



**Step 1: Identify your trust or estate**

- 1 Check the appropriate box  trust  estate
- 2 \_\_\_\_\_  
 Name as shown on your Form IL-1041
- 3 \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_  
 Federal employer identification number (FEIN)
- 4 Write the apportionment factor from Schedule NR, Part II, of Form IL-1041; otherwise, write "1." \_\_\_\_\_

**Step 2: Identify your beneficiary**

- 5 \_\_\_\_\_  
 Name
- 6 \_\_\_\_\_  
 Mailing address
- 7 \_\_\_\_\_  
 Social Security number or FEIN
- 8 Check the appropriate box  
 individual  corporation  trust  
 partnership  S corporation  estate
- \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_

**Step 3: Figure your beneficiary's share of your nonbusiness income**

	<b>A</b> Beneficiary's share (see instructions)	<b>B</b> Nonresident beneficiary's share allocable to Illinois
9 Interest	9 _____	_____
10 Dividends	10 _____	_____
11 Rental income	11 _____	_____
12 Patent royalties	12 _____	_____
13 Copyright royalties	13 _____	_____
14 Other royalty income	14 _____	_____
15 Capital gain or loss from real property	15 _____	_____
16 Capital gain or loss from tangible personal property	16 _____	_____
17 Capital gain or loss from intangible personal property	17 _____	_____
18 Other income _____ Specify	18 _____	_____

**Step 4: Figure your beneficiary's share of your business income**  
 (See instructions.)

	<b>A</b> Beneficiary's share from U.S. Schedule K-1, less nonbusiness income	<b>B</b> Nonresident beneficiary's share apportioned to Illinois
19 Interest	19 _____	_____
20 Dividends	20 _____	_____
21 Net short-term capital gain	21 _____	_____
22 Net long-term capital gain. (Total for year)	22 _____	_____
23 Annuities, royalties, and other nonpassive income before directly apportioned deductions	23 _____	_____
24 <b>Directly apportioned deductions</b> — Depreciation, depletion, and amortization	24 _____	_____
25 Total annuities, royalties, and other nonpassive income. Subtract Line 24 from Line 23.	25 _____	_____
26 Trade or business, rental real estate, and other rental income before directly apportioned deductions	26 _____	_____
27 <b>Directly apportioned deductions</b> — Depreciation, depletion, and amortization	27 _____	_____
28 Total trade or business, rental real estate, and other rental income. Subtract Line 27 from Line 26.	28 _____	_____
29 Other income _____ Specify	29 _____	_____



## Step 5: Figure your beneficiary's share of your Illinois additions and subtractions

		<b>A</b>	<b>B</b>
		Beneficiary's share from Form IL-1041	Nonresident beneficiary's share apportioned or allocated to Illinois
<b>Additions</b>			
<b>30</b>	Federally tax-exempt interest income	<b>30</b> _____	_____
<b>31</b>	Illinois income and replacement tax deducted	<b>31</b> _____	_____
<b>32</b>	Other additions _____ Specify	<b>32</b> _____	_____
<b>Subtractions</b>			
<b>33 a</b>	Interest from U.S. Treasury obligations included as business income	<b>33a</b> _____	_____
<b>b</b>	Interest from U.S. Treasury obligations included as nonbusiness income	<b>33b</b> _____	_____
<b>34</b>	Payment from certain retirement plans	<b>34</b> _____	_____
<b>35</b>	Retirement payments to retired partners	<b>35</b> _____	_____
<b>36</b>	Enterprise zone or foreign trade zone (or sub-zone) dividends	<b>36</b> _____	_____
<b>37</b>	Other subtractions (see instructions)		
<b>a</b>	Income exempt from taxation by Illinois by reason of its statutes or Constitution, or the Constitution, treaties, or statutes of the U.S.	<b>37a</b> _____	_____
<b>b</b>	Subtractions from partnerships, S corporations, trusts, or estates	<b>37b</b> _____	_____
<b>c</b>	The expense relating to federal tax-exempt investments	<b>37c</b> _____	_____
<b>d</b>	Amount equal to the deduction used to compute the federal tax credit for restoration of amounts held under claim of right	<b>37d</b> _____	_____
<b>e</b>	Depreciation subtraction (see instructions)	<b>37e</b> _____	_____

## Step 6: Figure your beneficiary's (except a corporate beneficiary) share of your Illinois August 1, 1969, appreciation amounts

		<b>A</b>	<b>B</b>
		Beneficiary's share from Illinois Schedule F (Form IL-1041)	Nonresident beneficiary's share apportioned or allocated to Illinois
<b>38</b>	Section 1245 and 1250 gain	<b>38</b> _____	_____
<b>39</b>	Section 1231 gain	<b>39</b> _____	_____
<b>40</b>	Capital gain	<b>40</b> _____	_____

 Illinois Department of Revenue  
**Schedule K-1-T(1) Trust's or Estate's Instructions**

## General Information

### What is the purpose of Schedule K-1-T?

The purpose of Schedule K-1-T, Beneficiary's Share of Income and Deductions, is for you to supply each individual or entity who was a beneficiary at any time during your tax year with that individual's or entity's share of the amounts you reported on your federal income tax return and your Illinois business income tax return. For Illinois Income Tax purposes, you must give a completed Schedule K-1-T and a copy of the Schedule K-1-T(2), Beneficiary's Instructions, to each beneficiary if any part of your income is paid, credited, distributed, or deemed to have been paid, credited, or distributed by you to that beneficiary. This must be done by the due date, including any extended due date, of your Form IL-1041.

**Do not attach Schedule K-1-T to your Form IL-1041** when you file your return with us. However, you must keep a copy of each Schedule K-1-T available for inspection by our authorized agents and employees.

### What is a resident?

A resident is

- an individual who is present in Illinois for other than a temporary or transitory purpose;
- an individual who is absent from Illinois for a temporary or transitory purpose but who is domiciled in Illinois;
- the estate of a decedent who at his or her death was domiciled in Illinois;
- a trust created by a will of a decedent who at his or her death was domiciled in Illinois; or
- an irrevocable trust, whose grantor was domiciled in Illinois at the time the trust became irrevocable. For purposes of this definition, a trust is irrevocable to the extent that the grantor is not treated as the owner of the trust under Internal Revenue Code, Sections 671 through 678.

### What is a nonresident?

A nonresident is a person who is not a resident, as previously defined. Corporations, S corporations, and partnerships are considered nonresidents for purposes of Schedule K-1-T.

### What is business income?

Business income is income resulting from transactions and activities in the regular course of your trade or business, after any allowable deductions are subtracted. 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.

### When is business income allocable to Illinois?

For a resident of Illinois, all income received, regardless of the source, is allocable to Illinois.

Schedule K-1-T (R-12/02)

For a nonresident of Illinois whose business income is derived

- wholly inside Illinois, the entire amount of business income is allocable to Illinois.
- wholly outside Illinois, none of the business income is allocable to Illinois.
- inside and outside Illinois, Form IL-1041, Schedule NR, Nonresident Computation of Fiduciary Income, Part II, should have been completed. See Schedule NR instructions.
- from S corporations, partnerships and other fiduciaries, the business income may be allocable to Illinois. See the Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, furnished by the S corporation or partnership or the Illinois Schedule K-1-T furnished by the other fiduciary to determine what income is allocable to Illinois.

### What is nonbusiness income?

Nonbusiness income is all income other than business income or compensation. It is income you can clearly classify as having no connection to your business.

### When is nonbusiness income allocable to Illinois?

For a resident of Illinois, all nonbusiness income is allocable to Illinois.

For a nonresident of Illinois, items of income and deduction that constitute nonbusiness income are allocable to Illinois according to the following rules:

- **Interest and dividend income** received by a nonresident individual, trust, or estate is not allocable to Illinois. Interest and dividend income of partnerships or S corporations is allocable to Illinois if the entity's commercial domicile was in Illinois at the time the interest or dividend was paid or accrued.
- **Net rents and royalties**  
**Real property** - Rents and royalties from real property are allocable to Illinois if the property is located in Illinois.  
**Tangible personal property** - Rents and royalties from tangible personal property are allocable to Illinois to the extent that the property is used in Illinois. The extent of use of tangible personal property in a state is determined by multiplying the rents and royalties derived from the property by a fraction, in which the numerator is the number of days of physical location of the property in Illinois during the rental and royalty period in the tax year, and the denominator is the number of days of physical location of the property everywhere during all rental or royalty periods in the tax year.
- **Patent and copyright royalties** are allocable to Illinois to the extent that the patent or copyright is used in Illinois. A **patent** is used in Illinois to the extent that it is employed in production, fabrication, manufacturing, or other processing in Illinois or to the extent that a patented product is produced in Illinois.

A **copyright** is used in Illinois to the extent that printing or other publication originates in Illinois.

- **Gains and losses** from sales or exchanges of real or tangible personal property are in Illinois if the property is located in Illinois at the time of the sale or exchange. Gains or losses from the sale or exchange of intangible personal property are not allocable to Illinois.
- **Income from S corporations, partnerships and other fiduciaries** is allocated to Illinois as if the trust or estate received it directly. See the Illinois Schedule K-1-P furnished by the S corporation or partnership or the Illinois Schedule K-1-T furnished by the fiduciary to determine what income is allocable to Illinois.
- **Illinois State Lottery winnings** are allocable to Illinois.
- **Other unspecified items** of income or deduction of a nonresident individual or fiduciary are not allocable to Illinois. Unspecified items of income or deduction for partnerships or S corporations are allocable to Illinois if the entity's commercial domicile was in Illinois at the time the item was paid or accrued.

## Step-by-Step Instructions

### Step 1: Identify your trust or estate

**Line 1** - Check the appropriate box to identify if you are a trust or an estate.

**Line 2** - Write the name of your trust or estate as shown on your Form IL-1041.

**Line 3** - Write your federal employer identification number (FEIN).

**Line 4** - Write the apportionment factor from Schedule NR, Part II, of your Form IL-1041. If you were not required to complete a Schedule NR, write "1" on this line.

### Step 2: Identify your beneficiary

**Line 5** - Write the name of your beneficiary.

**Line 6** - Write the mailing address of your beneficiary.

**Line 7** - Write the Social Security number or FEIN of your beneficiary.

**Line 8** - Check the appropriate box to identify this beneficiary as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

### Steps 3 through 6 —

**Note:** If you are a beneficiary of another trust or estate, a partner in a partnership, or a shareholder in an S corporation, you need to complete a proforma Schedule K-1-T, that identifies each beneficiary's share of your share of items received from that entity. Write across the top of the proforma Schedule K-1-T "the following information is included in the Schedule K-1-T from \_\_\_\_\_" (the name of your trust or estate.)

**Column A — Beneficiary's share** — If any part of your income was paid, credited, or distributed, or deemed to have been paid, credited, or distributed by you to this beneficiary, you must complete Column A of Steps 3 through 6.

**Column B — Nonresident beneficiary's share** — If this beneficiary was a nonresident of Illinois on the last day of your tax year, you must complete Column B of Steps 3 through 6.

### Step 3: Figure your beneficiary's share of your nonbusiness income

#### Column A - Beneficiary's share

**Lines 9 through 18** - Write this beneficiary's share of items of income, net of deductions, that constitutes nonbusiness income.

#### Column B - Nonresident beneficiary's share

**Lines 9, 10, and 17** - If this beneficiary is a partnership, a corporation, or an S corporation with an Illinois address, write its share of nonbusiness income. Otherwise, write "0."

**Lines 11 through 16, and Line 18** - Write this beneficiary's share of nonbusiness income allocable to Illinois. Identify any amount reported on Line 18 and, if needed, attach a breakdown of that amount.

### Step 4: Figure your beneficiary's share of your business income

**Note:** When completing Lines 19 through 29, be sure to exclude from these amounts any nonbusiness income reported in Step 3.

#### Column A - Beneficiary's share

**Lines 19 through 29** - Write this beneficiary's share of business income identified on these lines. See the information on this beneficiary's federal Schedule K-1 and the amounts written on the lines in Step 3, Column A.

#### Column B - Nonresident beneficiary's share

**Lines 19 through 29** - Write this beneficiary's share of business income apportioned to Illinois by multiplying the amount in Column A by the factor on Step 1, Line 4. Write the result in Column B. Identify any amount reported on Line 29 and, if needed, attach a breakdown of that amount.

### Step 5: Figure your beneficiary's share of Illinois additions and subtractions

#### Column A - Beneficiary's share

**Line 30** - Write this beneficiary's share of the federally tax-exempt interest income reported on your Form IL-1041, Part I, Line 2c.

**Line 31** - Write this beneficiary's share of Illinois income and replacement tax deducted in arriving at federal taxable income and reported on your Form IL-1041, Part I, Line 2b.

**Line 32** - Identify and write this beneficiary's share of each of the "other additions" reported on your Form IL-1041, Line 2d.

**Line 33a** - Write this beneficiary's share of the interest from U.S. government obligations that is included as business income on your Form IL-1041, Part I, Line 4c.

**Line 33b** - Write this beneficiary's share of the interest from U.S. government obligations that is included as nonbusiness income on your Form IL-1041, Part I, Line 4c.

**Line 34** - Write this beneficiary's share of the payment from certain retirement plans reported on your Form IL-1041, Part I, Line 4b.

**Line 35** - Write this beneficiary's share of retirement payments to retired partners reported on your Form IL-1041, Part I, Line 4d.

**Line 36** - Write this beneficiary's share of enterprise zone or foreign trade zone (or sub-zone) dividend subtractions reported on your Form IL-1041, Part I, Line 4e.

**Line 37 - Other subtractions** - Lines 37a through 37e are the "other subtractions" reported on your Form IL-1041, Part I, Line 4f, that are allowed to flow through to your beneficiaries.

**Line 37a** - Write this beneficiary's distributive share of subtractions of any other income included in total income that is exempt from taxation by Illinois, by reason of its statutes or Constitution, or the Constitution, treaties, or statutes of the United States. To the extent this amount includes interest on federal obligations, it is net of any bond premium amortization deducted federally. See Illinois Publication 101, Income Exempt from Tax, for more information.

**Line 37b** - Write this beneficiary's distributive share of subtractions from any partnership, S corporation, trust, or estate from which you received income. Do not include any August 1, 1969, appreciation subtractions here. Those subtractions are passed through to the beneficiary in Step 6.

**Line 37c** - Write this beneficiary's share of expenses for federally tax-exempt investments to the extent that the deduction of these items was disallowed under the Internal Revenue Code (IRC), Sections 171, 265 and 280C.

**Line 37d** - Write this beneficiary's share of 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.

**Line 37e** - Write this beneficiary's share of the "depreciation subtraction" allowed for property placed in service on or after September 10, 2001. See Form IL-4562, Special Depreciation.

#### Column B - Nonresident beneficiary's share

**Lines 30 through 32** - Write this beneficiary's share of business income in Column A apportioned to Illinois by multiplying that amount by the factor on Step 1, Line 4. Allocate the amount of nonbusiness

income in Column A according to the allocation rules. See "When is nonbusiness income allocable to Illinois?" in the General Information for the rules governing the allocation of nonbusiness income. Write the result in Column B.

**Lines 33a through 37e (except 37c)** - For each subtraction of an item of income, write the beneficiary's share of the income that you included in Steps 3, 4, or 5, Lines 9 through 32, Column B, of this Schedule K-1-T.

**Line 37c** - Write the amount of expenses attributable to an item of income included in Steps 3, 4, or 5, Lines 9 through 32, Column B, of this Schedule K-1-T. For example, in the case of expenses of holding federally tax-exempt interest disallowed as a deduction under IRC, Section 171, write the amount of those expenses included in Line 37c, Column A, multiplied by a fraction equal to the amount on Line 30, Column B, divided by the amount on Line 30, Column A.

### Step 6: Figure your beneficiary's (except a corporate beneficiary) share of your Illinois August 1, 1969, appreciation amounts

If you reported a gain on the disposition of property acquired before August 1, 1969, this gain may be reduced by the August 1, 1969, appreciation amount. See Schedule F, Gains from Sales or Exchanges of Property Acquired Before August 1, 1969, (Form IL-1041) for detailed instructions and information necessary to complete Lines 38 through 40.

#### Column A - Beneficiary's share

**Line 38** - Write this beneficiary's share of the August 1, 1969, appreciation amount for Sections 1245 and 1250 gains reported on your Form IL-1041, Schedule F, Line 7, Column 2.

**Line 39** - Write this beneficiary's share of the August 1, 1969, appreciation amount for Section 1231 gain reported on your Form IL-1041, Schedule F, Line 8, Column 2.

**Line 40** - Write this beneficiary's share of the August 1, 1969, appreciation amount for capital gain reported on your Form IL-1041, Schedule F, Line 9, Column 2.

#### Column B - Nonresident beneficiary's share

**Lines 38 through 40** - Write this beneficiary's share of the August 1, 1969, appreciation amounts that are allocated or apportioned to Illinois.

If these appreciation amounts result from a gain on the disposition of nonbusiness property located in Illinois, allocate them to Illinois. See "When is nonbusiness income allocable to Illinois?" in the General Information for the rules governing the allocation of nonbusiness income.

If these appreciation amounts result from gain on the disposition of business property, apportion them to Illinois by multiplying the amount on Lines 38 through 40, Column A, by the factor on Step 1, Line 4. Write the result in Column B.