



# 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 secured by enterprise zone or high impact business property (Form IL-1120-ST financial organizations only)

or the following **credits**:

- Film Production Services Tax Credit
- Enterprise Zone Investment Credit
- Economic Development for a Growing Economy (EDGE) Credit
- Tax Credit for Affordable Housing Donations
- Research and Development Credit
- Transportation Employee Tax Credit

**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 of 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.

**Note** You may deduct any portion of these dividends that is included in your Illinois base income. Do not include any dividends from High Impact Businesses operating in a foreign trade zone (or sub-zone).

**Line 1 — Column A** — Write the name of the corporation from which you received dividends.

**Column B** — Write the name of the enterprise zone in which the corporation is located.

**Column C** — Write the amount of dividends you received from the corporation and included in your base income.

**Line 2** — Add Columns 1a through 1c.

- **IL-1065 filers:** Write the total here and on Step 2, Line 11.
- **IL-1120-ST filers:** Write this total here and on Step 2, Line 14

### High Impact Business within a Foreign Trade Zone (or sub-zone) Subtraction

You may claim a subtraction for dividends you received from a corporation that is designated by the Department of Commerce and Economic Opportunity (DCEO) as a “High Impact Business” and conducts business operations in a federally designated foreign trade zone (or sub-zone) located in Illinois.

**Note** You may deduct any portion of these dividends that is included in your Illinois base income. Do not include any dividends from a corporation conducting the majority of its business in an enterprise zone.

**Line 3 — Column A** — Write the name of the corporation from which you received dividends.

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

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

**Line 4** — Add Column 3a through 3c.

- **IL-1065 filers:** Write this total here and on Step 2, Line 12.
- **IL-1120-ST filers:** Write this amount here and on Step 2, Line 15.

### 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 DCEO, provided that the contribution qualifies as a charitable contribution under Internal Revenue Code (IRC), Section 170(c).

**Line 5**

**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 6** — Add Column D, Lines 5a through 5c. Write the total amount here and on Step 2, Line 16. 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.

#### Enterprise Zones

**Line 7 — Column A** — Write the name of the borrower eligible to claim the enterprise zone investment credit.

**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 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 that was 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 year.

**Column H** — Divide each entry in Column E by Column F (cannot exceed “1”), and multiply the result by Column G.

**Line 8** — Add Column H, Lines 7a through 7c. Write the total here and Step 2, Line 19.

#### High Impact Business within a Foreign Trade Zone (or sub-zone) (Form IL-1120 financial organizations only)

Complete this section in the same manner as Lines 7 and 8, **except**:

**Line 9 — Column A** — Write the name of the borrower eligible to claim the High Impact Business Investment Credit.

**Column D** — Write the name of the foreign trade zone (or sub-zone) in which the property used as security is located.

**Line 10** — Add Column H, Lines 9a through 9c. Write the total here and on Step 2, Line 20. This is your *High Impact Business within a Foreign Trade Zone (or sub-zone) Interest Subtraction*.

## Step 2: Figure your total subtraction allowance

### Form IL-1065 filers only:

**Line 11** – Write the amount from Step 1, Line 2, here. Write any portion of this amount that will be distributed to a partner on Schedule K-1-P, Step 5, Line 36a.

**Line 12** – Write the amount from Step 1, Line 4 here. Write any portion of this amount that will be distributed to a partner on Schedule K-1-P, Step 5, Line 36b.

**Line 13** – Add Lines 11 and 12. Write the total here, and on Form IL-1065, Part I, Line 5e.

### Form IL-1120-ST filers only:

**Line 14** – Write the amount from Step 1, Line 2, here. Write any portion of this amount that will be distributed to a shareholder on Schedule K-1-P, Step 5, Line 36a.

**Line 15** – Write the amount from Step 1, Line 4, here. Write any portion of this amount that will be distributed to a shareholder on Schedule K-1-P, Step 5, Line 36b.

**Line 16** – Write the amount from Step 1, Line 6, here. Write any portion of this amount that will be distributed to a shareholder on Schedule K-1-P, Step 5, Line 36c.

**Lines 17 and 18** – Follow the instructions on the form.

**Line 19** – Write the amount from Step 1, Line 8, here. Write any portion of this amount that will be distributed to a shareholder on Schedule K-1-P, Step 5, Line 36d.

**Line 20** – Write the amount from Step 1, Line 10, here. Write any portion of the amount that will be distributed to a shareholder on Schedule K-1-P, Step 5, 36e.

**Line 21** – Add Lines 18 through 20 and write the total here and on your Form IL-1120-ST, Part I, Line 5b. This is your total subtraction allowance.

## Step 3: Figure your credits

### Film Production Services Tax Credit


For tax years beginning **on or after January 1, 2004**, businesses in the film industry may be able to take a tax credit.

To qualify for this credit you must have applied for and received a Tax Credit Certificate from DCEO. Contact DCEO for more information.

**Line 22a** – Write the amount of credit from the tax credit certificate you received from DCEO.

**Line 22b** – Write the distributive share of the Film Production Services tax credit you received from other partnerships or S corporation.

**Line 22c** – Add Lines 22a and 22b. This is the amount of credit you may distribute to your partners or shareholders. Write each partner's or shareholder's share on Schedule K-1-P, Step 7, Line 43a.

 **Attach** You must attach the tax credit certificate you received from DCEO to your IL-1120.

### 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 23


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

**Line 25** – Add the amounts in Column G, Lines 23a through 23c, and Line 24. Write the result here and write each owner's share on Schedule K-1-P, Step 7, Line 43c. This is your *Enterprise Zone Investment Credit*.

### Economic Development for a Growing Economy (EDGE) Tax Credit

#### You may take this credit if

- you have entered into an agreement with DCEO, 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 DCEO;

- 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.
- cannot exceed 100 percent of the total amount spent on approved costs (defined in the agreement) by the taxpayer during all prior tax years, minus the amount of credit allowed in prior 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 DCEO, 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 DCEO or a copy of your agreement with DCEO.

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

**Lines 26 and 27** – Follow the instructions on the form.

**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 43e. This is your *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 by the donor.

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

**Line 29** – 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 30** – Write any distributive share of tax credit for affordable housing donations that was distributed to you from other partnerships and S corporations or transferred to you by the donor.

**Line 31** – Add the amounts on Lines 29 and 30. Write the result here and write each owner's share on Schedule K-1-P, Step 7, Line 43d. This is your *Tax Credit for Affordable Housing Donations*.

### ■ Environmental Remediation Tax Credit

#### You may take this credit if

- you qualified for and earned Environmental Remediation Tax Credit during the original timeframe the credit was offered, **and**
- you have an excess amount of credit that may be carried forward, **and**
- the original credit was earned within the past five taxable years, **or**
- you received a Schedule K-1-P showing a distribution amount from another partnership or S corporation that qualified for the credit.

The Environmental Remediation Tax Credit allowed a credit for tax years ending on or after January 1, 1998, through tax years ending

on or before December 31, 2001, for certain amounts paid for unreimbursed eligible remediation costs. Your partners or shareholders may claim their share of the credit for eligible remediation costs deducted on your federal return. However, your partners or shareholders must add those costs back on their Illinois return to include them in their Illinois base income.

For tax years ending on or after January 1, 2002, you may take this credit **only** if you are using a credit carryforward that was earned during the original timeframe allowed for earning the credit. For more information see FY Bulletin 2003-09, Claims for Environmental Remediation Tax Credit.

If you did not receive approval for your unreimbursed eligible remediation costs and a "No Further Remediation" letter from the Illinois Environmental Protection Agency during the allowable timeframe, you are not eligible for this credit.

The amount of the Environmental Remediation Tax Credit may not exceed \$40,000 per year at the entity (S corporation or partnership) level. This means that the amount that the S corporation or partnership distributes to its partners or shareholders also may not exceed \$40,000 in total for the year. The maximum allowable credit for any site is \$150,000, after the first \$100,000 in remediation costs is paid. The \$100,000 expense threshold does not apply if the site is located in an enterprise zone certified by the Illinois Department of Commerce and Economic Opportunity (DCEO). Any unused credit may be carried forward for up to 5 years after the credit was earned.

Any unused credit and remaining carryforward period may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The seller must record the transfer in the chain of title and notify the director of the Illinois Department of Revenue, in writing, of the intent to sell the remediation site and the amount of tax credit that will be transferred as a portion of the sale.

**Line 32** – Write the amount of credit remaining from prior years that is available for you to carry forward to the current tax year.

**Line 33** – Write the distributive share of Environmental Remediation Tax Credit you received from other partnerships or S corporations.

**Line 34** – Add Lines 32 and 33.

**Line 35** – Write the lesser of Line 34 or \$40,000 here. This is the amount of credit you may distribute to your partners or shareholders. Write each partner's or shareholder's share on Schedule K-1-P, Step 7, Line 43f.

### ■ 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 36 through 39

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  $\times$  365  $\div$  number of days taxable by Illinois

**Lines 40 and 41** – Follow the instructions on the form.

**Line 42** – Multiply Line 41 by 6.5 percent (.065), and write the result.

**Line 43** – Write the distributive share of research and development credit distributed to you from other partnerships and S corporations.

**Line 44** – Add the amounts on Lines 42 and 43. Write the result here and write each owner’s share on Schedule K-1-P, Step 7, Line 43g. This is your *Research and Development Credit*.

### Transportation Employee Credit

**You may take this credit if:**

- you paid a commercial distribution fee under Illinois Vehicle Code, Section 3-815.1 during your taxable year, or
- you are a motor carrier engaged in interstate commerce and subject to regulation by the federal Surface Transportation Board.

For tax years beginning **on or after January 1, 2004**, you may qualify for a credit in the amount of \$50 for each eligible employee you employed as of the last day of your taxable year.

**Definitions** “Eligible employee” refers to any employee

- that is an Illinois resident at the end of your taxable year, and
- that is primarily employed to operate a motor vehicle, and
- is a full-time employee working at least 30 hours per week for at least 180 consecutive days.

An employee who has not been employed for 180 consecutive days by the end of your taxable year may still be considered an eligible employee if you continue to employ the person for a total of 180 days, even if the remaining amount of time is beyond the end of your taxable year.

A partner who operates a motor vehicle in interstate commerce as part of the partnership’s business is an eligible employee if the partner meets all of these requirements.

**Line 45** – Write the total number of eligible employees and multiply that figure by \$50. Write the result on Line 37.

**Line 46** – Write any distributive amount of Transportation Employee Credit you received from other partnerships or S corporations.

**Line 47**– Add Lines 45 and 46. This is your Transportation Employee Credit. Write the total amount of credit here and each owner’s share on Schedule K-1-P, Step 7, Line 43b.



**You must attach a list of the Social Security numbers of those eligible employees.**