Illinois Department of Revenue

IL-2220 Instructions

2003

General Information

What is the purpose of this form?

The purpose of this form is to calculate penalties you may owe if you did not

- make timely estimated payments,
- pay the tax you owe by the original due date, or
- file a processable return by the extended due date.

What is late-payment penalty?

Late-payment penalty is a penalty assessed for failure to pay the tax you owe by the due date. This penalty could result from two different underpayment situations and is assessed at increased rates, based on the number of days the payment is late. This method of figuring penalties is for returns due **on or after January 1, 2003.**

For returns due before January 1, 2003, see Publication 103, Uniform Penalties and Interest.

You will be assessed **late-payment penalty for unpaid tax** if you do not pay the total tax you owe by the original due date of the return. An extension of time to file does not extend the amount of time you have to make your payment.

You will be assessed **late-payment penalty for underpayment of estimated tax** if you were required to make estimated tax payments and failed to do so, or failed to pay the required amount by the payment due date.

You **do not** owe the late-payment penalty for underpayment of estimated taxes if

- you are not filing Form IL-1120;
- you were not required to file Form IL-1120 for 2002; or
- your 2003 net tax liability (Form IL-1120, Part II, Line 3) is $400 or less.

What is late-filing or nonfiling penalty?

Late-filing or nonfiling penalty is a penalty assessed for failure to file a processable return by the extended due date. The penalty is the lesser of $250 or 2 percent of the tax amount required to be shown due on your return, reduced by any payments made by the original

due date and any credits allowed on your return.

An additional penalty will be assessed if you do not file a processable return within 30 days of the date we notify you that we are not able to process your return. This additional penalty is equal to the greater of $250 or 2 percent of the tax shown due on your return, determined **without** regard to payments and credits, and may be assessed up to a maximum of $5,000.

Do I need to complete this form if I owe penalties?

No, you do not need to complete this form if you owe penalties. You may choose to have us figure your penalties and send you a bill instead of completing and filing this form yourself. If you choose to have us figure your penalties, complete your return as usual and do not attach Form IL-2220. However, you must complete this form if you are using the annualized income installment method for late-payment penalty for underpayment of estimated tax in Step 6.

If you prefer to calculate your penalties, complete this form. For more information, see Publication 103. To receive a copy of this publication,

- visit our Web site at **ww.ILtax.com**;
- call our Illinois Tax Fax at **217 785-3400**;
- call our 24-hour Forms Order Line at **1 800 356-6302**; or
- call our TDD (telecommunications device for the deaf) at **800 544-5304**.

Specific Instructions

Step 1: Complete the following information

Lines 1 through 4 — Follow the instructions on the form.

Step 2: Figure your required installments (Form IL-1120 filers only)

Line 5 — Write in Column A the total net income and replacement tax written on your 2003 Form IL-1120, Part II, Line 3. Write in Column B the total net income and replacement tax written on your 2002 Form IL-1120, Part II, Line 3.

If the preceding year's return was for a short tax year, or you reported zero total net tax, write "N/A" in Column B.

Note → For Columns A and B, if a corrected return was filed for either year on or before the automatic extension date, the corrected tax should be used. If an amended return was filed after the automatic extension date for either year, use the most current tax reported **prior** to that date.

Line 6 — Follow the instructions on the form.

Line 7 — If Column A, Line 5 is $400 or less, write "0" and go to Step 3. Otherwise, write the lesser of Column A, Line 6, or Column B, Line 5. **If you wrote "N/A" in Column B, write the amount from Column A, Line 6.**

Lines 8 and 9 — Follow the instructions on the form.

Line 10 — Write the amount of your required installment for each due date. For most taxpayers, this is the amount shown on Line 8. However, if you are annualizing your income, write the amounts from Step 6, Line 47.

Note → **Annualized income installment method:** If your income was **not** received evenly throughout the year, you may be able to lower or eliminate the amount of your required installment by using the annualized income installment method in Step 6.

If you choose to annualize your income in Step 6, you must use this method for all installments. When completing the worksheet, select the lesser of the annualized income installment or the regular installment to arrive at the amount of each required installment.

Line 11 —

Quarter 1 — Write the amount of credit carried forward from the prior year.

Line 12 —

Quarter 1 — Subtract Line 11 from Line 10 and write that amount here. If this amount is negative, use brackets.

Quarters 2 through 4 — Write the amount from Line 10.

Lines 13 and 14 — Complete Lines 13 and 14 of each quarter before proceeding to the next quarter. Follow the instructions on the form.

Step 3: Figure your unpaid tax

Line 15 — Write your total net income and replacement tax from:
- Form IL-1120, Part II, Line 3;
- Form IL-1120-ST, Part II, Line 5;
- Form IL-1065, Part II, Line 9;
- Form IL-1041, Part II, Line 3;
- Form IL-1023-C, Part III, Line 9; or
- Form IL-990-T, Part IV, Line 6.

Line 16a and 16b — Follow the instructions on the form.

Line 17a — Write the amount and the date of your Form IL-505-B payment, made **on or before** your original due date.

Line 17b — Write the amount and the date of any other payment you made **on or before** your original due date.

Add Lines 17a and 17b.

Line 18 — Add Lines 16 and 17.

Line 19 — Subtract Line 18 from Line 15. If the amount is

- **positive**, write the amount here. You owe a late-payment penalty for unpaid tax. Continue to Step 4 and write this amount in Penalty Worksheet 1, Column C.

- **zero or negative**, write the amount here and, if negative, use brackets. You do not owe a late-payment penalty for unpaid tax. Continue to Step 4, skip Penalty Worksheet 1, and go to Penalty Worksheet 2.

Note → If this amount is negative, you may apply this overpayment if you have an underpayment when figuring your Penalty Worksheet 2. See the instructions for Penalty Worksheet 2, Column D.

Step 4: Figure your late-payment penalty

Use Penalty Worksheet 1 to figure your late-payment penalty for unpaid tax.

Use Penalty Worksheet 2 to figure your late-payment penalty for underpayment of estimated tax.

Note → You **must** follow the instructions in order to properly complete the penalty worksheets.

Penalty Worksheet 1 — Late-payment penalty for unpaid tax

Line 20 — Write the amount and the date of any payments you made after your original due date. List the payments in date order. If you need to list more than two, write them next to Lines 20a and 20b.

Line 21 — Follow the instructions on the form.

Column C — Write the amount from Line 19.

Column D — Apply the payment from Line 20 with the earliest date.

Continue applying payments in date order until the unpaid amount in Column C has been satisfied (Column E is zero or an overpayment).

If you have no more payments to apply and Column C remains unpaid, write "0" in Column D and complete Columns E through I.

Note → See the example on Page 4.

Column E — Subtract the payment in Column D from the unpaid amount in Column C.

If this amount is

- **positive**, complete Columns F through I. Write this positive (unpaid) amount on the next line in Column C. Continue applying payments in date order until the unpaid amount in Column C has been satisfied (Column E is an overpayment, zero, or you wrote "0" in Column D).

- **zero or negative**, you have paid your tax. Write the amount here and, if negative, use brackets. Complete columns F through I.

Note → If this amount is negative, you may apply this overpayment if you have an underpayment when figuring your Penalty Worksheet 2. See the instructions for Penalty Worksheet 2, Column D.

If you wrote "0" in Column D, write the amount from Column C here, and complete Columns F through I.

Column F — Write the date the payment in Column D was made. If Column D is "0," do not write a date and skip to Column H.

Column G — Figure the number of days from the date in Column B to the date in Column F and write that number here. This is the number of days the payment was late.

Column H — Write the penalty rate that applies to the number of days you wrote in Column G. See the penalty rates listed at the top of Page 2 of the form, below the note.

If Column D is "0," write 20 percent (.20).

Column I — Figure this amount using the **payment portion** in either Column C or Column D.

If Column D is "0" or if Column E is "0" or an "overpayment," multiply **Column C** by Column H. Otherwise, multiply **Column D** by Column H and write the amount here.

Line 22 — Add Column I. This is your **late-payment penalty for unpaid tax.** Write the amount here and on Line 29a.

Penalty Worksheet 2 — Late-payment penalty for underpayment of estimated tax

If the amount on Line 14 is a positive number (greater than zero) for any quarter, you may owe a **late payment penalty for underpayment of estimated tax**. Use this worksheet to figure the penalty for any unpaid quarter.

Note → If you paid the required amount from Line 14 by the due date on Line 9 for each quarter, do not complete Penalty Worksheet 2.

Line 23 — Write the amount and the date of each estimated tax payment you made during the year. List the payments in date order. **Do not include** any payments already written on Lines 17 or 20.

Note → If you did not complete Penalty Worksheet 1, write any payment made after your due date on Line 23. Apply this payment to any amount in Column C that is unpaid after applying any overpayment from Line 19.

Line 24 — Follow the instructions on the form.

Column C — Write the underpaid amount from Line 14 on the first line of the appropriate quarter. Do not write any overpaid amounts in this column.

Column D — Apply to the first unpaid quarter, the estimated tax payment (from Line 23) with the earliest payment date.

Continue applying estimated tax payments in date order until all unpaid amounts in Column C have been satisfied (Column E is zero or an overpayment for all unpaid quarters) or you have no more estimated tax payments to apply.

Note → See the example on Page 4.

If you have applied all of your estimated tax payments and Column C remains unpaid for any quarter, you may apply

- any overpayment from Line 19, or
- any overpayment from Penalty Worksheet 1, Column E.

If you have applied all of your payments and overpayments and you still have an unpaid amount in Column C, write "0" here.

Complete Columns E through I.

Column E — Subtract the payment in Column D from the unpaid amount in Column C.

If this amount is

- **positive**, complete Columns F through I. Write this positive (unpaid) amount on the next line in Column C. Continue applying payments in date order until Column E is an overpayment, zero, or you have written "0" in Column D.

- **zero or negative**, you have paid this quarter. Write the amount here and, if negative, use brackets. Complete Columns F through I. Apply any negative (overpayment) amount in Column E to the next underpaid quarter.

If you wrote "0" in Column D, write the amount from Column C here, and complete Columns F through I.

Column F — Write the date of the estimated income tax payment you applied in Column D as shown on Line 23. If

- you are applying an overpayment from Line 19, write the date that corresponds to that payment, shown on either Line 17a or 17b.

- you are applying an overpayment from Penalty Worksheet 1, Column E, write the date that corresponds to that payment, shown on either Line 20a or 20b.

- Column D is "0," do not write a date in Column F and skip to Column H.

Column G — Figure the number of days from the date in Column B to the date in Column F and write that number here. This is the number of days the payment was late.

Column H — Write the penalty rate that applies to the number of days you wrote in Column G. See the penalty rates listed at the top of Page 2 of the form, below the note.

If Column D is "0," write 20 percent (.20).

Column I — Figure this amount using the **payment portion** in either Column C or Column D.

If Column D is "0" or if Column E is "0" or an "overpayment," multiply **Column C** by Column H. Otherwise, multiply

Column D by Column H and write the amount here.

Line 25 — Add Column I, Quarters 1 through 4. This is your **late-payment penalty for underpayment of estimated tax.** Write the total amount here and on Line 29b.

Step 5: Figure your late-filing penalty and your total penalties

Complete Lines 26 through 28 to figure your late-filing penalty **only** if

- you are filing your return after your extended due date; and

- your tax was not paid by the original due date.

Otherwise, you do not owe a late-filing penalty.

Line 26 — Write the amount of tax due from your annual return. Your tax due is tax minus any timely payments and credits.

Lines 27 and 28 — Follow the instructions on the form.

Line 29a — Write your late-payment penalty for unpaid tax from Line 22.

Line 29b — Write your late-payment penalty for underpayment of estimated tax from Line 25.

Line 29 — Add Lines 29a and 29b.

Line 30 — Add Lines 28 and 29. Write "penalty" and this amount to the left of the tax due line on your annual return. Include this penalty amount in your payment. If you are overpaid, your refund or credit to your 2004 estimated tax will be reduced by this amount.

Step 6: Complete the annualization worksheet for Step 2, Line 10

You should complete this worksheet if your income was **not** received evenly throughout the year, and you choose to annualize your income. If you complete this worksheet, check the box on Form IL-1120, Part II, under Line 7, and attach this form to your return.

Complete Column A, Lines 31 through 47 before going to the next column.

Line 31 — In Columns B through D, calculate and write the **net** income that would have been shown on Form IL-1120, Part IV, Line 3, if you had completed a 2003 Form IL-1120 for the first three months, the first six months, and the first nine months of the tax year.

≡Note→ Net income from Form IL-1120, Part IV, Line 3 , is base income after apportionment and Illinois net loss deduction.

Line 33 — Follow the instructions on the form.

Line 34 — In Columns A through D, calculate and write the **net** income that would have been shown on Form IL-1120, Part IV, Line 3, if you had completed a 2003 Form IL-1120 for the first three months, the first five months, the first eight months, and the first eleven months of the tax year.

Lines 36 through 37 — Follow the instructions on the form.

Line 38 — Using Line 37, calculate and write in each column the total net income and replacement tax that would have been shown on Form IL-1120, Part II, Line 3, if you had completed a 2003 Form IL-1120 for each period.

≡Note→ Your total net income and replacement tax from Form IL-1120, Part II, Line 3, is tax after recapture and all appropriate credits. (Refer to Form IL-1120, Parts IV and V.)

Lines 40 through 47 — Follow the instructions on the form.

Example

ABC Corporation's total Illinois income and replacement tax is $1,875, as shown on their 12/2003 Form IL-1120, Part II, Line 3. The 2002 tax was $2,600. The corporation filed their IL-1120 on September 1, 2004, and paid $300 with the return.

The corporation made the following estimated payments:

$100	4-15-03	$750	9-12-03
$200	6-16-03	$250	12-19-03

Step 3: Figure your unpaid tax

15	Write the amount from Column A, Line 5.	15 __1,875__
16	Add your credit carried forward from the prior year and your total estimated tax payments made this year. Compare that total to **either** the amount written on Line 7, or, **if you annualized**, the total of Line 10. Quarters 1 through 4, and write the **greater** amount here.	16 __1,688__
17	Write other payments made **on or before** your original due date.	
	a Write the amount and the date of your Form IL-505-B. **17a** _____ __/__/__	
	b Write the amount and the date of any other payment. **17b** _____ __/__/__	
	Add Lines 17a and 17b.	17 __0__
18	Add Lines 16 and 17.	18 __1,688__
19	Subtract Line 18 from Line 15. If this amount is	
	—**positive**, write that amount here. Continue to Step 4 and write this amount in Penalty Worksheet 1, Column C.	
	—**zero or negative,** write that amount here and, if negative, use brackets. Continue to Step 4, skip Penalty Worksheet 1, and go to Penalty Worksheet 2. You may apply this overpayment to any underpayment when figuring your Penalty Worksheet 2. See instructions.	19 __187__

Step 4: Figure your late-payment penalty

Use Penalty Worksheet 1 to figure your late-payment penalty for unpaid tax.
Use Penalty Worksheet 2 to figure your late-payment penalty for underpayment of estimated tax.

≡Note→ You **must** follow the instructions in order to properly complete the penalty worksheets.

Penalty rates

Number of days late	Penalty rate	Number of days late	Penalty rate
1 - 30	.02	91 - 180	.15
31 - 90	.10	181 or more	.20

Penalty Worksheet 1 — Late-payment penalty for unpaid tax

20 Write the amount and the date of any payment you made **after** your original due date. See instructions

	Amount	Date paid
a	300	09/01/2004
b	_____	__/__/__

21 Write the amount from Line 19, on the first line of Column C below.

A Period	B Due date	C Unpaid amount	D Payment applied	E Balance due (Col. C - Col. D)	F Payment date	G No of days late	H Penalty rate (see above)	I Penalty
Return	03/15/2004	187	300	(113)	09/01/2004	170	.15	28.05
					__/__/__			
					__/__/__			

Calculations

← (187 x .15 = 28.05)

22 Add Column I. This is your **late-payment penalty for unpaid tax.** Write the total amount here and on Line 29a. **22 __28.05__**

≡Note→ You may apply any remaining overpayment in Column E above, to any underpayment when figuring Penalty Worksheet 2.

Penalty Worksheet 2 — Late-payment penalty for underpayment of estimated tax

23 Write the amount and the date of each estimated income tax payment you made. See instructions.

Estimated income tax payments

	Amount	Date paid		Amount	Date paid		Amount	Date paid
a	100	04/15/2003	c	750	09/12/2003	e	_____	__/__/__
b	200	06/16/2003	d	250	12/19/2003	f	_____	__/__/__

24 Write the unpaid amounts from Line 14, Quarters 1 through 4, on the first line of the appropriate quarters in Column C below.

A Period	B Due date	C Unpaid amount	D Payment applied	E Balance due (Col. C - Col. D)	F Payment date	G No of days late	H Penalty rate (see above)	I Penalty	Calculations
Qtr. 1	04/15/2003	422	100	322	04/15/2003	0			
		322	200	122	06/16/2003	62	.10	20.00	← (200 x .10 = 20.00)
		122	750	(628)	09/12/2003	150	.15	18.30	← (122 x .15 = 18.30)
Qtr. 2	06/16/2003	422	628	(206)	09/12/2003	88	.10	42.20	← (422 x .10 = 42.20)
					__/__/__				
					__/__/__				
Qtr. 3	09/15/2003	422	206	216	09/12/2003	0			
		216	250	(34)	12/19/2003	95	.15	32.40	← (216 x .15 = 32.40)
					__/__/__				
Qtr. 4	12/15/2003	422	34	388	12/19/2003	4	.02	.68	← (34 x .02 = .68)
		388	113	275	09/01/2004	261	.20	22.60	← (113 x .20 = 22.60)
		275	0	275	__/__/__		.20	55.00	← (275 x .20 = 55.00)

25 Add Column I, Quarters 1 through 4. This is your **late-payment penalty for underpayment of estimated tax.** Write the total amount here and on Line 29b. **25 __191.18__**