



## What's new for 2008?

- Effective for tax years **ending on or after December 31, 2008**, partnerships, S corporations, and trusts are required to make pass-through entity payments on behalf of all nonresident partners and beneficiaries. Pass-through entities should report payments made on your behalf on Illinois Schedules K-1-P or K-1-T. Any payments received from pass-through entities may be claimed as credit on this form. Owners claiming any credit must attach the Schedule K-1-P or K-1-T they receive from the pass-through entity. For more information, see Information Bulletin, FY-2009-02, Pass-through Entity Payments.
- For tax years **ending on or after December 31, 2008**, the sales factor apportionment laws have changed. See "Line by Line Instructions," Lines 30 through 32, for more information.
- For tax years **ending on or after December 31, 2008**, the law regarding the treatment of insurance companies, financial organizations, and transportation companies has changed. See "Special Apportionment Factors" for more information.
- For tax years **ending on or after December 31, 2008**, the law regarding related-party expenses has changed. See "Specific Instructions," Lines 6 and 21, for more information.
- For tax years **ending on or after December 31, 2007**, the portion of the Employee Child Care Tax Credit for 30 percent of the "start-up costs" spent to provide a child care facility for the children of your employees has been reinstated. See Illinois Schedule 1299-D Instructions for more information.
- **Effective January 1, 2007**, the Environmental Remediation Credit (carryforward) has expired.

## General Information

### Who must file Form IL-1120?

You must file Form IL-1120 if you are a corporation that

- has net income or loss as defined under the IITA; or
- is qualified to do business in the state of Illinois and is required to file a federal income tax return (regardless of net income or loss).

It is your duty as a taxpayer to obtain forms. Failure to obtain forms is not an excuse for failure to file returns as required by law.

**Unitary filers** — If you are a corporation that is a member of a unitary business group, see Illinois Schedule UB, Combined Apportionment for Unitary Business Group, and its instructions for information about filing requirements.

**Political organizations and homeowners' associations** — If you are a corporation that falls under the definition in Internal Revenue Code (IRC), Sections 527 and 528, and you report your federal taxable income on U.S. Form 1120-POL or U.S. Form 1120-H, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120. If you are a **Cooperative**, write "cooperative" at the top of your Form IL-1120.

**Settlement funds** — If you are a settlement fund under IRC Section 468B and you report your federal taxable income on U.S. Form 1120-SF, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120.

**Limited liability companies** — If you are a limited liability company and you file as a corporation for federal income tax purposes, you are treated as a corporation for Illinois purposes.

**Foreign corporations** — If you are a foreign corporation, you must observe the same filing requirements as U.S. domestic corporations. For Illinois purposes, you should report the taxable income you are reporting for federal purposes under IRC Sections 881 through 885. You must use only the domestic factor information

regarding sales information in the "everywhere" denominator when apportioning business income to Illinois. If you are a foreign corporation that is a member of a unitary business group, see Illinois Schedule UB and instructions for information about filing requirements.

**Domestic international sales corporations and foreign sales corporations** — If you are a Domestic International Sales Corporation (DISC) under IRC Section 992, you are not subject to the taxes imposed by IRC Subtitle A (except for the tax imposed on transfers to avoid income tax under IRC Section 1491). Similarly, you are not required to file Form IL-1120.

For Illinois purposes, distributions from DISCs are treated in accordance with the federal rules pertaining to dividends, dividend exclusions, and dividend-received deductions.

If you are a Foreign Sales Corporation (FSC) for federal purposes and have federal taxable income apportionable or allocable to Illinois, you are subject to Illinois tax rules applicable to all corporations. You are taxed by Illinois to the extent that your nonexempt foreign trade income, investment income, and carrying charges (taxable for federal purposes) are apportionable or allocable to Illinois.

**Note** — Corporate shareholders who derive income from Illinois should include actual and deemed distributions from a DISC or FSC in business income.

**Real estate mortgage investment conduits** — If you are a real estate mortgage investment conduit in accordance with IRC Section 860A through G, you are not required to file Form IL-1120.

**Charitable organizations, etc.** — If you are an organization exempt from federal income tax by reason of IRC Section 501(a), you are not required to file Form IL-1120. However, unrelated business taxable income, as determined under IRC Section 512,



is subject to tax (without any deduction for Illinois Income Tax) and must be reported on Form IL-990-T, Exempt Organization Income and Replacement Tax Return. For more information, see Form IL-990-T Instructions.

**Small business corporations** — If you are an S corporation, as defined by IITA, Section 1501(a)(28), you are subject only to Illinois Replacement Tax and must file Form IL-1120-ST, Small Business Corporation Replacement Tax Return. The shareholders of these corporations are taxed by Illinois on their distributive shares of the corporation's income. For more information, see Form IL-1120-ST instructions.

## What forms must I use?

In general, 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 result in the delay of processing your return or generating any refund. Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

**Corporations must complete Form IL-1120.** 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 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, you should register by calling our Central Registration Division at **217 785-3707**. You may be able to register electronically. Visit our web site 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 period is the same as your federal filing period. In general, Form IL-1120 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 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 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). Your additional Illinois extension will be equal to the federal extension, plus one month. You must attach a copy of the approved federal extension to your Form IL-1120.

## Where should I file?

Mail your Form IL-1120 to

**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19008  
SPRINGFIELD IL 62794-9008.**

## When should I pay?

**Payment of tax** — You must pay your Illinois Income and Replacement Tax 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** — If you reasonably expect your Illinois Income and Replacement Tax liability to be more than \$400 for the tax year, you are required to make quarterly payments of estimated tax. For more information regarding 2008 estimated taxes, see the instructions for Form IL-1120-ES, Estimated Income and Replacement Tax Payments for Corporations.

## Who should sign the return?

Your Form IL-1120 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 employee of the taxpayer, such as a clerk, secretary, or bookkeeper) must provide a signature, date the return, and write the preparer's taxpayer identification number. If the preparer is an employee or partner of a firm or corporation, the preparer must also provide the firm's name, 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. To receive a copy of this publication, see “What if I need additional assistance or forms?” for our phone numbers and addresses.

## 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 or Purchase 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 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**

## What if I need to correct or change my return?

**Corrected** — If you need to correct or change your return after it has been filed, but before the extended due date has passed, you must file Form IL-1120-X, Amended Corporation Income and Replacement Tax Return. Write “CORRECTED” at the top and show the changes. A corrected return is treated as your original return for all purposes.

**Amended** — If you need to change your return after it has been filed, and the extended due date has passed, you must file Form IL-1120-X showing the changes.

**State changes only** — You must file Form IL-1120-X, promptly, if you discover an error on your Illinois return that does not relate to an error on your federal return but 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 filing Form IL-1120-X to claim an overpayment, it 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** — 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, you must file Form IL-1120-X. 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-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-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). For more information, see Form IL-1120-X instructions.

## What records must I keep?

You must maintain books and records to substantiate any information reported on your Form IL-1120. 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 are subject to verification and audit.

## Should I round?

To make it easier for you to figure your tax, you may round the dollar amounts on Form IL-1120 and accompanying schedules to whole-dollars. 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 is base income/taxable income?

Your Illinois base income or loss is your federal taxable income or loss, plus any additions on Lines 2 through 8, less any subtractions on Line 24. See specific instructions for Steps 2 and 3.

“Taxable income” as reported for federal income tax purposes is determined differently for certain corporations. If you are a

- **life insurance company** subject to the tax imposed by IRC Section 801, your taxable income is the life insurance company taxable income, plus the amount of distributions from pre-1984 policyholder surplus accounts as calculated under IRC Section 815(a).
- **nonlife mutual or nonlife stock insurance company** subject to the tax imposed by IRC Section 831, your taxable income is the insurance company taxable income.
- **regulated investment company** subject to the tax imposed by IRC Section 852, your taxable income is the investment company taxable income.

- **real estate investment trust** subject to the tax imposed by IRC Section 857, your taxable income is the real estate investment trust taxable income.
- **corporation included in the filing of a consolidated income tax return** for the tax year for federal income tax purposes, your taxable income is determined as if you had filed a separate return for federal income tax purposes for the tax year and each preceding tax year you were a member of an affiliated group. Your separate taxable income must be determined as if the election provided by IRC Section 243(b)(2) had been in effect for all years.
- **cooperative or association**, your taxable income is the taxable income determined in accordance with the provisions of IRC Sections 1381 through 1388.
- **foreign corporation**, your taxable income is the amount of federal taxable income described in IRC Sections 881 through 885.

## 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 taxable income 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 for 12 years. If you are carrying an Illinois NLD, you must complete Illinois Schedule NLD, Illinois Net Loss Deduction, or Illinois Schedule UB/NLD, Unitary Illinois Net Loss Deduction, and claim the deduction on Step 5, Line 38. See specific instructions for Step 5, Line 38.

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

If you need more information see the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330. These sections may be obtained by

- visiting our web site at [tax.illinois.gov](http://tax.illinois.gov), or
- writing to

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

## 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. 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 should be attached **behind the completed Illinois return.**

**All taxpayers, including unitary business groups, must attach a copy of your U.S. Form 1120, Pages 1 through 4, and Schedules L, M-1, M-2, and M-3, if applicable, or U.S. Form 1120-A, Pages 1 and 2 to your Illinois return.**

- **Exception no. 1** — If you are a corporation, but do not file U.S. Form 1120, you must attach a copy of the form that you file federally, including, U.S. Form 1120L, Page 1, or U.S. Form 1120-PC, Page 1 (and Schedule A, if filed), 1120-POL, 1120-H, or 1120-SF.
- **Exception no. 2** — If you are a corporation whose taxable income is included in a consolidated federal tax return, you must provide a *pro forma* copy of U.S. Forms 1120, 1120-L, 1120-PC, and all applicable schedules, as if you had filed a separate federal return.

**Note** When filing your Form IL-1120, 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**

## What if I participated in a reportable transaction?

If you participated in a reportable transaction, including what is commonly known as 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 used to disclose the transaction to the IRS.

- Attach one copy to your tax return, and
- Mail the 2<sup>nd</sup> copy to

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

## What are Illinois Schedules K-1-T and K-1-P?

**Illinois Schedule K-1-T**, Beneficiary's Share of Income and Deductions, is provided for trusts and estates to supply each beneficiary with income amounts that are taxable to Illinois. If you are a beneficiary of a trust or an estate, you should receive a completed Illinois Schedule K-1-T and a copy of **Illinois Schedule K-1-T(2)**, Beneficiary's Instructions.

**Illinois Schedule K-1-P**, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, is for partnerships and S corporations to supply each partner or shareholder with income amounts that are taxable to Illinois. If you are a partner in a partnership or a shareholder in an S corporation, you should receive a completed Illinois Schedule K-1-P and a copy of **Illinois Schedule K-1-P(2)**, Partner's or Shareholder's Instructions.

## What if I need additional assistance or forms?

If you need additional assistance -

- Visit our web site at [tax.illinois.gov](http://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 web site at [tax.illinois.gov](http://tax.illinois.gov).
- Call our 24-hour Forms Order Line at **1 800 356-6302**.
- Write to us at  
**ILLINOIS DEPARTMENT OF REVENUE**  
**PO BOX 19010**  
**SPRINGFIELD IL 62794-9010**

## Specific Instructions

Specific instructions for most of the lines are provided on the following pages. Lines that are not discussed in the instructions are self-explanatory.

### Step 1 — Provide the following business information

**A** — Type or print the required name and address information clearly in the spaces provided. If your name or address has changed since you filed your last return, check the box.

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

**C** — If you checked final return on Line B, answer the questions on Line C.

**D** — If you are filing an Illinois **combined unitary return**, check the box and attach a completed Illinois Schedule UB. For more information, see Illinois Schedule UB instructions.

— If you are a **foreign insurer**, check the box and, if you are entitled to a tax reduction, attach a completed Illinois Schedule INS, Tax for Foreign Insurers.

If you are filing a combined unitary return and one or more members are foreign insurers, check both boxes, and if your unitary group is entitled to a tax reduction, attach a completed Illinois Schedule UB/INS, Tax for a Unitary Business Group with Foreign Insurer Members. For more information, see Illinois Schedule INS or Illinois Schedule UB/INS.

**E** — If you are required to disclose reportable transactions and you have attached Federal Form 8886 or Federal Schedule M-3, check the appropriate box. See “What if I participated in a reportable transaction?” for more information.

**F** — **Special Apportionment Formulas** - If you use a special apportionment formula because you are categorized as an insurance company, financial organization, or transportation company, check the appropriate box. For more information, see specific instructions for “Special Apportionment Formulas.”

**G** — Write your federal employer identification number. If you are a unitary company, write the FEIN of the designated agent.

**H** — **Federal consolidated** — If you are a member of a federal consolidated group, write the FEIN of the federal parent. See General Information, “What is base income/taxable income?” and “What attachments do I need?”

**I** — **Location of accounting records** — If you keep your accounting records in a location different from the address indicated on Line A, write the two-letter state abbreviation and zip code for the location the records are kept.

**J** — **Business income election** — If you are making the election to treat all of your income other than compensation as business income, you must check the box on this line and write zero on Step 4, Lines 26 and 34. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

**K** — Check the box if you annualized your income on Form IL-2220. Attach Form IL-2220.

**L** — Indicate your method of accounting by checking the appropriate box. You must use the same accounting method (e.g., cash or accrual) and tax year that you used for federal income tax purposes.

**M** — If you earned or can carry forward credits on Illinois Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries), you must check the box on Line N and attach Illinois Schedule 1299-D to your tax return, even if you are unable to use any of the credits in this tax year.

**N** — Write your Illinois corporate file (charter) number assigned to you by the Illinois Secretary of State. If you are filing a unitary return, write the corporate file (charter) number of the designated agent.

**Note** — You must complete Form IL-1120 itself. Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the return.

### Step 2 — Figure your income or loss

In accordance with IITA, Section 203(e)(2)(E), if you are filing as part of a federal consolidated group, you must compute federal taxable income as though you had filed a separate federal return.

If you are filing as a combined unitary taxpayer, see Illinois Schedule UB, Specific Instructions for Completing Form IL-1120.

**Line 1** — Write the amount from U.S. Form 1120, Line 30 or U.S. Form 1120-A, Line 26.

**Line 2** — Write the amount of net operating loss deduction from U.S. Form 1120, Line 29a, or U.S. Form 1120-A, Line 25a.

**Note** → Do not write **negative** amounts on Lines 2 through 8. If you are claiming over-accrued taxes, include them on Step 3, Line 11.

**Line 3** — Write the following amounts excluded from the amount on Line 1 that were paid or accrued to you during the taxable year:

- Tax-exempt interest from U.S. Form 1120, Schedule M-1, Line 7 (or equivalent).
- **Note** → If you are a **life insurance company**, the gross investment income earned from federally tax-exempt sources must be added back.
- All tax-exempt interest distributions received from regulated investment companies.

**Line 4** — You must add back any amount of Illinois Income and Replacement taxes that you deducted on your U.S. Form 1120 to arrive at your federal taxable income. You are not required to add back taxes from other states that you included as a federal deduction.

**Line 5** — Write the addition amount calculated on Form IL-4562, Special Depreciation, Line 4. For more information, see Form IL-4562 and instructions. **Attach Form IL-4562 to your Form IL-1120.**

**Line 6** — Write the interest or intangible expenses, or insurance premiums paid to an affiliated company, to the extent these expenses exceed any taxable dividends you received from the affiliated company from Illinois Schedule 80/20, Related-Party Expenses, Line 12. **Attach Illinois Schedule 80/20 to your Form IL-1120.**

**Affiliated Company** means any person who would be a member of a unitary business group with you, but cannot be included in the group because 80 percent or more of its business activities are conducted outside the United States or because of the rule against combining insurance companies, financial organizations, or transportation companies with companies engaged in other businesses.

For more information see the instructions for Schedule 80/20.

**Intangible expenses** mean royalties and fees paid for intangible assets, losses incurred on sales or other disposition of intangible assets to an affiliated company, losses on factoring or discounting transactions with an affiliated company, and deductible expenses incurred in connection with the acquisition, use, management, or sale or other disposition of an intangible asset. Intangible assets include patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible assets.

Some interest and intangible expenses may be exempt from this add-back provision. See Illinois Schedule 80/20 for more information.

**Line 7** — If you are a partner in a partnership or a beneficiary of a trust or an estate, include your distributive share of additions received from the partnership, trust or estate. If you receive multiple schedules because you are a recipient from multiple entities, you should write the combined total from all Illinois Schedules K-1-P and 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.**

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

**Line 8** — Complete the 2008 Illinois Schedule M, Other Additions and Subtractions (for businesses), to figure the correct amount to include on Line 8. **Attach a copy of Illinois Schedule M to your Form IL-1120.** The following are items that must be added to taxable income and are included on the Illinois Schedule M.

- If you are a regulated investment company, include the excess of the net long-term capital gain for the tax year, over the amount of capital gain dividends designated as such in accordance with IRC Section 852(b)(3)(C) and any amount designated under IRC Section 852(b)(3)(D), attributable to the tax year.
- 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-1023-C, Composite Income and Replacement Tax Return, and included in your federal taxable income.
- If you reported income from an asset or activity as business income in prior years, and reported any income from that asset or activity as nonbusiness income on this return, include on this line all deductions you claimed for expenses connected with that income in this year and in your two most recent tax years. See Illinois Schedule NB, Nonbusiness Income, Line 11, and Illinois Schedule NB Instructions for more information.

### Step 3 — Figure your base income or loss

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

**Line 11** — Write the amount of refund of Illinois income and replacement tax you received for a prior year, to the extent it is included in your federal taxable income.

**Line 12** — Write the total interest received or accrued from U.S. Treasury bonds, notes, bills, federal agency obligations, and savings bonds that is included in your federal taxable 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.

**Note** → You must attach Illinois Schedule 1299-B, Enterprise Zone or Foreign Trade Zone (or sub-zone) Subtractions, to your Form IL-1120 if you have an amount on Lines 13 through 17.

**Line 13** — Write the Enterprise Zone or River Edge Redevelopment Zone dividend subtraction from Illinois Schedule 1299-B, Line 11.

**Line 14** — Write the Enterprise Zone or River Edge Redevelopment Zone interest subtraction from Illinois Schedule 1299-B, Line 19.

**Line 15** — Write the High Impact Business dividend subtraction from Illinois Schedule 1299-B, Line 14.

**Line 16** — **For financial organizations only** — Write the High Impact Business within a Foreign Trade Zone (or sub-zone) interest subtraction from Illinois Schedule 1299-B, Line 22.

**Line 17** — Write the amount of any Contribution subtraction from Illinois Schedule 1299-B, Line 16

**Line 18** — Write the amount of any contribution made to a job training project established under the "Tax Increment Allocation

Revelation Act,” as amended. For further information, see Illinois Compiled Statutes, Chapter 65, paragraph 5/11-74.4-1 *et seq.*

**Line 19** — Write the amount shown on Illinois Schedule J, Step 1, Line 15, for foreign dividends received. **Attach Illinois Schedule J and U.S. Form 1120, Schedule C (or equivalent) to your Form IL-1120.**

**Note** — You must use Illinois Schedule J to figure the “foreign dividend gross-up (IRC Section 78)” included in your taxable income if you are electing a foreign tax credit under the provisions of IRC Section 901. **Do not** include this deduction in other subtractions on the 2008 Illinois Schedule M or Form IL-1120, Line 23.

**Line 20** — Write the subtraction allowance from Form IL-4562, Special Depreciation, Step 3, Line 10. **Attach Form IL-4562 to your Form IL-1120.**

**Line 21** — Write the amount from Illinois Schedule 80/20, Step 3, Line 21. **Attach Illinois Schedule 80/20 to your Form IL-1120.**

You should use Illinois Schedule 80/20

- if you added back interest paid to an 80/20 company on Step 2, Line 6, you may subtract any interest received from that affiliated 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 6, 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
- If 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 company.

**Line 22** — Write your distributive share of subtractions passed through to you by a partnership, trust, or estate. Do not include any amounts passed through that are reflected on Illinois Schedule 1299-B. **Attach a copy of all Illinois Schedules K-1-P and K-1-T to your Form IL-1120.**

**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.

**Line 23** — Complete the 2008 Illinois Schedule M to figure the amount to include on Line 23. **Attach a copy of Illinois Schedule M to your Form IL-1120.**

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

- any “exempt-interest” dividends, as defined in IRC Section 852(b)(5), paid to shareholders for the tax year, by you, as a regulated investment company.
- 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 taxable income.

- Lloyd’s plan of operations income if reported on your behalf on Form IL-1023-C and included in your federal taxable income.
- the amounts disallowed as federal deductions or interest expenses under IRC Sections 171(a)(2), 265, 280C, 291(a)(3) and 832(b)(5)(B)(i).
- 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.
- any other income included on Step 2, Line 9, 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.

## Step 4 — Figure your base income allocable to Illinois

### General Information

#### Who must complete Step 4?

You **must** complete Step 4 if any portion of Line 25, base income or net loss, is derived outside Illinois. If you do not complete **all** of Step 4, we may issue a notice and demand proposing 100 percent of income 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.

### Definitions

All references to “income” include losses. The following definitions may be helpful in completing Step 4 of Form IL-1120.

**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.

**Commercial domicile** is the principal place where 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.

**Taxability (taxable) in other states** means you are subject to and actually pay “tax” in another state. “Tax” means 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.



## Line by Line Instructions

**Note** If you fail to provide complete apportionment and allocation information, we will consider 100 percent of your income attributable to Illinois for tax purposes.

**Line 26** — Write the amount of all nonbusiness income or loss included in base income, net of any related deductions, plus any recaptured business expenses from Illinois Schedule NB, Column A. **Attach Illinois Schedule NB to your Form IL-1120.**

**Note** If you are making the election to treat all income other than compensation as business income, you must check the box in Step 1, Line K, and write “0” here and on Line 34. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

**Line 27** — Write the amount of all non-unitary business income or loss included in base income received from any partnership, trust, or estate, of which you are a partner or a beneficiary. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.**

**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 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 27.

### Lines 30 through 32 —

You must complete Lines 30 through 32 if

- your business income or loss is derived inside and outside Illinois; or
- all of your business income or loss is derived outside Illinois.

Follow specific instructions below for Lines 30 through 32.

**Note** If you are an insurance company, financial organization, or transportation company, check the appropriate box in Step 1, Line F (insurance company, financial organization or transportation company) 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 the Illinois Income Tax Regulations, Section 100.3380(d).

**Line 30** — Write your total sales everywhere.

**Line 31** — Write your total sales inside 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 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 salesperson is shipped from a state in which you are not taxable, to a state in which you are not taxable.

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, then these receipts should be attributed to 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.
- 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 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;
- end user access line charges, if the customer's service address is in Illinois.

Sales, other than sales of tangible personal property or telecommunications service, and gross receipts from licensing, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property, 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 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;
- in all other cases, if the services are received in Illinois.

For more information, see 86 Ill. Adm. Code, Section 100.3370.

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

**Line 32** — Divide Line 31 by Line 30 and write the result, carried to six decimal places.

**Line 33** — Follow the instructions on the form. If Lines 30 through 32 are blank, write the amount from Line 29.

**Line 34** — Write the amount of nonbusiness income or loss allocable to Illinois from Illinois Schedule NB, Column B. Include any nonbusiness income and recaptured business expenses from Illinois Schedules K-1-P or K-1-T. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.**

**Note** — If you checked the box in Step 1, Line K, making the election to treat all of your income other than compensation as business income, then write "0" on Line 34.

**Line 35** — Write the amount of income or loss reported on Step 4, Line 27 that is apportionable to Illinois as reported by the partnership, trust, or estate, on Illinois Schedules K-1-P or K-1-T. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.**

## Step 5 — Figure your net income

**Line 37** — Follow the instructions on the form. If this amount is a loss, you may carry it forward to other years as an Illinois net loss deduction (NLD). (See General Information, "What if I have an Illinois net loss deduction (NLD)?")

**Line 38** — Write your Illinois NLD carryforward from Illinois Schedule NLD, Line 5 or Illinois Schedule UB/NLD, Step 3, Line 36. **Attach Illinois Schedule NLD or unitary Illinois Schedule UB/NLD to your Form IL-1120.**

## Step 6 — Figure your net replacement tax

**Line 41** — Write your recapture of investment credits from Illinois Schedule 4255, Recapture of Investment Tax Credits, Step 4, Column C, Line 16.

If you claimed any Illinois investment tax credits 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 43** — Write the amount from Form IL-477, Step 1, Line 11. **Attach Form IL-477 to your Form IL-1120.**

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.

## Step 7 — Figure your net income tax

**Line 46** — Write your recapture of investment credits from Illinois Schedule 4255, Step 4, Columns A and B, Line 16.

If you claimed an Enterprise Zone Credit or High Impact Business Investment Credit in a prior year on Illinois Schedule 1299-D, Income Tax Credits, and any of the property becomes disqualified, you must use Illinois Schedule 4255 to compute the amount of recapture. Credit must be recaptured in the year in which the property became disqualified. For more information, see Illinois Schedule 4255.

**Line 48** — Write the amount from Illinois Schedule 1299-D, Step 2, Line 23. The total of all credits is limited to the total income tax shown on Line 47. **Attach Illinois Schedule 1299-D to your Form IL-1120.** For more information, see Illinois Schedule 1299-D Instructions.

The TECH-PREP Youth Vocational Programs Credit and the Dependent Care Assistance Program Tax Credit, are available to taxpayers primarily engaged in manufacturing. Any excess credit may be carried forward for **two** years following the excess credit year.

- **TECH-PREP Youth Vocational Programs Credit** — The programs must be certified as qualifying TECH-PREP programs by the State Board of Education. The credit is for an amount equal to 20 percent (.20) of your direct payroll expenditures for cooperative secondary school youth vocational programs in Illinois. The payroll expenditures must not have been claimed for the Training Expense Credit. You also may claim an additional credit of 20 percent (.20) for personal services rendered by a TECH-PREP student or instructor that would be subject to withholding if they were employed by you and no other credit is claimed by the actual employer.
- **Dependent Care Assistance Program Credit** — A credit of 5 percent (.05) of the amount of expenditures reported, under IRC Section 129(d)(7), to provide an on-site facility dependent care assistance program as defined in IRC Section 129.

The following credits are also available and may be carried forward **five** years following the excess credit year:

- **Film Production Services Tax Credit** — Businesses in the film industry may receive a transferable credit for Illinois production expenses incurred in a project that has been approved by the Illinois Department of Commerce and Economic Opportunity (DCEO). Credits earned in tax years ending prior to July 11, 2005 may not be carried over, while credits earned in later years may be carried forward five years.
- **High Impact Business Investment Credit** — A credit of .5 percent (.005) of the basis of qualified property placed in service in Illinois by you during your tax year as a “High Impact Business,” certified as such by DCEO. This credit is available only after you have met the minimum investment required by the Illinois Enterprise Zone Act.
- **Jobs Tax Credit** — A credit of \$500 per eligible employee hired to work in an Illinois enterprise zone or foreign trade zone (or sub-zone) during the tax year.
- **Enterprise Zone or River Edge Redevelopment Zone Investment Credit** — A credit of .5 percent (.005) of the basis of qualified property placed in service in an Illinois enterprise zone or river edge redevelopment zone during the tax year.
- **Research and Development Credit** — A credit of 6.5 percent (.065) of the qualifying expenditures for increasing research activities conducted in Illinois, and that are allowable under IRC Section 41.

**Note** → You may only use credit that was earned for tax years ending on or after December 31, 2004. Any credit or credit carryforward that was earned prior to December 31, 2003 may not be used.

- **Economic Development for a Growing Economy (EDGE) Tax Credit** — A credit is available to taxpayers who have entered into an agreement with DCEO under the Economic Development for a Growing Economy Tax Credit Act. The credit is available to businesses located within Illinois or businesses planning to locate within Illinois, who are participating in an economic development project.
- **Employee Child Care Tax Credit** — For tax years ending on or after December 31, 2007, this credit is a two-part credit and is available to corporations who provide a child care facility, located in Illinois, for the children of its employees. The first part allows a credit of 30 percent (.30) of the “start-up costs” spent by you to provide a child care facility for the children of your employees. The second part allows a credit of 5 percent (.05) of the annual amount paid by you to provide a child care facility for your employees’ children. The 5 percent (.05) credit cannot be claimed if the Dependent Care Assistance Program Tax Credit is claimed.
- **Tax Credit for Affordable Housing Donations** — A credit of 50 percent (.50) of the amount of the donation a taxpayer makes under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in Illinois.
- **River Edge Redevelopment Zone Remediation Credit** — A credit for tax years ending on or after December 31, 2006, for unreimbursed eligible remediation costs incurred in a Site Remediation Program under the Environmental Protection Act in a river edge redevelopment zone. See Illinois Schedule 1299-D instructions or contact the Illinois Environmental Protection Agency for more information.
- **Ex-Felons Jobs Credit** — For tax years beginning after December 31, 2006, the Ex-Felons Jobs Credit is 5 percent (.05) of qualified wages paid during the taxable year to an employee who is a qualified ex-felon. The total credits for all years for wages paid to a particular ex-felon may not exceed \$600.

- **Veterans Jobs Credit** — For tax years beginning after December 31, 2006, the Veterans Jobs Credit is 5 percent (.05) of qualified wages paid during the taxable year to an employee who is a qualified veteran. The maximum allowable credit in any year is \$600.

## Step 8 — Figure your refund or balance due

**Note** → If you are a foreign insurer, complete Illinois Schedule INS before completing Step 8. If you are filing a combined unitary return and one or more members are foreign insurers, complete Illinois Schedule UB/INS before completing Step 8.

**Line 50** — Follow the instructions on the form. If you are a foreign insurer and you are entitled to a tax reduction, write the amount of reduced replacement tax from Illinois Schedule INS or Illinois Schedule UB/INS.

**Line 51** — Follow the instructions on the form. If you are a foreign insurer and you are entitled to a tax reduction, write the amount of reduced income tax from Illinois Schedule INS or Illinois Schedule UB/INS.

**Line 53** — Write the amount of any self-assessed underpayment of estimated tax penalty you figured on Form IL-2220, Computation of Penalties for Businesses, Step 4, Line 25.

If you annualized your income in Step 6 of Form IL-2220, be sure to mark the box in Step 1, Line K of this Form IL-1120. **Attach a completed Form IL-2220 to your Form IL-1120.**

**Note** → If you do not need to annualize your income and do not wish to complete Form IL-2220, we will compute any penalty or interest due and notify you.

**Line 55a** — Write the amount of any overpayment from your previous year’s tax return that you requested to be applied to this year’s tax return.

**Line 55b** — Write the total amount of estimated payments you made during this tax year.

**Line 55c** — Write the amount of Illinois Income and Replacement Tax paid with Form IL-505-B.

**Line 55d** — Write the amount of Illinois pass-through entity payments made on your behalf by partnerships, S corporations, or trusts, as reported to you on Schedule K-1-P or K-1-T. If you have more than one Schedule K-1-P or K-1-T, add the amounts of all the schedules and write the total on Line 55d. **Attach copies of the Schedules K-1-P and K-1-T you received from the pass-through entities to your Form IL-1120.**

**Lines 56 through 59** — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

**Note** → Your refund or credit carryforward may be reduced by us to satisfy any unpaid tax, penalty, and interest due for this year or any preceding year. If we reduce your credit carryforward, it may result in a penalty in the succeeding year for underpaid estimated tax.

**Line 60** — Follow the instructions on the form. This is your amount of tax due that must be paid in full if \$1 or more. Make your check or money order payable to “**Illinois Department of Revenue.**”

We will compute any penalty and interest due and notify you (see General Information, “What are the penalties and interest?”).

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

# 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 4.

- A Direct writing company** — an insurance company whose direct insurance premiums are 50 percent or more of its total insurance premiums.
- B Reinsurer** — an insurance company whose reinsurance premiums assumed are 50 percent or more of its total insurance premiums.
- C Total insurance premiums** — the sum of both direct insurance premiums and reinsurance premiums assumed without any reduction for reinsurance ceded.
- D Annual statement** — the annual statement required to be filed with the director of insurance of the state of Illinois.
- E Life insurance company** — an insurance company taxable under IRC Section 801, for the tax year.
- F Nonlife mutual and nonlife stock insurance companies** — an insurance company taxable under IRC Section 831, for the tax year.
- G Business income** — See Step 4 - General Instructions, "Business income" under Definitions.
- H 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 which is owned by a bank or bank holding company.
- I Revenue miles** — A revenue mile is the transportation of one passenger, or one net ton of freight, the distance of one mile. In the case of transportation by pipeline, a revenue mile is the transportation of one barrel of oil, 1,000 cubic feet of gas, or any specified quantity of any other substance, the distance of one mile.

## What if I am an insurance company?

If you checked the box in Step 1, Line F, indicating that you are an insurance company taxable under IRC Section 801 or 831, and your income is derived from inside and outside Illinois, you must apportion your business income as follows:

**Direct writing companies — Life insurance companies, nonlife mutual, and nonlife stock insurance companies** — On Lines 30 and 31, line out the word "sales" and write "Insurance premiums." On Line 30, write the amount of total direct premiums (gross direct premiums less return premiums) from the annual statement (relating to life insurance premiums, annuity considerations, and accident and health insurance premiums, including policy, membership, and other fees).

On Line 31, write the amount of direct premiums on property or risk located in Illinois from the annual statement.

Divide Line 31 by Line 30 and write the result, carried to six decimal places, on Line 32. Complete Lines 33 through 36 as indicated in Specific Instructions for Step 4 - Figure your income allocable to Illinois.

**Reinsurance – Life insurance companies, nonlife mutual, and nonlife stock insurance companies** – If more than 50 percent of your premiums are from reinsurance, include your reinsurance premiums from all sources on Line 30 and your reinsurance premiums from property or risk located in Illinois on Line 31, along with any direct premiums on those lines.

## What if I am a financial organization?

If you checked the box in Step 1, Line F, indicating that you are a financial organization and your income is derived from inside and outside Illinois, line out the word "sales" on Lines 30 and 31 and write "Financial organization."

On Line 30, write the amount gross receipts from all sources.

On Line 31, write 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 Line 30 or 31; 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 31 under the general instructions for Line 31.

Form more information see 86 Ill. Adm. Code Section 100.3405.

Divide Line 31 by Line 30 and write the result, carried to six decimal places, on Line 32. Complete Lines 33 through 36 as indicated in Specific Instructions for Step 4 — Figure your income allocable to Illinois. Financial organizations

## What if I am a transportation service?

If you checked the box in Step 1, Line F, indicating that you are a company that furnishes transportation service both inside and outside Illinois, line out the word "sales" on Lines 30 and 31 and write "Transportation." You must apportion business income as follows:

**A Transportation by airline** — On Line 30, write the amount of revenue miles everywhere. On Line 31, write the amount of revenue miles in Illinois. Divide Line 31 by Line 30 and write the result, carried to six decimal places, on Line 32.

**B Other modes of transportation** — On Line 30, write the amount of your gross receipts from providing transportation services. On Line 31, write 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 31 by Line 30 and write the result, carried to six decimal places, on Line 32.

**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, and write on Line 32 the average of those fractions, weighted by the gross receipts from freight or passenger transportation by airline or other modes, carried to six decimal places

For more information see 86 Ill. Adm. Code Section 100.3450.

Complete Lines 33 through 36 as indicated in Specific Instructions for Step 4 — Figure your income allocable to Illinois.

## What if I have two or more discrete businesses?

If you are a corporation engaged in the conduct of two or more discrete businesses, you are entitled to compute your Illinois tax liability by determining the income attributable to each of those businesses, and apportioning that income by application of a separate apportionment formula determined for each. You must attach the separate computations to Form IL-1120. However, you must report the aggregate as if the business were one taxable entity. For more information, see Illinois Income Tax Regulations, Section 100.3010(b).

## 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 Instructions for more information regarding your Illinois filing requirements and the computation of your Illinois tax liability.

## What if I want to use an alternative apportionment formula?

If the apportionment methods prescribed by IITA, Sections 304(a) through (e), and (h) do not fairly and accurately reflect your business activity in Illinois, 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 the IDOR **prior** to filing your return. Send your request to

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

**Note** → Your request for an alternative apportionment formula must follow the requirements 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 a copy of the letter granting permission.