



# IL-1120-X Instructions

## What is new?

- The Internal Revenue Code (IRC), Section 172, has been amended. Due to this amendment, Illinois net losses in tax years beginning after August 5, 1997, must be carried back 2 years, then forward 20 years. See General Information, "What if my amended return involves an Illinois net loss deduction (NLD)?"
- For returns due on or after January 1, 1998, the late payment penalty will increase from 15 percent to 20 percent. This penalty is provided for in the Uniform Penalty and Interest Act. See "Penalties and Interest" in these instructions for more information.

## General Information

### When should I file Form IL-1120-X?

You should file Form IL-1120-X if you are amending a previously filed, processable Form IL-1120, Illinois Corporation Income and Replacement Tax Return, or Form IL-1120-X, for a tax year ending **on or after** December 31, 1986. Your change can occur from a state or federal change, 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, and

your change affects items used to compute your Illinois net income, net loss, or credits.

A separate Form IL-1120-X must be filed for each tax year you need to amend.

**Note:** Use Form IL-1120X-PY, Amended Corporation Income and Replacement Tax Return, to amend tax years ending **prior** to December 31, 1986.

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

If you filed your original Form IL-1120 and a state or federal, correction or change needs to be made before the automatic extension due date has expired, you should file Form IL-1120-X, and write "CORRECTED" at the top. Due to the automatic extension, any additional return filed after the original return and prior to the extended due date will be considered a "corrected return" rather than an amended return.

### 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-1120-X is being filed to report a state or federal change.

**State change** — If your change decreases the tax due to Illinois and you are entitled to a refund, you must file Form IL-1120-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.

**Note:** If you are reporting an Illinois net loss deduction (NLD) carryback, Form IL-1120-X must be filed within three years of the extended due date for the loss year return.

If your change increases the tax due to Illinois, you should file Form IL-1120-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 refund, 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-1120-X within two years of federal finalization.

If your federal change increases the tax due to Illinois, you must file Form IL-1120-X and pay any additional tax within 120 days of IRS partial agreement or finalization, or you will be assessed a late payment penalty.

**Note:** If you fail to notify us of your change by filing Form IL-1120-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 unitary filing?

**For tax years ending on or after December 31, 1993, you must file combined unitary.**

- If you are amending your original
- unitary Form IL-1120 to report a state or federal change to your unitary income, you must file one combined Form IL-1120-X for all members and a revised Schedule UB.

- nonunitary Form IL-1120, you must file one Form IL-1120-X and include all members of the unitary group and attach a completed Schedule UB that includes all eligible members.

### For tax years ending prior to December 31, 1993 - Separate unitary

If you are amending your original unitary or nonunitary Form IL-1120 to report a state or federal change to your unitary income, you must file a separate Form IL-1120-X for **each** Illinois member of the unitary group. Attach a completed Schedule UB, or indicate in the space provided on Page 1 of this form, the FEIN of the member who is including the Schedule UB with Form IL-1120-X. You **cannot** file a combined unitary Form IL-1120-X.

### Combined unitary

- If you are amending your original
- unitary Form IL-1120 to report a state or federal change to your unitary income, you must file one combined Form IL-1120-X for all members and a revised Schedule UB.
  - nonunitary Form IL-1120 to be included in an existing unitary group, you must file Form IL-1120-X as if you were filing a separate unitary return and the unitary group must file one combined Form IL-1120-X and attach a revised Schedule UB that includes you as a member.

### What if my amended return involves an Illinois net loss deduction (NLD)?

If you have an Illinois NLD carryback or carryforward 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 federal taxable income, without regard to any federal NOLD, and apply all addition and subtraction modifications, and all allocation and apportionment provisions. This Illinois net loss is allowed as a carryback or carryforward deduction in the manner allowed under IRC, Section 172, including, for example, the conditions and limitations of IRC, Sections 381 and 382. **Effective for losses in tax years beginning after August 5, 1997**, IRC, Section 172, has been amended to allow federal NOLs to be carried back 2 years, then forward 20 years.

Illinois net losses in tax years **beginning on or before August 5, 1997**, must be carried back 3 years, then forward 15 years. Illinois net losses in tax years **beginning after August 5, 1997**, must be carried back 2 years, then forward 20 years. However, **for tax years ending on or after December 31, 1996**, you may make the election to forgo the Illinois NLD carryback period. This election should have been made on your timely filed original Form IL-1120. However, if your previously filed Form IL-1120 was timely filed and showed income on Part IV, Line 1, and you are filing Form IL-1120-X to report

- a finalized federal change that eliminates your Illinois income and creates an Illinois net loss for the year, you may make the election to forgo the carryback period by checking the box below Part IV, Line 1. This election must be made within 120 days of IRS partial agreement or finalization.
- an Illinois audit or other Illinois change that eliminates Illinois income and creates an Illinois net loss for the year, you may make the election to forgo the carryback period by checking the box below Part IV, Line 1. This election must be made at the time the loss is first reported.

If you are carrying an Illinois NLD, you must complete and attach Illinois Schedule NLD, Illinois Net Loss Deduction, and claim the deduction on Part IV, Line 2. See Part IV - specific instructions for Line 2.

If you are a member of a unitary business group and you are carrying an Illinois NLD you must complete and attach Illinois Schedule UB/NLD to support the amount of Illinois NLD claimed. Additionally, you must attach a copy of the loss year(s) Schedule UB, Part IV. If Part IV does not report each member's average apportionment factor, you must also attach a separate worksheet providing this information. Refer to the current Schedule UB for an example of the required formatting.

Do not file Form IL-1120-X to report an Illinois NLD until **after** you have filed the loss year Form IL-1120. When you file Form IL-1120-X, you must attach a completed Illinois Schedule NLD or UB/NLD. **Failure to attach the completed schedule could result in partial or total denial of your claim.**

If you need further information, write to Illinois Department of Revenue, Legal Services Office, 101 West Jefferson Street, Springfield, IL 62702, and request a copy of the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330.

## What must I attach to my Form IL-1120-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 (or reasonable facsimiles) to support your claim. If Form IL-1120-X is submitted without the proper attachments it may be partially or totally denied.

If you are filing Form IL-1120-X because

- you filed a federal Form 1120X or federal Form 1139, you must include a copy of that form, plus any other related forms, schedules, or attachments.
- 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.
- you copied information incorrectly from your federal Form 1120 onto your Form IL-1120, you must include a copy of your federal Form 1120.
- 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 an Illinois net loss carryback, you must include an Illinois Schedule NLD or UB/NLD. See Specific Instructions for Part IV, Line 2.
- of changes other than those described above, refer to instructions for Form IL-1120 and any schedules for the year you are changing to determine what attachments you must provide.

## What if my claim is denied?

If we deny your claim by a written notice of denial, you may file a written protest within 60 days and request a hearing. If we fail to approve or deny your claim within six months of the date it was filed, you may file a written protest at any time and request a hearing.

## What if I need additional assistance?

If you have any questions about this form, you may call us at 1 800 732-8866, 217 782-3336, or the TDD-telecommunications device for the deaf 1 800 544-5304. Our office hours are 8 a.m. to 5 p.m. If you prefer, you may write to us at P.O. Box 19044, Springfield, IL 62794-9044.

If you need additional forms or schedules to complete your Form IL-1120-X, you may call our Forms Order Line at 1 800 356-6302; call our Illinois Tax Fax at 217 785-3400; or visit our Web site at <www.revenue.state.il.us>. If you prefer, you may write to us at P.O. Box 19010, Springfield, IL 62794-9010.

## Specific Instructions

Check the appropriate box and write the tax year you are amending in the space provided at the top of Form IL-1120-X.

Print or type your name, current address, and FEIN. Check the box if your name, address, or FEIN is different from your original return.

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. If you do not provide this date, you may be assessed penalties and interest incorrectly.

If applicable, complete the unitary information. Be sure to provide the FEIN of the member filing Schedule UB.

**Column A** — Write the amounts from your most recently filed return for the year that you are amending. This may be your original Form IL-1120 or as amended.

**Column B** — Write the amount of change (positive or negative) to the amount in Column A for the specific lines you are amending.

For each amount in Column B, an explanation should be provided in Part V. Your explanation may refer to either the net change in Column B or the corrected amount in Column C.

**Column C** — If no amount is written in Column B, write the amount from Column A. If a positive amount (increase) is written in Column B, add that amount to Column A and write the result. If a negative amount (decrease) is written in Column B, subtract that amount from Column A and write the result.

## Part I – Base income (loss) and modifications

For instructions regarding completion of Part I, refer to the Form IL-1120 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.

**Line 1** — Refer to your Form IL-1120, Part I, Line 1, specific instructions, for the year being amended.

**Note:** Do not apply your Schedule NLD amount on this line. NLDs are reported on Part IV, Line 2.

## Additions

**Lines 2a through 2c** — If the specific addition lines do not apply to your entry, write the amount on Line 2c, "Other additions." List each item and the amount on the line provided. Complete Part V if this is a change to your previously filed return.

## Subtractions

**Lines 5a and 5b** — If the specific subtraction lines do not apply to your entry, write the amount on Line 5b, "Other subtractions." List each item and the amount on the line provided. Complete Part V if this is a change to your previously filed return. You must identify all subtractions and attach all of the required supporting documentation.

**Line 5c** — Refer to Form IL-1120, Part I, Line 5g, specific instructions for the year being amended. You must attach Schedule NL-5g or UB/NL-5g.

**Line 7** — This is your base income (loss). If your base income (loss) is derived solely inside Illinois, write this amount on Part IV, Line 1. Complete Part IV before returning to Part I, Line 8. If your base income (loss) is derived inside and outside Illinois, write this amount on Part III, Line 1. Complete Part III and Part IV before returning to Part I, Line 8.

## Income tax and credits

**Line 9a** — Multiply Line 8 by the applicable tax rate. Refer to Form IL-1120 instructions for the year being amended.

**Line 11b** — Write this year's credit for replacement tax paid. If the amount of your replacement tax is being reduced on this Form IL-1120-X, your credit for replacement tax paid must be reduced accordingly. Refer to Form IL-1120 instructions for the year being amended to correctly figure your credit.

**Note:** If any portion of your original credit was carried forward to a succeeding tax year, you must also file Form IL-1120-X for that year to reduce the amount of credit carryforward you claimed.

**Line 11c** — Write the amount of excess credit for replacement tax paid that is being carried forward from a preceding tax year.

## Part II — Income and replacement tax change

Complete Parts III and IV before completing Part II.

**Line 3** — Write the total of all subsequent tax payments you made with a previously filed Form IL-1120-X, or for any other reason (e.g., responding to a bill).

Do not include any penalty and interest you previously paid.

**Line 5** — Write the total amount of any overpayment, credit or refund (whether received or not) reported on your previously filed Form IL-1120, or Form IL-1120-X. Do not include interest that you received.

**Lines 6 through 8** — 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-1120-X cannot be credited to estimated tax.

**Line 9** — 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 10 and 11** — We will bill you for penalties and interest. If you prefer, you may calculate the penalties and interest you owe and write these amounts on the lines provided. See "Penalties and Interest" below.

## Part III — Base income (loss) allocable to Illinois

Complete Part III only if you originally completed this part, or you need to make a change that affects your base income (loss) allocable to Illinois. Refer to Form IL-1120, Part III, Specific Instructions, for the year being amended.

## Part IV — Net income and replacement tax

**Line 1** — Follow the instructions on the form. If the amount in Column A reflects income and the corrected amount in Column C reflects a loss, you may carry this loss to other years as an Illinois NLD.

You may make an election to forgo the Illinois NLD carryback period by checking the box below Line 1. If Column A reflects a loss, the election to forgo the carryback period must have been made on your timely filed original Form IL-1120. Once made, this election is irrevocable. (See General Information, "What if my amended return involves an Illinois net loss deduction (NLD)?" )

**Line 2** — Write your Illinois NLD carryback or carryforward amount from an Illinois net loss year ending on or after December 31, 1986. This amount is from

your loss year Form IL-1120, Part IV, Line 1, reduced by any Illinois net loss applied to another year.

**You must attach an Illinois Schedule NLD or UB/NLD to support the amount of Illinois NLD claimed.**

## Penalties and Interest

The following penalties must be paid unless you can show that your failure to file and pay was due to reasonable cause and not willful neglect.

**Note:** Changes resulting from a net operating loss (NOL) carryback will not eliminate the following penalties.

## Late filing or nonfiling penalty

For returns due **on or after January 1, 1996**, you owe this penalty if you failed to file a processable original return by the due date, including any extended due date. This penalty is the lesser of \$250 or 2 percent of the tax required to be shown due on your return, without regard to any payments and credits. You will be penalized even if your return is fully paid or shows an overpayment. This penalty is recomputed if your tax liability decreases or increases.

An additional penalty will be assessed if you do not file a processable return within 30 days of the date we originally notify you that your return is unprocessable. This additional penalty is equal to the greater of \$250 or 2 percent of the tax shown due on your return, determined without regard to any payments and credits, and may be assessed up to a maximum of \$5,000. This additional penalty will not be recomputed based on the amended figures.

For returns due **on or after January 1, 1994 through December 31, 1995**, you owe this penalty if you failed to file a processable original return by the due date, including any extended due date. This penalty is 5 percent of the tax required to be shown due on your return, less credits. Estimated payments, prior overpayments, and other payments cannot be applied to reduce the amount subject to the penalty. You will be penalized even if your return is fully paid or shows an overpayment. This penalty is recomputed if your tax liability decreases or increases.

For returns due **prior to January 1, 1994**, you owe this penalty if you failed to file an original return by the prescribed due date, including any extended due date. This penalty is 7.5 percent per month or fraction of a month on any unpaid tax remaining after the due date. This penalty may be assessed up to a maximum of 37.5 percent. This penalty is recomputed if your tax liability decreases or increases, or



if your original return was filed late and no penalty was assessed because you had an overpayment and you are now reporting an increase in tax.

## Late payment penalty

**Late payment penalty for underpayment of estimated tax** — For returns due **on or after January 1, 1994**, you owe this penalty if you were required to make estimated tax payments and failed to do so, or failed to pay the required amount by the payment due date. This penalty is figured separately for each quarter. Therefore, you may still owe this penalty even if you paid enough tax later to make up the underpayment from a previous quarter. You may use Form IL-2220 to calculate this penalty.

### Penalty percentage rates

- Returns due **on or after January 1, 1998**: the penalty rate is 20 percent.
- Returns due **January 1, 1994, through December 31, 1997**: the penalty rate is 15 percent.

This penalty is calculated on the amount of required estimated tax due for each quarter, minus any timely payments and credits.

If you file Form IL-1120-X within the extended due date period, the penalty will be recalculated using the tax amount on your latest filed return. If you file Form IL-1120-X after the automatic extension period, your original penalty will not change.

**Late payment penalty for unpaid tax** — For returns due **on or after January 1, 1994**, you owe this penalty if you failed to pay the tax you owed by the **original** due date of your return, even if you had an extension of time to file.

### Penalty percentage rates

- Returns due **on or after January 1, 1998**: the penalty rate is 20 percent.
- Returns due **January 1, 1994, through December 31, 1997**: the penalty rate is 15 percent.

This penalty is calculated on the amount required to be shown due on your return, minus timely payments and credits, and minus the tax used in calculating the underpayment of estimated tax penalty.

**Note:** If you are reporting a federal change, this penalty will not be assessed if you file Form IL-1120-X and pay the tax you owe within 120 days of the federal finalization date.

For returns due **prior to January 1, 1994**, you owe this penalty if you failed to pay the

tax you owed by the **original** due date of your return, even if you had an extension of time to file. The penalty is 6 percent per year on the amount of unpaid tax remaining after the original due date and will accrue until the tax is paid. This penalty does not apply to tax years ending before January 1, 1986.

## Penalty for underpayment of estimated tax

For returns due **prior to January 1, 1994**, you owed this penalty if you failed to pay the required amount of estimated payments on time. This penalty is 24 percent per year of the unpaid amount for the period of the underpayment. If you file Form IL-1120-X for these tax years, your original penalty will not change.

## Interest

For returns due **on or after January 1, 1994**, interest is calculated on tax and penalties from the day after the original due date of your return through the date you pay the tax and penalties. Interest is simple interest figured using a daily rate. We review the rate twice each year - on January 1 and July 1 - and adjust the rate as necessary in accordance with the underpayment rate established in Section 6621 of the IRC.

If your original return resulted in an overpayment and you are now increasing your tax, interest will be assessed on

- the refund amount - from the date the refund was issued, or
- the amount credited to a subsequent year - from the first quarter estimated payment due date of that year.

We will bill you for interest due. However, if you want to calculate your interest, contact us for the interest rates that were in effect at that time.

For returns due **July 1, 1986, through December 31, 1993**, the interest rate is 9 percent per year. For returns due prior to July 1, 1986, contact us and we will provide you with the rates that were in effect at that time. Interest is calculated on tax from the day after the original due date of the return through the date you pay the tax. Interest is calculated on penalty from the date of notification of the penalty until you pay the penalty.

We pay interest on overpayments and charge interest on underpayments at the same rate.

It is to your advantage to pay the tax you owe as soon as possible, rather than waiting for a notice and demand for

payment, since interest begins to accrue from the day after the due date of the original return.

**Note:** For more information refer to Publication 103, Uniform Penalties and Interest. To receive a copy of this publication, see "What if I need additional assistance?" for our phone numbers and addresses.

## Who should sign the return?

Your Form IL-1120-X must be signed by the president, vice president, treasurer, or any other officer duly authorized to sign the return. If you paid someone to prepare your return, that individual must also provide a handwritten signature, date the return, and provide his or her tax identification number. If the preparer is an employee or partner of a firm or corporation, he or she must also provide the firm's name, address, and instead of the preparer's taxpayer identification number he or she must provide the firm's FEIN. A self-employed preparer must check the "self-employed" box and provide his or her name, address, and taxpayer identification number in the appropriate spaces.

**Be sure to attach all required copies of forms, schedules, and any powers of attorney.**

