



IL-1118B-RE Instructions

General Information

What is the royalty election?

The royalty election is an election you may make for all tax years ending before December 31, 1999, that allows you to change the manner in which patents, copyrights, trademarks, and similar items of intangible personal property are treated for Illinois sales factor purposes. Once you make this election for one year, you are making it for all tax years ending before December 31, 1999.

What is the purpose of Form IL-1118B-RE?

The purpose of Form IL-1118B-RE is to determine the effect of the royalty election on all amendments to your return occurring on or after the election. Any overpayment of taxes assessed prior to January 1, 1999, that will result from making this election (as determined on this form), will not be refunded.

When must I complete Form IL-1118B-RE?

You must complete Form IL-1118B-RE, Amended Partnership or Small Business Corporation Replacement Tax Return for Royalty Election, when you have made the royalty election on your amended Form IL-1065, or amended Form IL-1120-ST. Write "Royalty Election" at the top of Form IL-843 and show the changes to your sales factor for the royalty election on your amended Form IL-1065 or amended Form IL-1120-ST. If you have included other changes on your amended form, you must complete Form IL-1118B-RE to determine the amount of refund you will **not** receive as a result of making the royalty election and the amount of refund you will receive as a result of the other changes. Attach Form IL-1118B-RE to your Form IL-843 and amended Form IL-1065 or amended Form IL-1120-ST and submit. You must complete and file a separate Form IL-843, an amended Form IL-1065 or an amended Form IL-1120-ST, and Form IL-1118B-RE for each tax year you need to amend. This form must be used for all tax years **ending before December 31, 1999**.

What if I made the royalty election on my amended Form IL-1120X-PY or amended Form IL-1120-X?

If you made the royalty election on your amended Form IL-1120X-PY or amended Form IL-1120-X, you must complete Form

IL-1118A-RE, Amended Corporation Income and Replacement Tax Return for Royalty Election. For more information, see Form IL-1118A-RE and instructions.

What if I have made the royalty election on my amended Form IL-1040-X or amended Form IL-1041?

If you have made the royalty election on your amended Form IL-1040-X and completed an amended Schedule NR using a corrected Business or Farm Income Apportionment Formula (IAF) Worksheet, you must complete another Form IL-1040-X, Schedule NR, and IAF Worksheet without the royalty election. Write "Royalty Election" at the top of both of your forms IL-1040-X and send both forms and schedules to the address on the Form IL-1040-X. We will review the forms and schedules and inform you of any barred refund amount. **Do not** complete Form IL-1118A-RE or Form IL-1118B-RE.

If you have made the election on your amended Form IL-1041 (and completed Form IL-843) and completed an amended Schedule NR using a corrected business income apportionment formula, you must complete another amended Form IL-1041, Schedule NR, and Form IL-843 without the royalty election. Write "Royalty Election" at the top of both forms IL-843 and send all forms and schedules to the address on the Form IL-843. We will review the forms and schedules and inform you of any barred refund amount. **Do not** complete Form IL-1118A-RE or Form IL-1118B-RE.

How long do I have to make this election?

The royalty election may be made at any time. However, making the election will not reopen any year for which the statute of limitations for filing a refund claim has expired.

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 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.

Specific Instructions

Check the appropriate box and write the tax year you are amending in the space provided at the top of Form IL-1118B-RE.

Step 1: Provide the following information

Line 1 — Print or type your name, current address, and federal employer identification number (FEIN).

Line 2 — Check the box if you are filing this form with your amended Form IL-1065 or amended Form IL-1120-ST.

Step 2: Figure your corrected base income (loss) allocable to Illinois.

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 3 — Write the amount of business income (loss) from your amended Form IL-1065 or amended Form IL-1120-ST, Part III, Line 4.

Line 4 — Compute your business income apportionment formula.

For tax years **ending before January 1, 1987**, complete Lines 4a and 4b, Column 3, from your amended return. Complete Line 4c, Columns 1 through 3, following the instructions for Line 4c in these instructions. Do nothing for Columns 4, 5, and Line 4d. Add Lines 4a through 4c, Column 3, and write the result on Line 5. Divide Line 5 by 3 and write the result on Line 6a.

For tax years **ending on or after January 1, 1987 and before December 31, 1998**, complete Lines 4a and 4b, Column 3, from your amended return. Complete Line 4c, Columns 1 through 3, following the instructions for Line 4c below. Do nothing for Columns 4 and 5. Complete Lines 4d, 5, and 6a.

For tax years **ending December 31, 1998**, complete Lines 4a and 4b, Columns 3 and 5, from your amended return. Complete Line 4c, Columns 1, 2, 3, and 5, following the instructions for Line 4c below. Complete Line 6b.

Line 4c — Sales factor —

Amended amount, Column 1 — Write your total sales everywhere as reported on your amended return.

Amended amount, Column 2 — Write your total sales inside Illinois as reported on your amended return.

Royalty election, Columns 1 and 2 — Write the amount to eliminate the effects of the royalty election.

Corrected amount, Columns 1 and 2 — Subtract the royalty election from the amended amount and write the corrected amount here.

Divide Column 2 by Column 1, and write the result, carried to six decimal places only, in Column 3. Complete the apportionment formula according to the tax year ending as explained on the previous page.

Step 3: Figure your net income (loss) and replacement tax change.

Line 7, Column A — Write the amount from your amended Form IL-1065 or amended Form IL-1120-ST, Part III, Line 7.

Column B — Follow the instructions on the form.

Line 8, Columns A and B — Write the same amount in both columns from your amended Form IL-1065 or amended Form IL-1120-ST, Part III, Line 8.

Line 9, Columns A and B — Write the amounts from your amended Form IL-1065 or amended Form IL-1120-ST, Part III, Line 9.

Note: If you are a partnership, you need to notify each partner the amount of nonbusiness income apportioned to Illinois with and without the royalty election.

If you are claiming an Illinois net loss deduction carryforward on Line 11, Columns A and B, then you must complete Step 5, Lines 28 through 30, before completing Line 11, Columns A and B.

Line 11, Column A — Write the smaller of Line 10, Column A, or your amended Form IL-1065 or amended Form IL-1120-ST, Part II, Line 1b.

Line 11, Column B — After you have completed Step 5, Lines 28 through 30, write the smaller of Line 10, Column B, or Step 5, Line 30.

Line 13, Columns A and B — Write the same amount in both columns from your amended Form IL-1065 or amended Form IL-1120-ST, Part II, Line 2.

Line 16, Columns A and B — Replacement tax — Multiply Line 15 by the

applicable rate. See Form IL-1065 or Form IL-1120-ST instructions for the year being amended.

Line 17, Columns A and B — Write the same amount in both columns from your amended Form IL-1065 or amended Form IL-1120-ST, Part II, Line 6b.

If you are claiming a replacement tax investment credit carryforward on Line 19, Columns A and B, then you must complete Step 6, Lines 37 through 39, before completing Line 19, Columns A and B.

Line 19, Column A — Write the smaller of Line 18, Column A, or your amended Form IL-1065 or amended Form IL-1120-ST, Part II, Line 8.

Column B — After you have completed Step 6, Lines 37 through 39, write the smaller of Line 18, Column B, or Step 6, Line 39.

Step 5: Figure your overpayment.

Line 21 — Write the net replacement tax from Line 20.

Line 22 — Write the total amount of replacement tax assessed as of December 31, 1998.

If you did not file a return prior to January 1, 1999, the replacement tax assessed as of December 31, 1998, would be any tax

- shown on a notice of deficiency that had become final prior to January 1, 1999;
- shown on a waiver of restrictions executed by you prior to January 1, 1999;
- that is the subject of a decision that became final prior to January 1, 1999; or
- minus any refunds allowed prior to January 1, 1999.

If you did file a return prior to January 1, 1999, the replacement tax assessed as of December 31, 1998, would be

- the amount of tax shown on the original return for the year being amended, minus
- any decrease resulting from a math error on the original return or an amended return filed prior to January 1, 1999, minus
- any refund subsequently claimed and allowed prior to January 1, 1999, plus
- any increase in liability shown on a notice of mathematical error issued on the original return or an amended return filed prior to January 1, 1999, plus
- any increase in tax shown on any amended return filed prior to January 1, 1999, plus
- any increase in tax shown on a notice of deficiency that became final prior to January 1, 1999, plus

- any increase shown on a waiver of restrictions executed by you prior to January 1, 1999.

Line 23 — To properly figure your minimum tax allowed follow the directions in the steps below.

Step 1 — You do not have a barred refund if Line 21, Column B, is less than Line 21, Column A. Write the amount from Line 21, Column A, and continue on to Line 24. If Line 21, Column A, is less than Line 21, Column B, then you may have a barred refund. Go to Step 2.

Step 2 — You do not have a barred refund if Line 22 is less than Line 21, Column A. Write the amount from Line 21, Column A, and continue on to Line 24. If Line 21, Column A, is less than Line 22, then you have a barred refund. Go to Step 3.

Step 3 — Even though you have a barred refund, you are still entitled to any refund that is due without the election. If Line 21, Column B, is less than Line 22, then write the amount from Line 21, Column B, and continue on to Line 24. If Line 22 is less than Line 21, Column B, then write the amount from Line 22.

Line 24 — Write the total tax from your amended Form IL-1065 or amended Form IL-110-ST, Part II, Line 9.

Line 25 — Subtract Line 24 from Line 23. This is your total overpayment from making the royalty election. This overpayment will not be refunded. This is your tentative barred refund.

Line 26 — Write the amount of refund due from your amended Form IL-1065 or amended Form IL-1120-ST, Part II, Line 11.

Line 27 — Subtract Line 25 from Line 26. This is the refund you will receive.

Complete Steps 5 and 6 if you have any carryforward of Illinois net loss or replacement tax investment credits, as a result of making the “royalty election.”

Step 5: Figure your limited Illinois net loss carryforward.

Your limited Illinois net loss is the loss carryforward that is freed up as the result of making the royalty election. This carryforward may not be used to create a refund of taxes assessed prior to January 1, 1999. In order to determine how much the tax for this taxable year would be “without” the royalty election, any limited losses on Step 5, Line 28, are subtracted from losses available to be carried to the current year. This is the amount available for use on Step 5, Line 29, and Step 3, Line 11, Column B.

A limited Illinois net loss carryforward can only arise when your net income “with” the election has been reduced to zero. Otherwise, there is no carryforward. Accordingly, if your income after losses is zero and the “with” tax uses fewer loss carryforwards than the “without,” the royalty election has created or increased your losses available for carryforward. This increase in available carryforwards is a limited loss. If additional limited losses are created, they are added to the amount shown on Step 5, Line 29, thus increasing the amount of limited losses shown on Step 5, Line 28, of the following tax year’s Form IL-1118-RE.

If, on the other hand, the “with” computations use more of your Illinois net losses than the “without,” the amount of any limited Illinois net loss carryforward is reduced by that excess. This provision cannot reduce the amount of limited losses below zero.

In order to compare the net loss used “with” and “without” the royalty election, it is necessary to limit the amount of loss shown on Step 3, Line 11, Column B, to the amount of income before the loss. Thus, the amount on Step 3, Line 11, Column B, will not necessarily be the full amount of loss available, as it is shown on your amended form.

Lines 28 through 30 — These three lines should already be completed.

Lines 31 through 36 — Follow the instructions on the form.

Step 6: Figure your limited replacement tax investment credits carryforward.

The logic in Step 5 applies to limited credit carryovers on Steps 6. Again, note that in order to compare the credits used “with” and “without” the royalty election, it is necessary that the credits on Step 3, Line 19, Column B, be limited to the amount of replacement taxes otherwise due, and that the credits on Step 4, Lines 25 and 26, Column B, be used in that order and that the total used be limited to the amount of pre-credit regular tax due. Thus, the instructions for these lines limit the credits shown to less than the amounts that might be shown on your amended form.

Lines 37 through 39 — These three lines should already be completed.

Lines 40 through 43 — Follow the instructions on the form.



