



## What's new for 2009?

- **Fiscal year filers only:** The Replacement Tax Investment Credit scheduled to expire December 31, 2008, has been extended. If you are a fiscal year filer that had qualifying property placed in service on or after January 1, 2009, and you filed a fiscal 2009 tax return but did not claim the credit on Form IL-477, you may file an amended tax return and a complete Form IL-477 in order to claim the credit.
- For **tax years beginning on or after July 30, 2009**, the Research and Development credit has expired and is no longer allowable.
- For **tax years ending on or after December 31, 2009**, the Form IL-1041, Schedule CR, Credit for Tax Paid to Other States, has been redesigned to reflect changes to Illinois tax law.
- For **tax years ending on or after December 31, 2009**, and on or before December 30, 2020, the Student-Assistance Contribution Credit allows a credit for employers who make matching contributions to Illinois pre-paid tuition programs. The credit is limited to \$500 per qualifying employee, cannot reduce tax to less than zero, and may be carried forward five years.
- For **tax years beginning on or after January 1, 2010**, the Veterans Jobs Credit has been increased to the lesser of 10 percent of wages or \$1200 per qualifying employee.
- For **tax years ending on or after December 31, 2008**, Illinois has published regulations for calculating discharge of indebtedness loss reductions. See Specific Instructions for more information.
- 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 law regarding related-party expenses has changed.

## General Information

### Who must file Form IL-1041-X?

You should file Form IL-1041-X if you are amending a previously filed, processable Form IL-1041, Illinois Fiduciary Income and Replacement Tax Return, for a tax year ending **on or after December 31, 2007**. Your change can occur from a state or federal change that affects items used to compute your Illinois net income, net loss, or credit, such as

- an amendment of your federal income tax return,
- an adjustment made by the Internal Revenue Service (IRS), or
- any other recomputation or redetermination.

A separate amended return must be filed for each tax year you need to amend.

**Note** Use Form IL-843, Amended Return or Notice of Change in Income, and the corresponding year's Form IL-1041, to amend tax years ending **prior to December 31, 2007**.

### What if I need to correct my return before the extended due date expires?

If you filed your original Form IL-1041 and a state or federal correction or change needs to be made before the extended due date expires (see the instructions of your original return), you should file Form IL-1041-X, and write "CORRECTED" at the top. Due to the automatic extension, any corrected return filed after the original return and prior to the extended due date will be treated as the original return, rather than an amended return.

If you are filing a "corrected return" to change the election on your original return to treat all income other than compensation as business income, mark the box in Step 1, Line G and provide a written explanation indicating the change to your election in Step 2 of Form IL-1041-X.

### How long do I have to amend my return?

The amount of time you have to amend your return depends on whether your Form IL-1041-X is being filed to report a state or federal change.

**State change** - If your change creates or increases the Illinois net loss for the year, you must file Form IL-1041-X showing the increase in order to carry the increased loss amount to another year.

If your change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1041-X within

- three years after the due date of the return (including extensions),
- three years after the date your original return was filed, or
- one year after the date your Illinois tax was paid, whichever is latest.

If your change increases the tax due to Illinois, you should file Form IL-1041-X and pay the tax, penalty, and interest promptly.

**Federal change** - You should not file this form until you receive a federal finalization notification from the IRS, stating that they have accepted your change, either by paying a refund, or by final assessment, agreement, or judgment.

If your federal change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1041-X within two years plus 120 days of federal finalization.

If your federal change increases the tax due to Illinois, you must file Form IL-1041-X and pay any additional tax within 120 days of IRS partial agreement or finalization. In order to avoid late payment penalties, you must attach proof of the federal finalization date, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.

**Note** If you fail to notify us of your change by filing Form IL-1041-X, we may issue a notice of deficiency at any time. Once you file your change, we may issue a notice of deficiency within two years.

## What if my amended return involves 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 base income allocable to Illinois.

To determine your "Illinois net loss" start with your total unmodified base income and apply all addition and subtraction modifications, and all allocation and apportionment provisions.

If you are carrying an Illinois NLD, you must complete and attach Illinois Schedule NLD, Illinois Net Loss Deduction, and claim the deduction on Step 5, Line 28. See Specific Instructions for Step 5, Line 31.

Do not file Form IL-1041-X to report an Illinois NLD carryforward until **after** you have filed the loss year Form IL-1041 or Form IL-1041-X, or Form IL-843 (for tax years ending prior to December 31, 2007) reporting the loss. When you file Form IL-1041-X, you must attach a completed Illinois Schedule NLD. **Failure to attach the correct and completed schedule could result in partial or total denial of your claim.**

If you need more information visit our web site at [tax.illinois.gov](http://tax.illinois.gov) and view the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330.

## Who should sign the return?

Your Form IL-1041-X must be signed by the fiduciary of the trust or estate. If there are two or more joint fiduciaries, the signature of one will comply with the requirements of the IITA. In the case of bankruptcy, a receiver, trustee, or assignee must sign any return required to be filed on behalf of the trust or estate. The signature verifies by written declaration (and under penalties of perjury) that the signing fiduciary has personally examined the return and the return is true, correct, and complete. The fact that a fiduciary's name is signed to a return is *prima facie* evidence that the fiduciary is authorized to sign the return on behalf of the trust or estate.

Any person paid to prepare the return (other than a fiduciary of the trust or estate, or a regular, full-time 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.

## Can a reasonable facsimile be used?

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, delay the processing of 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.

**Trusts and Estates must complete Form IL-1041-X.** 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.

## 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** — The interest rate is the "short-term federal rate" for the first year that the overpayment or underpayment accrues interest. This rate is set by the IRS under IRC Section 6621. After one year, interest will accrue on any remaining balance at the underpayment rate, which is also set by the IRS under IRC Section 6621, and is three percent higher than the short-term federal rate.

**Note** → 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 must I attach to my Form IL-1041-X?

This form must contain a complete explanation of the reasons for filing the claim or amendment. You **must** attach any required schedules or forms to support your claim. If Form IL-1041-X is submitted without the proper attachments it may be partially or totally denied.

If you are filing Form IL-1041-X because

- you filed an amended federal return and your tax due to Illinois decreases, you must include a copy of that return, plus any other related forms, schedules, or attachments, including a signed and dated copy of any federal report of income tax examination changes, if applicable.
- you filed an amended federal return and your tax due to Illinois increases, you must attach proof of the federal finalization date, including a signed and dated copy of any federal report of income tax examination changes, if applicable, showing the change was reported to Illinois within 120 days of IRS acceptance, or you may be assessed a late-payment penalty.
- of a change by the IRS, you must include all copies of the federal examining officer's reports, including preliminary, revised, corrected, and superseding reports, and a signed and dated copy of any federal report of income tax examination changes, if applicable.
- you copied information incorrectly from your federal Form 1041 onto your Form IL-1041, you must include a copy of your federal Form 1041.
- of a change in, or audit of, another state's tax return, you must include a copy of the other state's corrected return or the examining officer's reports.
- of changes, other than those described above, see Form IL-1041 Instructions and any schedules for the year you are changing to determine what attachments you must provide.

## 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

Write the tax year you are amending in the space provided at the top of Form IL-1041-X.

### Step 1: Provide the following business information

**A** — Indicate if you are a trust or an estate by checking the appropriate box.

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

**C** — If you are not an Illinois resident, you must check the box on Line C and attach a completed Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, to this return.

**D** — Indicate if you are an Electing Small Business Trust (EBST) or an individual bankruptcy estate by checking the appropriate box.

**Note** → For individual bankruptcy estates, you should complete Form IL-1040-X, Amended Individual Income Tax Return, and carry the tax amount to Step 7 of Form IL-1041-X and mark the individual bankruptcy estate box. On the top of Form IL-1040-X, write "Individual Bankruptcy Estate. Do not detach." Attach Form IL-1040-X to the back of Form IL-1041-X.

**E** — Write your federal employer identification number (FEIN).

**F** — Check the appropriate box for the reason you are filing this return. If you are amending due to a federal change, you must check the appropriate box for partial agreed or finalized, and include the date of IRS finalization, not the date the federal change was filed. Please attach a dated copy of the federal examining officer's report. If you do not provide this date, you may be assessed penalties and interest.

**G** — If you are filing a "corrected" return and wish to make the election to treat all income, other than compensation, as business income, check this box. If you previously had nonbusiness income on Illinois Schedule NR (Form IL-1041), you must attach a "corrected" Illinois Schedule NR (Form IL-1041) reflecting this election on the appropriate lines of this schedule. This election must be made by the extended due date of the original tax return. Once made, the election is irrevocable. If you are filing Form IL-1041-X and Illinois Schedule NR (Form IL-1041) after the extended due date of the original return and did not make the election on your original or corrected Illinois Schedule NR (Form IL-1041), you cannot check this box.

**H** — Check the box if you are filing this form only to report an increased net loss and no refund will result. Complete Steps 2 through 4, and Illinois Schedule NR (Form IL-1041), if applicable, and Step 5, Line 27. Sign the return in Step 9 and leave the rest of the form blank.

**I** — If you are entitled to take income tax credits on Step 7, Line 42, you must check the box on Line I, and attach Illinois Schedule 1299-D, Income Tax Credits. If you have earned credits this tax year, but are IL-1041-X Instructions (R-12/09)

unable to use them, you must still complete and submit Illinois Schedule 1299-D and show the credits you have earned.

**J** — If you received income from a partnership, an S corporation, or another trust or estate, you must check the box on Line J, and attach Illinois Schedule I, Income Received, to this return.

**K** — If you completed federal Form 8886 to report a tax shelter, and you did not attach a copy to your original return, check the box and attach a copy of the federal Form 8886 to this return. If you are filing this return because of changes associated with federal Form 8886, provide a detailed explanation in Step 2.

**L** — Check the box if you must adjust your income or loss due to Discharge of Indebtedness. For more information, see the Form IL-1041 Instructions for Line 29 and the Discharge of Indebtedness worksheet.

### Step 2: Explain the changes on this return

The purpose of Step 2 is to allow you to explain what specific changes you are making to your Illinois tax return. You should include all relevant information, including, but not limited to, changes made to

- specific addition and subtraction modifications,
- the business income election,
- credit or credit recapture amounts,
- the Illinois net operating loss deduction, and
- the federal or other state return that caused changes to the Illinois return.

You must provide an explanation for each line item you change.

### General Information for Steps 3 through 9

**Column A** — Write the amounts from your most recently filed return or as most recently adjusted for the year that you are amending. This may be your original Form IL-1041 or as previously amended.

**Column B** — Write the correct amount for each line in Column B.

For each line item you change, you must provide an explanation for that change in Step 2.

For instructions regarding completion of Steps 3 through 7, refer to the Form IL-1041 instructions and schedules for the year being amended.

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

**Note** → If you are filing this form only to report an increase in your Illinois net loss and the change will not result in a refund, see the instructions for Step 5, Line 31.

### Step 3: Figure your income or loss

**Lines 1 through 11** — Refer to your Form IL-1041, Step 2, Specific Instructions, for the year being amended.

**Note** Do not apply your Illinois net loss deduction amount from Illinois Schedule NLD in this step. NLDs are reported on Step 5, Line 28.

#### Step 4: Figure your Illinois base income or net loss

**Lines 13 through 25** — List each item and the amount on the line provided. You must identify all subtractions and attach all of the required supporting documentation.

**Line 27** — This is your base income or net loss. If you are a resident of Illinois write this amount on Step 5, Line 28, and complete the rest of the return. If you are a nonresident of Illinois complete a revised Illinois Schedule NR (Form IL-1041), before completing Step 5. Complete a revised Illinois Schedule NR (Form IL-1041) only if you completed this schedule with your original return. **You must attach a completed Illinois Schedule NR (Form IL-1041) to your return.**

**Note** If you elected to treat all of your income other than compensation as business income on your original or corrected Illinois Schedule NR (Form IL-1041), you must follow that election on your revised Illinois Schedule NR (Form IL-1041). If you are filing a “corrected” return and are making the election to treat all nonbusiness income as business income, you must complete a “corrected” Illinois Schedule NR (Form IL-1041). See Illinois Schedule NR (Form IL-1041), Specific Instructions, for the year being amended.

#### Step 5: Figure your net income

**Line 28** — Follow the instructions on the form. If the corrected amount in Column B reflects a loss, you may be able to carry this loss to other years as an Illinois NLD. See the instructions for Illinois Schedule NLD for more information.

**Note** If you are filing this form only to report an increase in your Illinois net loss and the change will not result in a refund, check the box in Step 1, Line H, complete Steps 3 and 4, Illinois Schedule NR, if applicable, and Step 5, Lines 28 through 30. Complete Step 2, explaining what caused the increase in the Illinois net loss and sign the return in Step 9. Leave the rest of the form blank.

**Line 29** — If for federal income tax purposes you were required to reduce a federal net operating loss reported on your federal Form 1041 because you excluded from federal gross income discharge of indebtedness income, then you may be required to reduce the net loss reported on Line 28. Use the Loss Reduction Worksheet on Page 9 to figure your loss reduction. Also, attach to Form IL-1041 a copy of your federal Form 982 Reduction of Tax Attributes Due to Discharge of Indebtedness. For additional information, see department regulations Section 100.2310(c).

**Note** If you also have Illinois net operating loss carryovers to the tax year of the debt cancellation, you may also be required to reduce these carryovers. See Schedule NLD for more information.

**Line 30** — If you have a discharge of indebtedness adjustment on Line 29, add Lines 28 (a negative number) and 29 (a positive number), and write the result here. This amount cannot be greater than zero.

If you do not have a discharge of indebtedness adjustment, write zero on Line 29 and the amount from Line 28 on Line 30.

**Line 31** — Write your Illinois NLD carryforward amount from an Illinois net loss year ending on or after December 31, 1986. This amount is from your loss year return, Form IL-1041 or any previously filed amended return, reduced by any Illinois net loss applied to an earlier year.

**You must attach a completed Illinois Schedule NLD, Illinois Net Loss Deduction, to support the amount of Illinois NLD claimed.**

#### Step 6: Figure your net replacement tax - For trusts only, estates go to Step 7

Follow the instructions on the form. Be sure to attach any required schedules or forms.

**Line 36** — See Illinois Schedule 4255 for more information regarding the recapture of investment credits. You must attach Illinois Schedule 4255 if you have an amount on this line.

**Line 38** — See Form IL-477 for more information regarding investment tax credits. You must attach Form IL-477 if you have an amount on this line.

#### Step 7: Figure your net income tax

Follow the instructions on the form. Be sure to attach any required schedules.

**Line 42** — See Illinois Schedule 4255 for more information regarding the recapture of investment credits. You must attach Illinois Schedule 4255 if you have an amount on this line.

**Line 44** — See Illinois Schedule CR (Form IL-1041), for more information regarding the credit for income tax paid to another state while an Illinois resident. You must attach Illinois Schedule CR (Form IL-1041) and other states' returns if you have an amount on this line.

**Line 45** — See Illinois Schedule 1299-D for more information regarding income tax credits. If you have an amount on this line, attach Illinois Schedule 1299-D and check the box in Step 1, Line I.

#### Step 8: Figure your refund or balance due

**Note** If you are filing this form only to report an increase in your Illinois net loss and a refund will not result, do not complete this part.

**Line 54** — Write the total amount of any subsequent tax payments you made with a previously filed Form IL-1041-X, or for any other reason (e.g., responding to a bill). Do not include any penalty and interest you previously paid.

**Line 56** — Write the total amount of any overpayment, credit, or refund (whether received or not) reported on your previously filed Form IL-1041 or Form IL-1041-X. Do not include any interest that you received.

**Line 58** — Follow the instructions on the form. We will calculate any interest that may be due you and include it in your refund check. Any refund may be reduced to satisfy any outstanding liability.

**Note** Overpayments from Form IL-1041-X cannot be credited to next year's return, unless this is a “corrected” return filed before the extended due date of the original return.

Also, we are not required to credit your overpayment against any other liability at your request. If you have not made previous arrangements with us to credit your overpayment against another liability, and we refund your overpayment or credit it against a different liability, you may incur additional penalties and interest on your liability.

**Line 59** — 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 or interest due and notify you.

**Note** We will apply all payments against tax first, penalty second, and interest third.

**Lines 60 through 62** — We will bill you for penalties and interest. If you prefer, you may calculate the penalties and interest you owe on Form IL-2220, Computation of Penalties for Businesses, and write these amounts on the lines provided. For more information see “What are the penalties and interest?” and Publication 103, Penalties and Interest for Illinois Taxes. **If you calculate penalty and interest, be sure that your payment is equal to the amount on Line 62.**

**Note** Lines 60 and 61 are applicable only if you wish to self-assess late-filing and late-payment penalties on Form IL-2220. If you do not wish to complete Form IL-2220, we will compute any penalty or interest due and notify you.

If you have a balance due on Lines 59 or 62, be sure to **write the amount you are paying on the top of Page 1 of the Form IL-1041-X.**

