



Schedule 1299-A Instructions

General Information

Complete this schedule if you are filing Form IL-1065 or Form IL-1120-ST and are entitled to the following subtractions:

- Dividends from enterprise zones
- Dividends from foreign trade zones (or sub-zones)
- Contribution to a zone organization (Form IL-1120-ST filers only)
- Interest income from a loan (Form IL-1120-ST financial organizations only)

or the following credits:

- Enterprise Zone Investment Credit
- Training Expense Credit
- Research and Development Credit
- Economic Development for a Growing Economy (EDGE) Credit
- Tax Credit for Affordable Housing Donations

Note → See Illinois Schedule 1299-S, Enterprise Zones, Foreign Trade Zones, and Sub-Zones, for a listing of these zones in Illinois, as well as their definitions.

Step 1: Figure your subtractions

Enterprise Zone or Foreign Trade Zone (or sub-zone) Dividend Subtraction

You may claim a subtraction for dividends you received from a corporation that

- conducts substantially all of its business operations in an Illinois enterprise zone or zones, or
- is designated by the Department of Commerce and Community Affairs (DCCA) as a "High Impact Business" and conducts business operations in a federally designated foreign trade zone (or sub-zone) located in Illinois.

Line 1

Column A – Write the name of the corporation from which you received dividends.

Column B – Write the name of the enterprise or foreign trade zone (or sub-zone) in which the corporation is located.

Column C – Write the amount of dividends you received from the corporation.

Note → You may deduct 100 percent of these dividends if they are included in your Illinois base income. However, dividends eligible for the enterprise zone subtraction are not eligible for the foreign trade zone (or sub-zone) subtraction.

Line 2 – Add the amounts in Column C, Lines 1a through 1c. Write the total amount here and on your Form IL-1065, Part I, Line 5e, or Form IL-1120-ST, Part I, Line 5b. This is your *Enterprise Zone or Foreign Trade Zone (or sub-zone) Dividend subtraction*.

Contribution Subtraction - Form IL-1120-ST filers only

You may deduct twice the amount of any contribution made during your tax year to a designated zone organization to be used for an enterprise zone project approved by DCCA, provided that the contribution qualifies as a charitable contribution under Internal Revenue Code (IRC), Section 170(c).

Line 3

Column A – Write the name of the enterprise zone that is the site of the project for which the contribution was made.

Column B – Write the name of the designated zone organization to which the contribution was made.

Column C – Write the amount of contribution.

Column D – Multiply each entry in Column C by 2.

Line 4 – Add Column D, Lines 3a through 3c. Write the total amount here and on your Form IL-1120-ST, Part I, Line 5b. This is your *contribution subtraction*.

Interest Subtraction - Form IL-1120-ST financial organizations only

If you are a **financial organization**, as defined in the Illinois Income Tax Act (IITA), Section 1501(a)(8), you may subtract any interest income received during the tax year from a loan made to a borrower, to the extent the loan is secured by qualified property that is eligible for the enterprise zone or high impact business investment credit.

Line 5

Column A – Write the name of the borrower eligible to claim the enterprise zone or high impact business investment credit on its Illinois return.

Column B – Write a description of each item of qualified property used to secure the loan.

Column C – Write the year the borrower claimed or will claim the credit on the qualified property.

Column D – Write the name of the foreign trade zone (or sub-zone), if applicable, or enterprise zone in which the property used as security is located.

Column E – Write the basis of each item of property listed in Column B, used to compute the depreciation deduction for federal income tax purposes.

Column F – Write the amount of the loan.

Column G – Write the interest received for the loan during the tax year.

Column H – Divide each entry in Column E by Column F (cannot exceed one), and multiply the result by Column G.

Line 6 – Add Column H, Lines 5a through 5c. Write the total here and on your Form IL-1120-ST, Part I, Line 5b. This is your *interest subtraction*.

Step 2: Figure your credits

Enterprise Zone Investment Credit

You may take this credit if you

- placed qualified property in service in an Illinois enterprise zone within the tax year,
- placed it in service on or after the date the zone was officially designated as an enterprise zone, and
- continued to use the qualified property on the last day of your tax year.

Definitions

“Qualified property” is property that

- is tangible;
- is depreciable according to IRC, Section 167;
- has a useful life of four or more years as of the date placed in service in Illinois; and
- is acquired by purchase as defined in IRC, Section 179(d).

Qualified property can be new or used but does not qualify for the Enterprise Zone Investment Credit if it was previously used in Illinois in a manner that qualified for that credit or for the Replacement Tax Investment Credit on Form IL-477. Such property includes buildings, structural components of buildings, and signs that are real property. It does not include land or improvements to real property that are not a structural component of a building, such as landscaping, sewer lines, local access roads, fencing, parking lots, and other appurtenances.

Any improvement or addition made on or after the date the enterprise zone was designated or the business was designated as a high impact business is considered to be qualified property to the extent that the improvement or addition is of a capital nature, which increases the adjusted basis of the property previously placed in service in Illinois and otherwise meets the requirements of qualified property.

Line 7

Column A – Describe each item of qualified property you placed in service in an Illinois enterprise zone.

Column B – Write the date, including the month and year, each item of qualified property was placed in service in Illinois. An item is placed in service on the earlier of

- the date the item is placed in a condition or state of readiness and availability for its specifically assigned function, or
- the date the depreciation period of the item begins. (Generally, this will be the same date the item is placed in service for purposes of the federal depreciation deduction.)

Note → The date placed in service in Illinois must be written in Column B or your basis in Column F will be reduced to zero.

Column C – If you are using the federal accelerated cost recovery system (ACRS) to depreciate the property, write the ACRS class assigned to each item of qualified property. Property assigned to an ACRS class of less than four years is not qualified.

If you are not using the ACRS method to depreciate the property, write the useful life assigned to the property for federal depreciation purposes. The useful life of the property when placed in service must be four or more years to qualify.

Column D – Indicate whether each item of qualified property is new or used. If the property was previously used, write the abbreviation of the state where the property was located.

Column E – Write the name of the enterprise zone in which the property is used.

Column F – For each item of property, write the basis used to figure the depreciation deduction for federal income tax purposes. If you used the property prior to placing it in service in Illinois or in an Illinois enterprise zone, write the adjusted basis as of the date you placed it in service in Illinois or in an Illinois enterprise zone.

Column G – Multiply each entry by .5 percent (.005), and write the result.

Line 8 – Write the distributive share of enterprise zone investment credit distributed to you from other partnerships and S corporations.

Line 9 – Add the amounts in Column G, Lines 7a through 7c, and Line 8. Write the result here and write each owner's share on Schedule K-1-P, Step 7, Line 43b. This is your *Enterprise Zone Investment Credit*.

Training Expense Credit

You may take this credit if

- you paid for educational or vocational training in semi-technical or technical fields, or semi-skilled or skilled fields to provide educational, technical, or vocational training to an employee; and
- this employee was employed in Illinois or was an Illinois resident employed outside Illinois.

Line 10 – Write the total amount of training expenses that you paid or that were accrued for the tax year on the line provided.

Multiply this amount by 1.6 percent (.016), and write the result.

Line 11 – Write any distributive share of training expense credit that was distributed to you from other partnerships and S corporations.

Line 12 – Add the amounts on Lines 10 and 11. Write the result here and write each owner's share on Schedule K-1-P, Step 7, Line 43c. This is your *Training Expense Credit*.

Research and Development Credit

You may take this credit if

- you have certain qualifying expenses for increasing qualified research activities in Illinois.

You may not take this credit for the following types of activities:

- research conducted after the beginning of commercial production;
- research adapting an existing product or process to a particular customer's need;
- duplication of an existing product or process;
- surveys or studies;
- research relating to certain internal-use computer software;
- research conducted outside Illinois;
- research in the social sciences, arts, or humanities; or
- research funded by another person (or governmental entity).

Definitions

“Qualifying expenses” are amounts you paid or incurred during the tax year for qualified research expenses and certain payments to qualified organizations for basic research in Illinois. Expenses and basic research payments must be directly related to your trade or business and are limited by IRC, Section 41.

“Qualifying expenses for increasing research activities in Illinois” are the excess of qualifying expenses incurred for the current tax year over qualifying expenses incurred for the base period.

“Base period” is the **three** tax periods immediately preceding the determination year.

“Qualified research” is research or experimental activities that create or improve a function, performance, reliability, or quality. Research must be performed in Illinois and be of a technical nature and be intended to be useful in the development of a new or improved business component held for sale, lease, license, or use by you in your business.

Lines 13 through 16

Follow the instructions on the form for the amount to write in Column A and Column B.

Column A – Write the average of the base period qualified expenses resulting from activities that were conducted in the **state of Illinois** and were included in the comparable lines on U.S. Form 6765, **either** Part 1, Section A, Line 1, and Lines 4 through 7, or Part 1, Section B, Line 17, and Lines 21 through 24.

Column B – Write the current year qualified expenses resulting from activities that were conducted in the **state of Illinois** and were included in the comparable lines on U.S. Form 6765, **either** Part 1, Section A, Line 1, and Lines 4 through 7, or Part 1, Section B, Line 17, and Lines 21 through 24.

If you were **not** doing business in Illinois during one or more of the tax years included in the base period, use “0” as the factor for that tax year when computing the average base period qualified expenses.

Note → If you were doing business in Illinois for less than an entire year during any tax year in the base period, the qualifying expenses (Lines 13 through 17) must be annualized as follows:

qualified expenses X 365 ÷ number of days taxable by Illinois

Line 17 – Corporations only: Write the total amount of research payments made to qualified organizations following the directions for Columns A and B.

Lines 18 and 19 – Following the instructions on the form.

Line 20 – Multiply Line 19 by 6.5 percent (.065), and write the result.

Line 21 – Write the distributive share of research and development credit distributed to you from other partnerships and S corporations.

Line 22 – Add the amounts on Lines 20 and 21. Write the result here and write each owner's share on Schedule K-1-P, Step 7, Line 43d. This is your *Research and Development Credit*.

Economic Development for a Growing Economy (EDGE) Tax Credit

You may take this credit if

- you have entered into an agreement with DCCA, either under the Economic Development for a Growing Economy Tax Credit Act or the Corporate Headquarters Relocation Act;
- you meet the conditions stated in your agreement with DCCA;
- your business is engaged in interstate or intrastate commerce; and
- your tax year **began on or after** January 1, 1999.

The EDGE credit

- cannot exceed the incremental income tax, which is the total amount withheld during the tax year from the compensation of new employees who are employed at a project that is the subject of the agreement.
- amount allowed during the tax year, plus the total of all amounts allowed in prior years, cannot exceed 100 percent of the total amount spent on approved costs (defined in the agreement) by the taxpayer during all prior tax years.
- is determined on an annual basis.
- cannot exceed the amount of income tax for the tax year.
- may be applied against income tax in no more than 10 tax years for businesses that qualify under the Economic Development for a Growing Economy Tax Credit Act.
- may be applied against income tax in more than 10 tax years, but no more than 15 tax years for businesses that qualify under the Corporate Headquarters Relocation Act, have undertaken a qualifying project within the time frame specified by DCCA, and apply no more than 60 percent of the maximum credit per year.



Attach You must attach a copy of the certificate of verification you received from the director of DCCA or a copy of your agreement with DCCA.

For more information regarding the EDGE Program, applications, and tax credit, you may call DCCA at 1 800 252-2923 or write to Illinois Department of Commerce and Community Affairs, First Stop Business Information Center of Illinois, 620 East Adams, Third Floor, Springfield, Illinois 62701.

Lines 23 and 24 – Follow the instructions on the form.

Line 25 – Add the amounts on Lines 23 and 24. Write the result here and write each owner's share on Schedule K-1-P, Step 7, Line 43g. This is your *Economic Development for a Growing Economy (EDGE) Tax Credit*.

Tax Credit for Affordable Housing Donations

You may take this credit if you

- have made a donation under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in Illinois, and
- made the donation in a tax year **ending on or after** December 31, 2001.

You may also take this credit if it was transferred to you under IITA, Section 214(c).



Attach You must attach a copy of proof of the credit issued by the Illinois Housing Development Authority or the city of Chicago.

Line 26 – Write the total amount of your donation to eligible sponsors on the line provided.

Multiply this amount by 50 percent (.50) and write the result.

Line 27 – Write any distributive share of tax credit for affordable housing donations that was distributed to you from other partnerships and S corporations.

Line 28 – Add the amounts on Lines 26 and 27. Write the result here and write each owner's share on Schedule K-1-P, Step 7, Line 43h. This is your *Tax Credit for Affordable Housing Donations*.



