Column E Worksheet, Line 5, here.

The total of all the amounts in Column E must equal your total base income, computed without regard to the addition claimed on your Form IL-1065, Step 4, Line 21, or Form IL-1120-ST, Step 4, Line 20 or the subtraction claimed on your Form IL-1065, Step 5, Lines 26 and 27 or Form IL-1120-ST, Step 5, Line 24.

Column F — If the partner or shareholder was excluded from pass-through withholding payments indicate the reason by entering

- "R" if the partner or shareholder is an Illinois resident,
- "E" if the partner or shareholder provided you a Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments, indicating that they would pay their own tax liability, or
- "N" if the partner or shareholder was an exempt organization and you did not make pass-through withholding payments on their behalf.

Note Taxpayers are not required to make pass-through withholding payments on behalf of their exempt organization members, but may do so for tax year ending on or after December 31, 2014.

If you elected to make pass-through withholding payments on behalf of an exempt organization member, leave this column blank for that member and complete Columns G through J.

Columns G through J — Provide the following information from the Schedule(s) K-1-P and Schedule(s) K-1-P(3) you completed for each member listed.

Column G — Enter the amount you reported on Step 3, Line 12, of the Schedule K-1-P(3) you completed for this member. This amount is this member's share of Illinois income subject to pass-through withholding.

Note This amount is a dollar amount. Do not list a percentage in this column.

Column H — Total the amount you reported on Step 3, Line 13, and Step 3, Line 16, of the Schedule K-1-P(3) you completed for this member. Enter that amount on Column H for this member. This amount is this member's pass-through withholding before credits.

Column I — Total the amount you reported on Step 3, Line 14, and Step 3, Line 17, of the Schedule K-1-P(3) you completed for this member. Enter that amount on Column I for this member. This amount is this member's distributable share of credits.

Column J — Enter the amount of **pass-through withholding payments** that you made on behalf of each partner or shareholder and reported to them on Schedule K-1-P, Step 7, Line 54.

Note This should match the amount reported on Step 3, Line 19, of the Schedule K-1-P(3) you completed for this member.

If you have more than five partners or shareholders to report, and additional space is needed, complete and attach additional pages of Illinois Schedule B, Section B. After you have completed Section B, listing all required amounts for your members, complete the single page of Illinois Schedule B, Section A.

Column E Worksheet

Complete this worksheet for each partner or shareholder.

1	Enter the share of income from Form IL-1065 or Form IL-1120-ST, Line 14 for this partner or shareholder.	**1** _____
2	Enter the share of additions distributable to this partner or shareholder from Form IL-1065, Lines 15 through 20 and Line 22 or Form IL-1120-ST, Lines 15 through 19 and Line 21.	**2** _____
3	Add Lines 1 and 2.	**3** _____
4	Enter the share of subtractions distributable to this partner or shareholder from Form IL-1065, Lines 24 through 25 and 28 through 33 or Form IL-1120-ST, Lines 23 and 25 through 33.	**4** _____
5	Subtract Line 4 from Line 3. If Line 3 is greater than Line 4 (income), Enter the result as a positive amount in Column E for this partner or shareholder. If Line 4 is greater than Line 3 (loss), enter the result as a negative amount in Column E for this partner or shareholder.	**5** _____