

+ CHANGES IN INCOME TAX, REPLACEMENT TAX,
 AND THE CIRCUIT BREAKER PROGRAM

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 |TO:|CORPORATE
 +---+TAXPAYERS AND TAX
 PRACTITIONERS

The purpose of this bulletin is to inform you of changes in the Illinois Income Tax, the Personal Property Replacement Income Tax, and the Circuit Breaker program.

- Assistance to the Homeless Fund
- Child Care Expansion Program Fund
- Community Health Center Care Fund

This change affects individuals who take a credit on Schedule 1299-C or corporations and fiduciaries that take this credit on Schedule 1299-D.

These charitable funds join the following funds on the IL-1040:

REPORTING OF CHANGES IN OTHER STATES' RETURNS NO LONGER REQUIRED

++ CHANGES FOR THE
 1989 TAX YEAR

PROPERTY TAX
 SUBTRACTION INCREASED
 FOR HOMEOWNERS

- Illinois Non-Game Wildlife Conservation Fund
- Child Abuse Prevention Fund
- Alzheimer's Disease Research Fund

Taxpayers no longer have to notify us if they correct their out-of-state income tax returns or have their out-of-state income tax returns changed due to an audit. This affects taxpayers who use any business or individual income tax form.

Homeowners may take a subtraction for twice the amount of the property tax they paid. This subtraction may be taken on line 4a of the 1989 Form IL-1040 and the 1990 Form IL-1040.

CREDIT FOR TAXES PAID TO FOREIGN COUNTRIES NO LONGER ALLOWED

CHANGES IN THE REPLACEMENT TAX INVESTMENT CREDIT

CHANGES IN CHARITABLE FUNDS

Taxpayers have more choices in making charitable fund contributions. They may now contribute any amount of \$1 or more, and they may do so by increasing their balance due as well as by reducing their refund.

Taxpayers who pay tax to foreign countries may no longer take a credit with Illinois for foreign tax. Before the change, this credit was available on Illinois Schedule CR, which is attached to Forms IL-1040 or IL-1041.

Taxpayers who take the Replacement Tax investment credit on Form IL-477 now have until December 31, 1996, to place property in service. In addition, for tax years ending after December 31, 1988, taxpayers may now carry forward for five years, any excess credit.

CHANGE IN THE HIGH IMPACT BUSINESS INVESTMENT CREDIT

SCHEDULE NLD REVISED FOR USE BY ALL BUSINESS TAXPAYERS

Three charitable funds have been added to the

Taxpayers may take a high impact business investment credit only if they meet the minimum requirements established by the 1988 changes to the

Taxpayers that have

Form IL-1040 for taxpayers who wish to make contributions. The new charitable funds are:

Enterprise Zone Act. Taxpayers must

- invest \$12 million in qualified property and create 500 fulltime jobs, or
- invest \$30 million in qualified property and retain 1,500 fulltime jobs

Illinois net loss deductions must now use Schedule NLD to compute those deductions. This includes taxpayers that file Forms IL-1041, IL-1120-ST, IL-1065, and IL-990-T, as well as taxpayers that file Form IL-1120.

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HOW CERTAIN LIFE INSURANCE COMPANIES MUST NOW FIGURE TAXABLE INCOME

Insurance companies that are defined by Internal Revenue Code 801 must now figure Illinois taxable income in the following way: add, from the Form US 1120L, life insurance company taxable income (line 1) to the distribution from pre-1984 policyholder surplus accounts (line 3).

NEW RESEARCH AND DEVELOPMENT CREDIT MAY BE USED STARTING JULY 1, 1990

Taxpayers whose tax years end after July 1, 1990, may use a new credit of 6.5 percent, based on an increase in qualified research and development expenditures. These expenditures include

- wages for employees or supervisors directly involved in research
- payment for supplies used in research
- 65 percent of contract research expenses

This credit can be

ILLINOIS STATE LOTTERY WINNERS NEED NOT FILE FORM IL-1065, PARTNERSHIP RETURN

Taxpayers who win the lottery as members of a partnership organized only for the purpose of playing the Illinois State Lottery need not file Form IL-1065. Instead, they report their prizes directly on Form IL-1040.

INCOME TAX TEMPORARILY INCREASED

For a complete explanation of the temporary increase in the Illinois Income Tax that became effective July 1, 1989, refer to Informational Bulletin FY90-5.

++ CHANGES FOR THE 1990 TAX YEAR

CHANGES IN THE REQUIREMENT FOR MAKING ESTIMATED PAYMENTS

The threshold for corporations that must make estimated payments on Form IL-1120-ES has increased from \$250 to \$400.

Farmers will no longer be required to make estimated payments for their 1990 tax year.

and people who are blind will be entitled to take one exemption, in addition to the standard exemption, for each circumstance.

CHANGES IN THE CIRCUIT BREAKER PROGRAM

The surviving spouse of a Circuit Breaker claimant no longer must be 65 years old to be eligible to file a Circuit Breaker grant when his or her spouse dies. The surviving spouse may file for a grant (providing other Circuit Breaker requirements are met) if he or she will become 65 within 24 months of the spouse's death. In addition, the surviving spouse who is at least 63 at the time of the claimant's death may also be eligible to receive a Pharmaceutical Assistance Card.

AGRICULTURAL WORKERS NOW SUBJECT TO WITHHOLDING

Effective January 1, 1990, cash payments to agricultural workers which are subject to FICA withholding will also be subject to federal income tax withholding. Illinois employers who withhold federal income tax from

taken against only income tax on Forms IL-1041, IL-1120, and IL-990-T, and on Form IL-1040. Taxpayers wishing to take this credit must use a Schedule 1299-E to compute the credit. Schedule 1299-E will be available July 1, 1990.

TAXPAYERS WHO ARE BLIND OR ELDERLY MAY TAKE EXTRA EXEMPTIONS

Beginning in the 1990 tax year, taxpayers who are 65 or older

wages paid in Illinois to agricultural workers must also withhold Illinois income tax from those wages.

QUESTIONS?

If you have questions or need more information, please contact us. Our address and telephone numbers are listed at the bottom of this bulletin.

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FOR INFORMATION

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