Illinois Department of Revenue

IL-1120 Instructions 1998

What's new for 1998

- Effective for tax years ending on or after December 31, 1998, the three-factor apportionment formula (property, payroll, and sales) changes. The weighting given to the sales factor increases during the next three years, ending with a single sales factor in the third year. See Part III — Base income (loss) allocable to Illinois.
- Effective for tax years ending on or after December 31, 1998, we have created two new schedules. A new Schedule K-1-T, Beneficiary's Share of Income and Deductions, and a new Schedule K-1-P, Partner's and Shareholder's Share of Income, Deductions, Credits, and Recapture. See "What are Schedules K-1-T and K-1-P?" in the General Information.
- Effective for tax years ending on or after January 1, 1998, an Environmental Remediation Tax Credit is available for certain amounts paid for unreimbursed eligible remediation costs. You may claim the credit for eligible remediation costs deducted from your taxable income on your federal return. However, you must add those costs (including costs deducted in prior years for which you are claiming the credit this year) back on your Illinois return to include them in your base income. See Part I — Computation of base income (loss), Line 2c, and Schedule 1299-D, Income Tax Credits, for more information.

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

It is your duty as a taxpayer to obtain forms and failure to obtain them 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, you should refer to Schedule UB, Combined Apportionment for Unitary Business Group, and its instructions for information about filing requirements. Even though all Illinois members receive a booklet, the designated agent is the only one filing the return.

Political organizations and homeowners' associations — If you are a corporation that falls under the definition in IRC, Sections 527 and 528, and 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 tax and must file Form IL-1120. If you are a **Cooperative,** write "cooperative" at the top of Form IL-1120.

Limited liability companies — If you are an entity formed under the Illinois Limited Liability Company Act 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 property, payroll, and 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, you should refer to 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 non-exempt foreign trade income, investment income, and carrying charges (taxable for federal purposes) are apportionable or allocable to Illinois.

Note: Corporate shareholders deriving 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, Sections 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, Illinois Exempt Organization Income and Replacement Tax Return. For further information, refer to 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, Illinois 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 further information, refer to Form IL-1120-ST instructions.

How do I register my business?

If you are required to file Form IL-1120, you must register by filing Form NUC-1, Illinois Business Registration. To receive Form NUC-1, see "What if I need additional assistance?" for our phone numbers and addresses.

Registering with the Illinois Department of Revenue (IDOR), **prior to filing your return** will ensure that your tax returns are accurately processed and that you will receive the appropriate forms.

Your identification as an Illinois business taxpayer will be your federal employer identification number (FEIN).

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. If the **original** due date of your federal return is later than the 15th day of the 3rd month, your Illinois due date will be the same as your federal due date.

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 you owe 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). A copy of the approved federal extension must be attached to your Form IL-1120 when it is filed.

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 further information regarding 1999 estimated taxes, refer to 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. If you are a unitary business group filing an Illinois combined return, the designated agent should sign the return. If you are filing as a Limited Liability Company, an authorized manager or member should sign the return. The signature verifies by written declaration (and under penalties of perjury) that the signing officer has personally examined the return and the return is true, correct, and complete. An individual's name signed to a return is *prima facie* evidence that the individual is authorized to sign the return on behalf of the corporation.

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

Note: If your return shows an overpayment of tax (including a credit carryover) and is unsigned, the overpayment 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 and interest — You will owe a **late-filing or nonfiling penalty** if you do not file a processable return by the due date, including any extended due date. You will owe a **late-payment penalty** if you are required to make estimated tax payments and fail to do so, or fail to make your payments timely. However, you will **not** owe the late-payment penalty for underpayment of estimated taxes if any estimated payment due prior to July 9, 1998, was underpaid because of the change in the apportionment factor formula, **effective for tax years ending on or after December 31, 1998, and before December 31, 1999.** You will also owe this penalty if you do not pay the tax you owe by the original due date of the return, even if you have an extension of time to file. Interest is calculated on tax and penalty from the day after the original due date of your return through the date you pay the tax and penalty.

We will bill you for penalties and interest. If you prefer to figure these amounts, see 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.

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. We will pursue the assessment and collection of taxes if you are liable for income and replacement tax for that or any previous tax period.

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,
- the machinery and equipment, or
- the real property of your business,

you should complete and send us Form NUC-542-A, 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 Section, P.O. Box 641155, Chicago, IL 60664-1155.

Request for prompt determination — You may make a request for prompt determination of liability if you are a corporation that is contemplating or in the process of dissolution, or has already dissolved. Before you can make this request, you must file a return with us. 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 to Illinois Department of Revenue, Taxpayer Correspondence Section, P.O. 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 automatic extension due date has passed, you must file Form IL-1120-X, Illinois Amended Corporation Income and Replacement Tax Return. Mark the form "CORRECTED" at the top and show the changes. Any correction made may cause a recalculation of penalties and interest.

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

A State changes only — 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 to Illinois an item that has no effect on the federal return, or
- a mistake in another state's tax return that affects the computation of your Illinois tax liability,

you must file Form IL-1120-X, promptly.

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

B Federal changes only — If you have been notified by the IRS that they have made changes to your return due to an error, or as a result of an examination, you must file Form IL-1120-X. This includes any change in your federal income tax liability; any tax credit; or in 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 changes have been agreed to or finally determined.

If you are filing Form IL-1120-X to claim an overpayment, it must be filed no later than two years after the date such notification was due (regardless of whether such notice was given). For further information, refer to Form IL-1120-X instructions.

Note: For tax years ending prior to December 31, 1986, Form IL-1120X-PY, Amended Corporation Income and Replacement Tax Return, must be used.

What records must I keep?

You must maintain books and records to substantiate any information reported on 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 (loss) is your federal taxable income (loss) plus any additions on Line 3 minus any subtractions on Line 6. See specific instructions for Part I.

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

- **certain 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 distribution from pre-1984 policyholder surplus accounts as calculated under IRC, Section 815a.
- **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, plus the amount of distribution from pre-1984 policyholder surplus accounts as calculated under IRC, Section 815a.
- **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 a federal net operating loss (NOL) carryforward?

If you have a federal NOL carryforward from any loss year ending **prior to** December 31, 1986, it is subtracted on Part I, Line 5g, to the extent not previously used for Illinois purposes. The subtraction is limited to Illinois **base** income in the year you are claiming the carryforward. For further information, see Part I - specific instructions for Line 5g.

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, without regard to any federal net operating loss deduction (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 NOL's 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, you may make the election to forgo the Illinois NLD carryback period by checking the box below Part IV, Line 1. This election must be made by the extended due date of the loss year return. Once made, the election is irrevocable.

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

If you have an Illinois net loss for this tax year, you must file Form IL-1120 reporting the loss, in order to use it as a carryback or carryforward to another year.

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

What is the standard exemption?

The standard exemption is $1,000 multiplied by a fraction, the numerator is your base income allocable to Illinois and the denominator is your total base income. If you have a change in your tax year end and the result is a period of less than 12 months, the standard exemption is prorated, based on the number of days in the tax year. If this is your first or final return, you are allowed the full standard exemption. If you need further information on short year returns, refer to IITA, Section 401(b).

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. If you are filing as a member of a unitary group you should refer to Schedule UB instructions for proper attachments, and see Exception no. 3.

You must attach a copy of your U.S. Form 1120, Page 1 and Schedules L, M-1, and M-2, or U.S. Form 1120-A, Pages 1 and 2 to your Illinois return.

- **Exception no. 1 —** 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. Form 1120, Page 1, Schedules L, M-1, and M-2 as if you had filed a separate federal return.
- **Exception no. 2 —** If you are a life insurance company, nonlife mutual, or nonlife stock insurance company, you must attach a copy of U.S. Form 1120L, Page 1, or U.S. Form 1120-PC, Page 1 (and Schedule A, if filed).
- **Exception no. 3 —** If you are a member of a group filing as a unitary business, you **do not** need to attach U.S. Form 1120, Page 1, Schedules L, M-1, or M-2.

Note: When filing your Form IL-1120, include only forms and schedules required to support your return. Send correspondence separately to P.O. Box 19044, Springfield, Illinois 62794-9044.

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

A new **Schedule K-1-T,** Beneficiary's Share of Income and Deductions, has been created for trusts and estates to supply each beneficiary with the tax information previously reported on Illinois Schedules D & E. If you are a beneficiary of a trust or an estate, you should receive a completed Schedule K-1-T and a copy of **Schedule K-1-T(2),** Beneficiary's Instructions.

A new **Schedule K-1-P,** Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, has been created for partnerships and S corporations to supply each partner or shareholder with the tax information previously reported on Illinois Schedules B & C. If you are a partner in a partnership or a shareholder in an S corporation, you should receive a completed Schedule K-1-P and a copy of **Schedule K-1-P(2),** Partner's or Shareholder's Instructions.

What if I need additional assistance?

If you need additional assistance, visit our Web site at **www.revenue.state.il.us;** call our Taxpayer Assistance Division at **1 800 732-8866, 217 782-3336**, or call our TDD (telecommunications device for the deaf) at **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, Illinois 62794-9044.

If you need additional forms or schedules, visit our Web site at **www.revenue.state.il.us;** call our 24-hour Forms Order Line at **1 800 356-6302**; call our Illinois Tax Fax at **217 785-3400**; or write to us at P.O. Box 19010, Springfield, Illinois 62794-9010.

Specific Instructions

Name, address, and FEIN — If your Illinois income and replacement tax booklet has a pre-addressed label, remove the label and place it in the correct area on the form. If any of the information is not correct, cross through it and write the correct information directly on the label. If you did not receive a pre-addressed label, type or print the required information clearly in the spaces provided. Be sure that your name, address, FEIN, and tax year ending are correctly reported at the top of your Form IL-1120.

Note: If your name or address has changed since you filed your last return, check the appropriate box.

Combined unitary — If you are filing an Illinois combined unitary return, mark the box and attach a completed Schedule UB. For further information, see Schedule UB Instructions.

Federal consolidated — If you are a member of a federal consolidated group, check the "yes" box and write the FEIN of the federal parent. Refer to General Information, "What is base income/taxable income?" and "What attachments do I need?"

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.

You must use the same accounting method (*e.g.*, cash or accrual) and tax year that you used for federal income tax purposes.

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

Part I — Computation of base income (loss)

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 — To determine the amount to write on Line 1 of Form IL-1120, complete the worksheet. This worksheet reports federal taxable income (loss) without regard to any federal NOLD. To report net operating loss deductions, see Part I - specific instructions for Line 5g, and Part IV - specific instructions for Line 2.

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, you should refer to Schedule UB, Specific Instructions for Completing Form IL-1120.

Line 1 Worksheet

1	Taxable income before NOL deduction and special deductions from U.S. Form 1120, Line 28, or U.S. Form 1120-A, Line 24.	________
2	Special deductions from U.S. Form 1120, Line 29b, or U.S. Form 1120-A, Line 25b.	________
3	Taxable income (loss) before NOL deduction. Subtract Line 2 from Line 1. Write on Line 1 of Form IL-1120.	________

Additions

Note: Do not write **negative** amounts on Lines 2a through 2c. If you are claiming over accrued taxes, identify and include them on Line 5f.

Line 2a — Write the following amounts paid or accrued to you during the tax year to the extent excluded from federal taxable income.

- 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 distributions received from regulated investment companies

Line 2c — Identify each of the following items in the space provided, and write the total amount of income from the following sources:

- 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.
- 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.
  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.
- Any eligible remediation costs that you deducted from your federal taxable income for this year, or any other year, and for which you are claiming an Environmental Remediation Tax Credit on your Schedule 1299-D.

Subtractions

Line 5a — Write the total interest received or accrued from U.S. Treasury bonds, notes, bills, federal agency obligations, and savings bonds that is included in the federal taxable income. This amount is net of any bond premium amortization deducted federally.

Line 5b — Write the enterprise zone or foreign trade zone/sub-zone dividend subtraction from Illinois Schedule 1299-B, Enterprise Zone and Foreign Trade Zone/Sub-Zone Subtractions, Part I, Line 4. **Attach Schedule 1299-B to your Form IL-1120.**

Line 5c — Write the enterprise zone project contribution subtraction from Illinois Schedule 1299-B, Part II, Line 2. **Attach Schedule 1299-B to your Form IL-1120.**

Line 5d — For financial organizations only — Write the enterprise zone or high impact business interest subtraction from Illinois Schedule 1299-B, Part III, Line 2. **Attach Schedule 1299-B to your Form IL-1120.**

Line 5e — Write the amount of any contribution made to a job training project established under the "Real Property Tax Increment Allocation Redevelopment Act," as amended. For further information, refer to Illinois Compiled Statutes, Chapter 65, paragraph 5/11—74.4—1 *et seq.*

Line 5f — Identify each of the following subtractions in the space provided on the form. You may **not** list anything that is not identified below or in the Illinois Publication 101, Income Exempt from Tax.

Write the total of

- the refund of Illinois income and replacement tax for a prior year, to the extent included in your federal taxable income.
- any other income included on Part I, Line 4, exempt from taxation by Illinois by reason of its Constitution or the Constitution, treaties, or statutes of the United States. This amount is net of any bond premium amortization deducted federally. For further information, refer to the Illinois Publication 101.
- your distributive share of subtractions furnished to you by the partnership, trust, or estate that you were either a partner or a beneficiary.
  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.
- and identify the deduction for "foreign dividend gross-up (IRC, Section 78)," if you are electing a foreign tax credit under the provisions of IRC, Section 901. **Attach U.S. Form 1120, Schedule C (or equivalent) to your Form IL-1120.**
  Note: If you are completing an Illinois Schedule J, Foreign Dividends, include this subtraction in Part I of that form instead of listing it separately on Line 5f.
- any amount shown on Illinois Schedule J, Part I, Line 11, for foreign dividends received. **Attach Schedule J and U.S. Form 1120, Schedule C (or equivalent) to your Form IL-1120.**
- 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.
- the amounts disallowed as federal deductions or interest expenses under IRC, Sections 171(a)(2), 265(a)(1), 265(a)(2), and 291(a)(3).
- 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 income included in Part I, Line 4, which is exempt from taxation by Illinois statutes other than the IITA. For further information, refer to the Illinois Publication 101.

Line 5g — Write the total federal net operating loss carryforward from Illinois Schedule NL-5g, Federal Net Operating Loss, Part III, Line 11. **Attach Schedule NL-5g or unitary Schedule UB/NL-5g, Unitary Federal Net Operating Loss, to your Form IL-1120.**

Federal net operating loss carryforwards from tax years ending prior to December 31, 1986, are deductible to the extent of Illinois base income (Line 4 minus the sum of Lines 5a through 5f) and to the extent not previously used against Illinois base income.

Part II — Computation of total tax

Complete Parts III, IV, and V before completing Part II.

Line 4b — Follow the instructions on the form. If you have an additional federal extension beyond six months, you must attach a copy of your **approved** federal extension to your return.

Lines 5 through 6a — Follow the instructions on the form. Your refund will not be issued if your return is determined to be unprocessable.

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 could result in a penalty in the succeeding year for underpaid estimated tax.

Line 7 — 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 (see General Information, "What are the penalties and interest?"). If you prefer to calculate and pay any penalties and interest when you file, include the amounts on Line 7 and identify each amount to the left of the line.

If you completed Form IL-2220, Computation of Penalties for Businesses, check the box below Line 7 and attach Form IL-2220 to your Form IL-1120.

Part III — General Instructions

Who must complete Part III?

You **must** complete Part III if any portion of Part I, Line 7, base income (loss) is derived outside Illinois. If you do not complete **all** of Part III, we may issue a notice and demand proposing 100 percent of business income being apportioned to Illinois.

In order to properly allocate your base income (loss), you need to determine what portion of the total base income is business income (loss) that is to be apportioned among all the states in which you do business, and what portion is nonbusiness income (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 Part III of Form IL-1120.

Business income means income arising from transactions and activity in the regular course of your trade or business, after any allowable deductions. It includes income from tangible and intangible property if the acquisition, management, and disposition of the property are integral parts of your regular trade or business operations.

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

Commercial domicile is the principal place where your trade or business is directed or managed.

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

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

Part III — Base income (loss) allocable to Illinois

How is the apportionment factor figured?

For tax years **ending on or after December 31, 1998, and before December 31, 1999**, the apportionment factor is figured using 16.6667 percent (.166667) for the property and payroll factors and 66.6666 percent (.666666) for the sales factor. The sales factor is no longer double weighted.

For tax years **ending on or after December 31, 1999, and before December 31, 2000**, the apportionment factor is figured using 8.3333 percent (.083333) for the property and payroll factors and 83.3334 percent (.833334) for the sales factor. For tax years **ending on or after December 31, 2000,** the apportionment factor is figured using only the sales factor.

Note: If you fail to provide complete apportionment and allocation information, we will consider 100 percent of business income being attributable to Illinois for taxation purposes.

Line 2a — Write the amount of all nonbusiness income (loss) included in base income, net of any related deductions, from Illinois Schedule NB, Column A. **Attach Schedule NB to your Form IL-1120.**

Line 2b — Write the amount of all nonunitary business income (loss) included in base income received from any partnership, estate, or trust of which you are a partner or a beneficiary.

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 your activities and the activities of a partnership of which you are a partner constitute a unitary business relationship, any shares of partnership income (loss) and your factors as a partner must be included in your business income and your factors. This income cannot be subtracted on Line 2b of Part III. For further information, refer to the Illinois Income Tax Regulations, Section 100.3380(c).

Lines 5a through 6 — You must complete Lines 5a through 6 only if business income (loss) is derived inside and outside Illinois. Follow specific instructions below for Lines 5a through 6.

Note: Insurance companies, transportation companies, and financial organizations should see "Special Apportionment Formulas" in these instructions.

Line 5a — Property factor — In Column 1, write the average value of real and tangible personal property owned or rented and used in your trade or business everywhere. In Column 2, write the average value of real and tangible personal property owned or rented and used in your trade or business in Illinois. Divide Column 2 by Column 1, and write the result, carried to six decimal places only, in Column 3. Multiply the decimal in Column 3 by the weighted factor in Column 4 and write the result in Column 5. If zero is written in Column 1, this factor is not applicable. Write "N/A" in Column 3 and refer to the instructions under Line 6 entitled "What if I do not have three factors?"

Property owned by you is valued at its original cost, plus the original cost of any capital additions or improvements. The average value of property is determined by averaging the values at the beginning and end of the tax year. The director may require the averaging of monthly values during the tax year, if reasonably required to properly reflect the average value of your property. Leasehold improvements made by you, as a lessee, are treated as property owned by you regardless of the useful life of the improvements or the person in whom title is vested on termination of the lease.

Property rented by you is valued at eight times the net annual rental rate. Net annual rental rate is the annual rental rate paid by you, less any annual rental rate received by you from nonbusiness sub-rentals.

Line 5b — Payroll factor — In Column 1, write the total compensation paid everywhere. In Column 2, write the total compensation paid inside Illinois. Divide Column 2 by Column 1, and write the result, carried to six decimal places only, in Column 3. Multiply the decimal in Column 3 by the weighted factor in Column 4 and write the result in Column 5. If zero is written in Column 1, this factor is not applicable. Write "N/A" in Column 3 and refer to the instructions under Line 6 entitled "What if I do not have three factors?"

Compensation is paid in Illinois if

- the individual's service is performed entirely inside Illinois;
- the individual's service is performed both inside and outside Illinois, but the service performed outside Illinois is incidental to the service performed inside Illinois;
- some of the service is performed inside Illinois, and either the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is inside Illinois; or
- the base of operations or the place from which the service is directed or controlled, is not in any state where some part of the service is performed, but the individual is a resident of Illinois.

Note: Payments made to a nonresident who performs personal services under a personal services contract at a sporting event that takes place entirely in Illinois, are included in Column 2, if the professional sports team that the individual is a member of, is a resident of a state that imposes a comparable tax liability on residents of Illinois. For further information, refer to Illinois Income Tax Regulations, Sections 100.3100(e) and 100.3120(a)(3).

Line 5c — Sales factor — In Column 1, write your total sales everywhere. In Column 2, write your total sales inside Illinois. Divide Column 2 by Column 1, and write the result, carried to six decimal places only, in Column 3. Multiply the decimal in Column 3 by the weighted factor in Column 4 and write the result in Column 5. If zero is written in Column 1, this factor is not applicable. Write "N/A" in Column 3 and refer to the instructions under Line 6 entitled "What if I do not have three factors?"

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.

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 you did not file a tax return 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.

Sales, other than sales of tangible personal property, are in Illinois if

- the income-producing activity is performed in Illinois; or
- the income-producing activity is performed both inside and outside Illinois, and a greater proportion of the income-producing activity is performed inside Illinois than outside Illinois, based on performance costs.

Line 6 — Add Column 5, Lines 5a through 5c. This is your apportionment factor.

Example

Factor	Column 3		Column 4		Column 5
Property	.100000	X	.166667	=	.016667
Payroll	.100000	X	.166667	=	.016667
Sales	.500000	X	.666666	=	.333333
Total					.366667

Apportionment factor is .366667
Write this factor on Line 6.

What if I do not have three factors?

If you do not have three factors (if Column 1, Line 5a, 5b, or 5c, is zero), you must reweight the factors to compute your apportionment factor. To reweight, add the weighted totals in Column 5 for the factors you have; then add the weighting factors in Column 4 for those factors. Divide the total of Column 5 by the total of Column 4. Use this factor to figure your business income (loss) apportionable to Illinois.

Example

Factor	Column 3		Column 4		Column 5
Property	.100000	X	.166667	=	.016667
Payroll	N/A				
Sales	.500000	X	.666666	=	.333333
Total			.833333		.350000

.350000 ÷ .833333 = .420000
Write this factor on Line 6.

Note: If you only have a sales factor, divide Column 2 by Column 1 and write the result, carried to six decimal places only, in Column 3 **and** on Line 6. **Do nothing** for Columns 4 and 5.

If you use a special apportionment formula (see "Special Apportionment Formulas" in these instructions), write on Line 6 the factor shown on Column 3, Line 5c.

Line 7 — Follow the instructions on the form. If Lines 5a through 6 are blank, write the amount from Line 4.

Line 8 — Write the amount of net nonbusiness income (loss) allocable to Illinois from Illinois Schedule NB, Column B. Include any nonbusiness income from Schedules K-1-P or K-1-T.

Line 9 — Write the amount of non-unitary business income (loss) apportionable to Illinois as reported by the partnership, trust, or estate on Schedules K-1-P or K-1-T (see Part III, Line 2b).

Part IV — Computation of net income (loss) and replacement tax

Line 1 — Follow the instructions on the form. If this amount is a loss, you may carry it to other years as an Illinois net loss deduction (NLD). If you are electing to forgo the Illinois NLD carryback period, you must check the box below Line 1. This election must be made by the extended due date of this return. Once made, the election is irrevocable. (See General Information, "What if I have an Illinois net loss deduction (NLD)?")

Line 2 — Write your Illinois NLD carryforward from any Illinois loss year ending on or after December 31, 1986, from Illinois Schedule NLD, Line 5. **Attach Schedule NLD or unitary Schedule UB/NLD to your Form IL-1120.**

Line 8b — Write your recapture of investment credits from Illinois Schedule 4255, Recapture of Investment Tax Credits, Part IV, Column C, Line 12.

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

Line 10 — Write the amount from Form IL-477, Part I, Line 9. **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 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 further information, refer to Form IL-477 instructions.

Part V — Computation of income tax

Line 2b — Write your recapture of investment credits from Schedule 4255, Part IV, Columns A and B, Line 12.

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

Note: If you are a member of the Life and Health Insurance Guaranty Association or the Health Maintenance Organization Guaranty Association refer to the note at the end of Line 4a instructions.

Line 4a — Write the amount from Schedule 1299-D, Part VIII, Line 41. The total of all credits is limited to the total income tax shown on Part V, Line 3. **Attach Schedule 1299-D to your Form IL-1120.** For further information, refer to Schedule 1299-D instructions.

A new income tax credit, the Environmental Remediation Tax Credit, is available for tax years ending **on or after January 1, 1998**.

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 and the department. 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, pursuant

to IRC, Section 129(d)(7), to provide an on-site facility dependent care assistance program as defined in IRC, Section 129.

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

- **Coal Research and Coal Utilization Investment Credits —** A credit of 20 percent (.20) of the amount donated during your tax year to the Illinois Center for Research on Sulfur in Coal, and a credit of 5 percent (.05) of the amount spent on qualifying coal combustion and pollution control equipment placed in service during your tax year. The "amount spent" is defined as the basis of the equipment for federal depreciation deduction purposes.
- **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 the Illinois Department of Commerce and Community Affairs. 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/sub-zone during your preceding tax year. If you hired eligible employees during the tax year, credit cannot be claimed until the subsequent year's return is filed.
- **Enterprise Zone Investment Credit —** A credit of .5 percent (.005) of the basis of qualified property placed in service in an Illinois enterprise zone during the tax year.
- **Training Expense Credit —** A credit of 1.6 percent (.016) of all federally deducted amounts that were paid or accrued for educational or vocational training in semi-technical or technical fields, or semi-skilled or skilled fields (on behalf of all persons employed by you in Illinois or Illinois residents employed outside of Illinois).
- **Research and Development Credit —** A credit of 6.5 percent (.065) of the qualifying expenditures for increasing research activities conducted in Illinois, and which would be allowable under IRC, Section 41, as in effect before P.L. 101-239.
- **Environmental Remediation Tax Credit —** A credit of 25 percent (.25) of the amount of unreimbursed eligible remediation costs in excess of $100,000 per site. However, the $100,000 threshold does not apply to sites certified by the Illinois Department of Commerce and Community Affairs (DCCA). To claim this credit, you must have received approval of the unreimbursed eligible remediation costs from the Illinois EPA. The credit must be claimed in the tax year in which the Illinois EPA approval is granted. The maximum credit you may claim is $40,000 annually, with a maximum total of $150,000 per site.

Note: If you are a member of the Life and Health Insurance Guaranty Association or the Health Maintenance Organization Guaranty Association, write the amount of offset to which you are entitled under Section 531.13 or Section 125/6-13, of the Illinois Insurance Code on Line 4a. Identify this amount by writing "LHIGA" or "HMOGA" in the margin to the left of Line 4a.

Lines 4b and 4c Worksheet

a	Write your net replacement tax from Form IL-1120, Part IV, Line 11.	a	______
b	Write the number from Part IV, Line 5.	b	______
c	Multiply Line a by Line b.	c	______
d	Multiply Line c by 4.8% (.048). This is your credit for the current year. **Write also on Part V, Line 4b.**	d	______
e	Write the amount of credit being carried forward, if any. This amount comes from the 1997 Lines 4b and 4c Worksheet, Line j. **Write also on Part V, Line 4c.**	e	______
f	Add Lines d and e.	f	______
g	Write the amount from Form IL-1120, Part V, Line 3.	g	______
h	Write the amount from Form IL-1120, Part V, Line 4a.	h	______
i	Subtract Line h from Line g.	i	______
j	Subtract Line i from Line f. If Line i is larger than Line f, write "0." This is the amount of credit which you may carry to a succeeding year's return. (**Do not** write this amount on your current year return.)	j	______

Lines 4b and 4c — You must complete the worksheet on this page. The IITA provides a credit against income tax for replacement tax paid. This credit may be carried forward for five years following the excess credit year. Use the worksheet on this page to compute your current year credit and the amount of credit you have available to carry forward.

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 Part III.

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 Part III - 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 **Business income from sources within Illinois** — Business income of a financial organization from sources within Illinois is the sum of

- fees, commissions, or other compensation for financial services rendered within Illinois;
- gross profits from trading in stocks, bonds, or other securities managed within Illinois;
- dividends received within Illinois;
- interest from Illinois customers received within Illinois;
- interest charged to customers at places of business maintained inside Illinois for carrying debit balances on margin accounts, without deduction of any costs incurred in carrying such accounts; and
- any other gross income resulting from the operation as a financial organization inside Illinois.

In computing these amounts, any amount received by a member of an affiliated group (determined under IRC, Section 1504(a), but without reference to whether any such corporation is an "includible corporation" under IRC, Section 1504(b)) from another member of the group must be included only to the extent the amount exceeds expenses of the original recipient.

J **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 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 - Do not make any entries on Part III, Lines 5a or 5b. On Line 5c, line out the words “Sales factor” and write “Insurance premiums.” In Column 1, 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).

In Column 2, write the amount of direct premiums on property or risk located in Illinois from the annual statement.

Divide Column 2 by Column 1, and write the result, carried to six decimal places only, in Column 3 **and** on Line 6. **Do nothing** for Columns 4 and 5. See Specific Instructions, Part III - Base income (loss) allocable to Illinois, for completing Lines 7 through 10.

Reinsurers — Life insurance companies, nonlife mutual, and nonlife stock insurance companies - Do not make any entries on Part III, Lines 5a or 5b. On Line 5c, line out the words “Sales factor” and write “Insurance premiums.” In Column 1, write from the annual statement (relating to life insurance premiums, annuity considerations, and accident and health insurance premiums, including policy, membership and other fees) the sum of the total direct premiums (gross direct premiums less return premiums) **and** the total reinsurance premiums assumed.

In Column 2, write from the annual statement, the sum of the direct premiums on property or risk located in Illinois **and** the reinsurance premiums assumed inside Illinois, determined under any one of the following methods:

Method A — Determine the reinsurance premiums assumed, relating to property or risk located in Illinois.

Method B — For each company from which reinsurance is accepted, determine the ceding insurance company’s ratio of direct premiums on property or risk located in Illinois, to its total direct premiums. Apply this ratio to the reinsurance premiums assumed from that company. For example, reinsurer R assumes premiums of $40,000 and $50,000 from ceding companies A and B respectively. Company A’s ratio of direct premiums on property or risk located in Illinois, to its total direct premiums, is 10 percent and Company B’s ratio is 20 percent. Reinsurer R has $14,000 of reinsurance premiums assumed on property or risk located in Illinois, consisting of $4,000 from ceding Company A (10 percent of $40,000) and $10,000 from ceding Company B (20 percent of $50,000).

Method C — Determine the amount of reinsurance premiums assumed from insurance companies commercially domiciled in Illinois. Include in reinsurance premiums assumed in Illinois, all premiums for reinsurance accepted from insurance companies commercially domiciled in Illinois.

Divide Column 2 by Column 1, and write the result, carried to six decimal places only, in Column 3 **and** on Line 6. **Do nothing** for Columns 4 and 5. See Specific Instructions, Part III - Base income (loss) allocable to Illinois, for completing Lines 7 through 10.

What if I am a financial organization?

If you are a financial organization and your income is derived from inside and outside Illinois, you must apportion your business income as follows.

Financial organizations — Do not make any entries on Part III, Lines 5a or 5b. On Line 5c, line out the words “Sales factor” and write “Financial organization.” In Column 1, write the amount of business income from all sources. In Column 2, write the amount of business income from sources within Illinois. Divide Column 2 by Column 1, write the result, carried to six decimal places only, in Column 3 **and** on Line 6. **Do nothing** for Columns 4 and 5. See Specific Instructions, Part III -Base income (loss) allocable to Illinois, for completing Lines 7 through 10.

International banking facilities — If you are a financial organization that has established an international banking facility in Illinois, refer to IITA, Section 304(c)(2), to determine apportionable income. If you have questions about these provisions, write to Illinois Department of Revenue, Legal Services Office, Senior Counsel - Income Tax, 5-500, 101 West Jefferson Street, Springfield, IL 62702.

What if I am a transportation service?

If you are a company that furnishes transportation services both inside and outside Illinois you must apportion business income as follows.

A **Transportation other than pipeline** — Do not make any entries on Part III, Lines 5a or 5b. On Line 5c, line out the words “Sales factor” and write “Revenue miles.” In Column 1, write the amount of revenue miles everywhere. In Column 2, write the amount of revenue miles in Illinois. Divide Column 2 by Column 1, write the result, carried to six decimal places only, in Column 3 **and** on Line 6. **Do nothing** for Columns 4 and 5. See Specific Instructions, Part III - Base income (loss) allocable to Illinois, for completing Lines 7 through 10.

Note: If you are a corporation engaged in the transportation of both passengers and freight, Column 3, Line 5c, is determined by means of an average of the passenger revenue mile fraction and the freight revenue mile fraction, weighted to reflect your

- relative railway operating income from total passenger and total freight service, as reported to the Interstate Commerce Commission in the case of transportation by railroad; and
- relative gross receipts from passenger and freight transportation in the case of transportation other than by railroad.

B **Transportation by pipeline** — Do not make any entries on Part III, Lines 5a or 5b. On Line 5c, line out the words “Sales factor” and write “Pipeline.” In Column 1, write the amount of revenue miles everywhere. In Column 2, write the amount of revenue miles in Illinois. Divide Column 2 by Column 1, write the result, carried to six decimal places only, in Column 3 **and** on Line 6. **Do nothing** for Columns 4 and 5. See Specific Instructions, Part III - Base income (loss) allocable to Illinois, for completing Lines 7 through 10.

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 further information, refer to Illinois Income Tax Regulations, Section 100.3010(b).

What if I am a unitary business group member?

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, refer to Schedule UB for further information regarding your Illinois filing requirements and the computation of your Illinois tax liability. Even though all Illinois members receive a booklet, the designated agent is the only one filing the return.

What if I want to use an alternative apportionment formula?

If the apportionment methods prescribed by IITA, Sections 304(a) through (d), and (h), do not fairly and accurately 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: If you need the procedures for petitioning for an alternative apportionment formula, refer to the Illinois Income Tax Regulations, Section 100.3390, or contact the department for further information.

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