



IL-1118A-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-1118A-RE?

The purpose of Form IL-1118A-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-1118A-RE?

You must complete Form IL-1118A-RE, Amended Corporation Income and Replacement Tax Return for Royalty Election, when you have made the royalty election on your amended Form IL-1120X-PY or Form IL-1120-X. Write "Royalty Election" at the top of your Form IL-1120X-PY or Form IL-1120-X and show the changes to your sales factor for the royalty election. If you have included other changes on your amended form, you must complete Form IL-1118A-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-1118A-RE to your Form IL-1120X-PY or Form IL-1120-X and submit. You must complete and file a separate Form IL-1120X-PY or Form IL-1120-X and Form IL-1118A-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-1065 or amended Form IL-1120-ST?

If you made the royalty election on your amended Form IL-1065 or amended Form IL-1120-ST and completed Form IL-843, you must complete Form IL-1118B-RE, Amended Partnership or Small Business

Corporation Replacement Tax Return for Royalty Election. For more information, see Form IL-1118B-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-1118A-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 Form IL-1120X-PY, Form IL-1120-X.

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-1120X-PY or Form IL-1120-X, Part III, Line 4, Column C.

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-1120X-PY or Form IL-1120-X, Part III, Line 8, Column C.

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-1120X-PY or Form IL-1120-X, Part III, Line 9, Column C.

Line 9, Column A — Write the amount from your amended Form IL-1120X-PY or Form IL-1120-X, Part III, Line 10, Column C.

Column B — If one or more of the partnerships reported on this line has made the royalty election, write the business income apportioned to Illinois by that partnership without the royalty election. For all other partnerships, write the amount from Column A.

If you are claiming an Illinois net loss deduction carryforward on Line 11, Columns A and B, then you must complete Step 6, Lines 38 through 40, 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-1120X-PY, Part IV, Line 8, Column C; or
- IL-1120-X, Part IV, Line 2, Column C

Line 11, Column B — After you have completed Step 6, Lines 38 through 40, write the smaller of Line 10, Column B, or Step 6, Line 40, here.

Line 13, Columns A and B — Write the same amount in both columns from your amended Form

- IL-1120X-PY, Part IV, Line 5, Column C; or
- IL-1120-X, Part IV, Line 4, Column C

Line 16, Columns A and B — Replacement tax — Multiply Line 15 by the applicable rate. See Form IL-1120 instructions for the year being amended.

Line 17, Columns A and B — Write the same amount in both columns from your amended Form

- IL-1120X-PY, Part IV, Line 12b, Column C; or
- IL-1120-X, Part IV, Line 7b, Column C

If you are claiming a replacement tax investment credit carryforward on Line 19, Columns A and B, then you must complete Step 7, Lines 47 through 49, 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-1120X-PY, Part IV, Line 14, Column C; or
- IL-1120-X, Part IV, Line 9, Column C

Column B — After you have completed Step 7, Lines 47 through 49, write the smaller of Line 18, Column B, or Step 7, Line 49, here.

Step 4: Figure your income tax change and total tax.

Line 22, Columns A and B — Income tax — Multiply Line 21 by the applicable rate. See Form IL-1120 instructions for the year being amended.

Line 23, Columns A and B — Write the same amount in both columns from your amended Form

- IL-1120X-PY, Part I, Line 13b, Column C; or
- IL-1120-X, Part I, Line 9b, Column C

If you are claiming a carryforward of income tax credits from Schedule 1299-D on Line 25, Columns A and B, then you must complete Step 8, Lines 54 through 56, before completing Line 25, Columns A and B.

Line 25, Column A — Write the smaller of Line 24, Column A, or your amended Form

- IL-1120X-PY, Part I, Line 15, Column C; or
- IL-1120-X, Part I, Line 11a, Column C

Column B — After you have completed Step 8, Lines 54 through 56, write the smaller of Line 24, Column B, or Step 8, Line 56, here.

Line 26, Column A — Write the smaller of (a) the difference of subtracting Line 25,

Column A, from Line 24, Column A; or (b) your amended Form IL-1120-X, Part I, Line 11b, Column C.

Column B — Figure the credit for replacement tax paid using the tax shown on Line 22, Column B. Write the smaller of (a) this new computed credit amount, or (b) the difference of subtracting Line 25, Column B, from Line 24, Column B.

If you are claiming a credit for replacement tax paid carryforward on Line 27, Columns A and B, then you must complete Step 9, Lines 61 through 63, before completing Line 27, Columns A and B.

Line 27, Column A — Write the smaller of (a) the difference of subtracting Line 25 and Line 26, Column A, from Line 24, Column A, or (b) your amended Form IL-1120-X, Part I, Line 11c, Column C.

Column B — After you have completed Step 9, Lines 61 through 63, write the smaller of (a) the difference of subtracting Line 25 and Line 26, Column B, from Line 24, Column B, or (b) the amount on Step 9, Line 63.

Step 5: Figure your overpayment.

Line 32 — Write the total income and replacement tax liabilities assessed as of December 31, 1998.

If you did not file a return prior to January 1, 1999, the 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 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 33 — 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 31, Column B, is less than Line 31, Column A. Write the amount from Line 31, Column A, and continue on to Line 34. If Line 31, Column A, is less than Line 31, Column B, then you may have a barred refund. Go to Step 2.

Step 2 — You do not have a barred refund if Line 32 is less than Line 31, Column A. Write the amount from Line 31, Column A, and continue on to Line 34. If Line 31, Column A, is less than Line 32, 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 31, Column B, is less than Line 32, then write the amount from Line 31, Column B, and continue on to Line 34. If Line 32 is less than Line 31, Column B, then write the amount from Line 32.

Line 34 — Write the total tax from your amended Form

- IL-1120X-PY, Part I, Line 18, Column C; or
- IL-1120-X, Part I, Line 15, Column C

Line 35 — Subtract Line 34 from Line 33. This is your total overpayment from making the royalty election. This overpayment will not be refunded. This is your tentative barred refund.

Line 36 — Write the amount of refund due from your amended Form IL-1120X-PY or Form IL-1120-X, Part II, Line 8.

Line 37 — Subtract Line 35 from Line 36. This is the refund you will receive.

Steps 6, 7, 8 or 9 if you have any carryforward of Illinois net loss, replacement tax investment credits, Schedule 1299-D income tax credits, or credit for replacement tax paid, as a result of making the “royalty election.”

Step 6: 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 6, Line 39, are subtracted from losses available to be carried to the current year. This is the amount available for use on Step 6, Line 40, 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 6, Line 40, thus increasing the amount of limited losses shown on Step 6, Line 39, of the following tax year’s Form IL-1118A-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 38 through 40 — These three lines should already be completed.

Lines 41 through 46 — Follow the instructions on the form.

Step 7: Figure your limited replacement tax investment credits carryforward.

The logic in Step 6 applies to limited credit carryovers on Steps 7 through 9. 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 47 through 49 — These three lines should already be completed.

Lines 50 through 53 — Follow the instructions on the form.

Step 8: Figure your limited Schedule 1299-D income tax credits carryforward.

Lines 54 through 56 — These three lines should already be completed.

Lines 57 through 60 — Follow the instructions on the form.

Step 9: Figure your limited credit for replacement tax paid carryforward.

Lines 61 through 63 — These three lines should already be completed.

Lines 64 through 67 — Follow the instructions on the form.



