



2004 Schedule 1299-D Instructions

General Information

Complete this schedule if you are filing Form IL-1120, Form IL-1041, or Form IL-990-T and are entitled to the following credits:

- Film Production Services Tax Credit
- Transportation Employee Credit (**short-year filers only**)
- TECH-PREP Youth Vocational Programs Credit
- Dependent Care Assistance Program Credit
- Coal Research and Coal Utilization Investment Credits (Form IL-1120 filers only)
- Employee Child Care Tax Credit (Form IL-1120 filers only)
- Jobs Tax Credit
- Enterprise Zone Investment Credit
- High Impact Business Investment Credit
- Tax Credit for Affordable Housing Donations
- Economic Development for a Growing Economy (EDGE) Credit
- Environmental Remediation Tax Credit (carryforward only)
- Research and Development Tax Credit

If you are filing an Illinois combined unitary return, complete one Schedule 1299-D for the entire unitary business group.

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 current year Tax 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 the Illinois Department of Commerce and Economic Opportunity (DCEO). Contact DCEO for more information.

Line 1 – Write the amount of credit from the tax credit certificate you received from DCEO.

Line 2 – Write the amount of any distributive share you received from a partnership or S corporation shown on Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture.

Attach You must attach the Tax Credit Certificate you received from DCEO to your Form IL-1120.

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, and ending on or before June 30, 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.

Line 3 – Write the total number of eligible employees and multiply that figure by \$50. Write the result here and on Line 48.

Line 4 – Write any distributive amount of Transportation Employee Credit you received from partnerships or S corporations.

Line 5 – Follow the instructions on the form.

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

Step 2: Figure your credits (which can be carried for two years)

If there is any excess of these credits, you may carry it forward for two years. This is figured in Step 5. You must use this excess credit in proportion to its share of the total excess two-year credit available for the year in which the credit was earned.

TECH-PREP Youth Vocational Programs Credit

You may take this credit if

- you are primarily engaged in manufacturing, and
- you have direct payroll expenses for qualifying cooperative secondary school youth vocational programs in Illinois, or you pay for personal services performed by a TECH-PREP student or instructor who would be subject to withholding if they were employed by you and no other credit is claimed by the actual employer.

You may not take this credit

- for programs with national standards that have been or will be approved by the U.S. Department of Labor, Bureau of Apprenticeship Training, or any federal agency succeeding to the responsibilities of that bureau.
- if your direct payroll expenses have been claimed for the Training Expense Credit.

Definitions "Qualifying TECH-PREP programs" are those certified by the Illinois State Board of Education.

Line 6 – Add the amount of direct payroll expenses for cooperative secondary school youth vocational programs and the amount paid to a TECH-PREP student or instructor employed by you for personal services performed. Write the total amount on the line provided.

Multiply the total amount by 20 percent (.20), and write the result on Line 6. This is your *TECH-PREP Youth Vocational Programs Credit*.

Dependent Care Assistance Program Tax Credit

To qualify for this credit,

- you must be primarily engaged in manufacturing, and
- your on-site facility dependent care assistance program must be in Illinois and on the premises of your workplace.

Line 7 – Write the amount of your expenses, reported under the Internal Revenue Code (IRC), Section 129(d)(7), that were used for on-site dependent care.

Multiply this amount by 5 percent (.05), and write the result on Line 7. This is your *Dependent Care Assistance Program Tax Credit*.

Line 8 – **Total credits that may be carried forward for two years.** Add Lines 6 and 7. Write this amount here and in Step 4, Line 64.

Step 3: Figure your credits (which can be carried for five years)

If there is any excess of these credits, you may carry it forward for five years. This is figured in Step 5. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

Note Form IL-1120 filers only are allowed to claim the Coal Research and Coal Utilization Investment Credits and the Employee Child Care Tax Credit.

Coal Research and Coal Utilization Investment Credits

To qualify for the credit, you must

- file Form IL-1120, and
- have made a donation to the Illinois Center for Research on Sulfur in Coal, or
- have purchased qualified equipment.

Definitions

“Qualified equipment” is direct coal combustion equipment or necessary pollution control equipment that was purchased for the purpose of maintaining or increasing the use of Illinois coal at any Illinois facility you owned, leased, or operated.

Line 9

Column A – Describe each item of qualified equipment placed in service in Illinois.

Column B – Write the date, including the month and year, each item of qualified equipment was placed in service in Illinois.

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

Column C – For each item of equipment, write the basis as determined according to IRC, Section 167(g). Generally, the adjusted basis will be the purchase price of the equipment, plus any capital expenditures, less any rebates.

Column D – Multiply each entry by 5 percent (.05), and write the result.

Line 10 – Add the amounts in Column D, Lines 9a through 9c, and write the result.

Line 11 – Write 20 percent (.20) of the amount you donated to the Illinois Center for Research on Sulfur in Coal.

Line 12 – Add Lines 10 and 11, and write the result. This is the amount of your *Coal Research and Coal Utilization Investment Credits*.

Employee Child Care Tax Credit

You may take this credit if

- you file Form IL-1120, and
- you provide a child care facility, located in Illinois, for the children of your employees.

Note → You must keep records documenting all costs for which the credit is being claimed.

This is a two-part income tax credit.

Part one – Allows a credit of 30 percent (.30) of the “start-up costs” spent by you to provide a child care facility for the children of your employees.

Note → **Fiscal year filers** — The 30 percent credit for start-up costs is allowed only for taxable years ending on or before December 31, 2004. You may not claim the credit for taxable years ending after December 31, 2004.

Line 13 – Write the total amount of “start-up costs” to provide the child care facility.

Multiply this amount by 30 percent (.30), and write the result on Line 13.

Definitions

“start-up costs” include planning, site-preparation, construction, renovation, or acquisition of a child care facility.

Part two – Allows a credit of 5 percent (.05) of the annual amount paid by you to provide the child care facility for your employees’ children.

Line 14 – Write the annual amount paid to provide the child care facility. Multiply this amount by 5 percent (.05), and write the result on Line 14.

Note → The 5 percent (.05) credit cannot be claimed if the *Dependent Care Assistance Program Tax Credit* is claimed.

Line 15 – Add Lines 13 and 14, and write the result. This is your *Employee Child Care Tax Credit*

Jobs Tax Credit

Note → You must be an employer in order to take this credit. The *Jobs Tax Credit* cannot be passed through to partners of partnerships or shareholders of S corporations.

To qualify for the credit, you must be an employer who

- increased the total number employed within the enterprise zone or foreign trade zone (or sub-zone) this tax year by five or more full-time eligible employees beyond the total employed in the zone as of the end of the base year, and
- employed eligible employees for 180 consecutive days during that tax year.

Definitions

“Base year” means the last tax year in which you properly claimed the *Jobs Tax Credit* or 1985, whichever is later.

“Eligible employee” is an employee who was

- certified by the Department of Commerce and Economic Opportunity (DCEO) as “eligible for services;”
- hired after the enterprise zone or foreign trade zone (or sub-zone) was designated or after the trade or business was located in the zone, whichever is later;
- employed in the enterprise zone or foreign trade zone (or sub-zone); and,
- a full-time employee, working 30 or more hours per week.

“Employed” means that services were performed in the zone or that the zone was the base of operations for services performed.

Line 16

Column A – Write the name of the zone where the employees were hired.

Column B – Write the total number of full-time persons you employed at the end of this tax year.

Column C – Write the total number of full-time persons you employed in the base year.

Column D – Subtract Column C from Column B.

Column E – Write the total number of eligible employees included in Column D that you hired this year.

Note → The number of employees in Column D and Column E must equal five or more to claim this credit.

Attach

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

Column F – Multiply the number in Column E by \$500, and write the result. This is your *Jobs Tax Credit*.

Line 17 – Add Lines 12, 15, and 16. Write the total here, and on Page 2, Line 18.

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.

High Impact Business Investment Credit

You may take this credit if

- your business has been designated as a high impact business,
- you placed qualified property in service on or after the date the business was designated as a high impact business and on or before the last day of your tax year, and
- you continued to use the qualified property on the last day of your tax year.

You may not take this credit

- if the property is eligible for the enterprise zone investment credit.
- until the minimum investments in qualified property required under Section 5.5 of the Illinois Enterprise Zone Act have been satisfied. You should take the credit applicable to the minimum investments in the tax year the minimum investments were completed. Credit for additional investments (beyond the minimum investments) is available only in the year the qualified property is placed in service.

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 19 and Line 22

Column A

Enterprise Zone Investment Credit: Describe each item of qualified property you placed in service in an Illinois enterprise zone.

High Impact Business Investment Credit: Describe each item of qualified property placed in service in Illinois.

Column B – Both credits

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 – Both credits

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 – Both Credits

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

Enterprise Zone Investment Credit: Write the name of the enterprise zone in which the property is used.

High Impact Business Investment Credit: Leave this column blank.

Column F – Both credits

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 – Both credits

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

Line 20 – Write the distributive share of Enterprise Zone Investment Credit distributed from partnerships and S corporations.

Line 21 – Add the amounts in Column G, Lines 19a through 19c, and Line 20 and write the result. This is your *Enterprise Zone Investment Credit*.

Line 23 – Add the amounts in Column G, Lines 22a through 22c. Write the result here. This is your *High Impact Business Investment 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 tax years 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 24 – 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 25 – Write the distributive share of Tax Credit for Affordable Housing Donations that was distributed from partnerships and S corporations or transferred to you by the donor.

Line 26 – Add the amounts on Lines 24 and 25, and write the result. This is your *Tax Credit for Affordable Housing Donations*.

■ 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; and
- your business is engaged in interstate or intrastate commerce.

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, and 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 27 and 28 – Follow the instructions on the form.

Line 29 – Add the amounts on Lines 27 and 28, and write the result. This is your *Economic Development for a Growing Economy (EDGE) Tax Credit*.

■ Environmental Remediation Tax Credit (carryforward only)

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 a 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.

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 that you qualified for the unreimbursed eligible remediation costs 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. If you are partner or a shareholder of a partnership or S corporation and you receive a Schedule K-1-P, you may claim only the amount indicated as your share on the Schedule K-1-P. 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 taxable 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 30— Write the amount of credit remaining from prior years that is available for you to carry forward to the current tax year.

Line 31— Write the distributive share of Environmental Remediation Tax Credit you received from other partnerships or S corporations.

Line 32— Add Lines 30 and 31.

Line 33— Write the lesser of Line 32 or \$40,000 here.

■ 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 government 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 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 34 through 37— 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, 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 35 through 38) must be annualized as follows:

qualified expenses $\times 365 \div$ **number of days taxable by Illinois**

Line 38 – Corporations only: Write the total amount of research payments made to qualified organizations following the directions for Columns A and B.

Line 39 and 40— Follow the instructions on the form.

Line 41— Multiply Line 40 by 6.5 percent (.065), and write the result.

Line 42— Write the distributive share of research and development credit you received from partnerships or S corporations.

Line 43— Add the amounts on Lines 41 and 42 and write the result. This is your Research and Development Credit.

■ Total Credits

Line 44— Add Lines 18, 21, 23, 26, 29, 33, and 43. Write the result here and on Step 4, Line 66.

Step 4: Figure your credit

This step allows you to figure the amount of credit you may use this year. Unused credit carryforwards available from previous years are used first, beginning with the oldest credit. Credits earned in the current tax year that may be carried for two or five years are used, last, beginning with the two-year credits and ending with the five-year credits.

Definitions “*Unused credit carryforward*” refers to any credit amount that you earned in a previous year, less any credit that you applied to unpaid tax in subsequent tax years, and less any credit that has expired.

For example, if you earned a Dependent Care Assistance Program Credit in 2001 in the amount of \$5,000, and you used \$2,000 on your 2001 tax return, you had \$3,000 left to carry forward for 2 years. On your 2002 tax return, you used \$1,500. You now have \$1,500 left to use on your 2003 tax return. **This is your unused credit carryforward.** On your 2003, Schedule 1299-D, Step 4, Line 40, you would write \$1,500. If you are not able to use all \$1,500 on the 2003 return, you will forfeit the excess credit.

Line 45— Write the tax, after recapture of investment tax credit, from your Form

- IL-1120, Part V, Line 3,
- IL-1041, Part IV, Line 3, or
- IL-990-T, Part IV, Line 2.

Lines 46 through 67— Follow the instructions on the form.

Line 68a through 68j— Follow the instructions on the form.

Line 68— Add Lines 68a through 68j. This is the amount of credit you may use this year. Write the amount here and on your Form

- IL-1120, Part V, Line 4,
- IL-1041, Part IV, Line 5, or
- IL-990-T, Part IV, Line 3.

Step 5: Figure your credit available to be carried forward

Lines 69 through 75— Follow the instructions on the form.

Attach You must attach a copy of this Schedule 1299-D to your tax return. You should also keep a copy of this schedule in your files. You will use your completed Step 5 to complete next year's Schedule 1299-D.

