



# Schedule K-1-P(2) Partner's and Shareholder's Instructions

## General Information

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

The partnership or the S corporation listed on the front of Schedule K-1-P has completed and provided you with the schedule that reflects your specific share of the partnership's or the S corporation's income, modifications, and credits. Use this completed schedule and these instructions to help you report the items shown on Schedule K-1-P on your Illinois Income Tax return.

**Please keep this schedule for your records. Do not file it with your return, unless instructed otherwise.**

**Note** Nonresident partners or shareholders of a partnership or S corporation that are doing business in Illinois may qualify to file a group nonresident return on Form IL-1023-C, Illinois Composite Income and Replacement Tax Return. For more information see Form IL-1023-C Instructions.

### What if the partnership is an investment partnership?

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, all of the income you receive from the partnership is usually treated as nonbusiness income that is allocable to your state of residence (individuals) or state of commercial domicile (all other persons or entities). However, the income you receive from the partnership will be treated as business income if your investment in the partnership is related to another business activity of yours or serves an operational function to another business activity of yours or where your contribution to the partnership was made out of working capital from your trade or business. If your income is treated as business income, you must apportion it as if you had earned the income directly, rather than through the partnership. The apportionment should be completed on the correct forms, as follows:

**Individuals** - use Form IL-1040, Schedule NR;

**Trusts and Estates** - use Form IL-1041, Schedule NR;

**Corporations, S corporations, or partnerships** - use the appropriate tax return (Form IL-1120, Form IL-1120-ST, or Form IL-1065) and complete Part III, Base income or loss allocable to Illinois.

### What if I am engaged in a unitary business with this partnership?

If you are engaged in a unitary business with this partnership, the partnership should have attached a schedule showing your share of the partnership's apportionment factors and business income. You must determine the portion of your business income taxed by Illinois by adding your share of the

partnership's business income and apportionment factors to your own business income and apportionment factors.

### What if I believe the partnership or the S corporation has made an error on my Schedule K-1-P?

If you believe the partnership or the S corporation has made an error on your Schedule K-1-P, notify the partnership or the S corporation and ask for a corrected Schedule K-1-P. Do not change any items on your copy.

### What does Column A represent?

Column A represents your specific share of the partnership's or the S corporation's income, modifications, and credits. The partnership or the S corporation is required to complete this column if you were a partner or shareholder at any time during the partnership's or the S corporation's tax year. If you were a resident of Illinois on the last day of the partnership's or S corporation's taxable year, only Column A will be completed and all amounts in Column A must be included as income, modifications, and credits allocated to Illinois. If you were not a resident of Illinois on the last day of the partnership's or S corporation's taxable year, Column B also will be completed. See "What does Column B represent?"

### What does Column B represent?

Column B represents the portion of Column A that is allocated or apportioned to Illinois. The partnership or the S corporation is required to complete this column if you were not a resident of Illinois on the last day of the partnership's or the S corporation's tax year. Make sure the amounts reported in Column B are included in the amounts reported on your

- Form IL-1040, Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, Column B;
- Form IL-1041, Schedule NR, Nonresident Computation of Fiduciary Income, Columns 2, 3, and 4; or
- Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Base Income (loss) applicable to Illinois.

## Step-by-Step Instructions

These instructions are intended to help you report your share of the partnership's or the S corporation's income, credits and modifications on your Illinois Income Tax return.

### Steps 3 and 4 - Your share of nonbusiness and business income —

### Column A - Member's share —

**Lines 10 through 31** - Make sure the amounts reported on these lines match your federal Schedule K-1.

### Column B - Nonresident member's share —

Step 3 represents your share of the partnership's or the S corporation's nonbusiness income allocated to Illinois. Step 4 represents your share of the partnership's or the S corporation's business income apportioned to Illinois. To determine the amount to include on specific lines of your Form IL-1065, IL-1120, or IL-1120-ST, or (Form IL-1040 or IL-1041) Schedule NR, add specific lines in Step 3, Column B, to specific lines in Step 4, Column B. The following instructions explain what lines to add together and on what line of your form or schedule these totals are to be included.

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

**For individuals filing Form IL-1040, Schedule NR —**

**Note** Use the following instructions in order to include the income from Schedule K-1-P, Steps 3 and 4, on your Form IL-1040, Schedule NR, Step 3, Lines 7 through 21.

**Interest income** - Nonbusiness interest is not taxed by Illinois. Step 3, Line 10, Column B, should be "0." Include the amount from Step 4, Line 23, Column B, on your Schedule NR, Step 3, Line 8, Column B.

**Dividend income** - Nonbusiness dividends are not taxed by Illinois. Step 3, Line 11, Column B, should be "0." Include the amount from Step 4, Line 24, Column B, on your Schedule NR, Step 3, Line 9, Column B.

**Rents, royalties, partnerships, S corporations, estates, and trusts** - Add Step 3, Column B,

Line 12	_____
Line 13	_____
Line 14	_____
Line 15	_____
and	
Step 4, Column B,	
Line 20	_____
Line 21	_____
Line 22	_____
Line 25	_____
Line 28	_____
Line 29	_____

**Total** \_\_\_\_\_

Include this total amount on your Schedule NR, Step 3, Line 17, Column B.

**Capital gain or loss** - Add Step 3, Lines 16, 17, and 18, Column B, and Step 4, Lines 26 and 27, Column B. Include this total amount on your Schedule NR, Step 3, Line 13, Column B.

**Other gains or losses** - Include the amount from Step 4, Line 30, Column B, on your Schedule NR, Step 3, Line 14, Column B.

**Other income** - The partnership or the S corporation is required to identify or send you a breakdown of the items reported on Step 3, Line 19, and Step 4, Line 31. This identification or breakdown will determine on what lines of your federal return you need to report the income in Column A. The amounts reported in Column B need to be reported on the corresponding lines of your Schedule NR, Column B.

► *For trusts or estates filing Form IL-1041, Schedule NR —*

**Interest income** - Nonbusiness interest is not taxed by Illinois. Step 3, Line 10, Column B, should be "0." Include your fiduciary's share of the amount from Step 4, Line 23, Column B, on your Schedule NR, Part I, Line 1, Column 3.

**Dividend income** - Nonbusiness dividends are not taxed by Illinois. Step 3, Line 11, Column B, should be "0." Include your fiduciary's share of the amount from Step 4, Line 24, Column B, on your Schedule NR, Part I, Line 2, Column 3.

**Income or loss from partnerships & S corps —**

Add Step 3, Column B,	_____
Line 12	_____
Line 13	_____
Line 14	_____
Line 15	_____
Line 16	_____
Line 17	_____
Line 18	_____
Line 19	_____
and	_____
Step 4, Column B,	_____
Line 20	_____
Line 21	_____
Line 22	_____
Line 25	_____
Line 26	_____
Line 27	_____
Line 28	_____
Line 29	_____
Line 30	_____
Line 31	_____
<b>Total</b>	_____

Include your fiduciary's share of this total amount on your Schedule NR, Part I, Line 5b, Column 3.

► *For partnerships filing Form IL-1065, corporations filing Form IL-1120, or S corporations filing Form IL-1120-ST —*

Include the amounts in Step 3, Column B, in the total amount you report on your Form IL-1065, Form IL-1120, or

Form IL-1120-ST, Part III, Line 7. Include the amounts in Step 4, Column B, in the total amount you report on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Line 8.

**Step 5 - Your share of Illinois additions and subtractions —**

**Column A - Member's share —**

**Lines 32 through 38f** - Make sure the amounts reported on these lines are reported in your Illinois base income by including them on your

- Form IL-1040, Lines 2 through 9;
- Form IL-1041, Part I, Lines 2a through 4g;
- Form IL-1065, Part I, Lines 2a through 5g;
- Form IL-1120, Part I, Lines 2a through 5f; or
- Form IL-1120-ST, Part I, Lines 2a through 5e.

**Column B - Nonresident member's share —**

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

► *For individuals filing Form IL-1040, Schedule NR —*

**Note** Use the following instructions in order to include the Illinois additions and subtractions reported in Step 6 of Schedule K-1-P, on your Form IL-1040, Schedule NR, Step 4, Lines 40 through 47.

**Line 32** - Include this amount on your Schedule NR, Step 4, Line 40, Column B.

**Lines 33 and 34** - Add Lines 33 and 34, Column B. Include this total amount on your Schedule NR, Step 4, Line 41, Column B.

**Lines 35a through 38f** - Add Lines 35a through 38f, Column B. Include this total amount on your Schedule NR, Step 4, Line 47, Column B.

► *For trusts or estates filing Form IL-1041, Schedule NR —*

**Line 32** - Include your fiduciary's share of this amount as an addition on your Schedule NR, Part I, Line 1, Column 4.

**Line 33** - Include your fiduciary's share of this amount as an addition on your Schedule NR, Part I, Line 11, Column 4.

**Line 34** - Include your fiduciary's share of this amount as an addition on your Schedule NR, Part I, Line 5b, Column 4.

**Lines 35a and 35b** - Add Lines 35a and 35b, Column B. Include your fiduciary's share of this total amount as a subtraction on your Schedule NR, Part I, Line 1, Column 4.

**Lines 36a through 38f** - Add Lines 36a through 38f, Column B. Include your fiduciary's share of this total amount as a subtraction on your Schedule NR, Part I, Line 5c, Column 4.

**Line 38a - Trusts only** - Include this amount as a subtraction on you Schedule NR, Part I, Line 15, Column 4.

► *For partnerships filing Form IL-1065, corporations filing Form IL-1120, or S corporations filing Form IL-1120-ST —*

**Lines 32 through 34** - Add Lines 32 through 34, Column B. Include this total amount as an addition on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Line 8.

**Lines 35a, and 36a through 38f** - Add Lines 35a, and 36a through 38f, Column B. Subtract this total from the amount on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Line 8.

**Line 35b** - Include this amount on your Form IL-1065, Form IL-1120, or Form IL-1120-ST, Part III, Line 7.

**Step 6 - Your share of the Illinois August 1, 1969, appreciation amounts —**

**Column A - Member's share**

► *For individuals filing Form IL-1040, Schedule F —*

**Line 39** - Include this amount on your Schedule F, Step 2, Line 6, Column H.

**Lines 40 and 41** - If Line 41 is blank, include the amount on Line 40 of your Schedule F, Step 2, Line 6, Column I. Otherwise, skip Line 40 and include the amount on Line 41 of your Schedule F, Step 2, Line 6, Column I.

**Line 42** - Include this amount on your Schedule F, Step 1, Line 2.

► *For trusts or estates filing Form IL-1041, Schedule F —*

**Line 39** - Include this amount on your Schedule F, Line 2, Column K.

**Line 40** - Include this amount on your Schedule F, Line 2, Column L.

**Line 42** - Include this amount on your Schedule F, Line 2, Column M.

► *For partnerships filing Form IL-1065, Schedule F, or S corporations filing Form IL-1120-ST, Schedule F —*

Use the information in Column A when completing Step 6 of the Schedule K-1-P for your partners or shareholders.

## Column B - Nonresident member's share —

If the partnership that completed the Schedule K-1-P wrote "investment partnership" in Step 1, Line 4, Column B should be blank. Do not use the Column B instructions for this step. Instead, refer to the instructions under General Information, "What if the partnership is an investment partnership?"

### ► For individuals filing Form IL-1040, Schedule NR —

**Lines 39 through 42** - If Line 41 is blank, add Lines 39, 40, and 42, Column B. Otherwise, add Lines 39, 41, and 42, Column B. Include this total amount as a subtraction on your Schedule NR, Step 4, Line 47.

### ► For trusts or estates filing Form IL-1041, Schedule NR —

**Lines 39, 40, and 42** - Include these amounts as subtractions on your Schedule NR, Part I, Line 4, Column 4, or Line 7, Column 4, whichever line is applicable.

### ► For partnerships filing Form IL-1065, Schedule F, or S corporations filing Form IL-1120-ST, Schedule F —

**Line 39** - Include this amount on your Schedule F, Line 2, Column K.

**Line 40** - Include this amount on your Schedule F, Line 2, Column L.

**Line 42** - Include this amount on your Schedule F, Line 2, Column M.

## Step 7 - Your share of the Illinois credits and recapture —

**Line 43 - Illinois credits** — If the partnership or the S corporation has passed through to you any of the following credits, you may include them on the appropriate schedule or form to claim the credit on your Illinois Income Tax return.

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

**Note** For tax years ending on or after December 31, 2000, partnerships and S corporations automatically pass these credits through to their partners or shareholders that are subject to replacement tax.

### ► For individuals filing Form IL-1040 —

**Line 43a** - Include this amount on Schedule 1299-C, Step 2, Line 8.

**Line 43b** - Include this amount on Schedule 1299-C, Step 3, Line 10.

**Line 43c** - Include this amount on Schedule 1299-C, Step 3, Line 20.

**Line 43d** - Include this amount on Schedule 1299-C, Step 3, Line 26.

**Line 43e** - Include this amount on Schedule 1299-C, Step 3, Line 23.

**Line 43f** - Include this amount on Schedule 1299-C, Step 3, Line 29.

**Line 43g** - Include this amount on Schedule 1299-C, Step 3, Line 39.

**Line 43h** - Since individuals do not pay replacement tax, these credits cannot be passed through to you.

### ► For trusts or estates filing Form IL-1041 or corporations filing Form IL-1120 —

**Line 43a - This credit is effective for tax years beginning on or after January 1, 2004.** Include this amount on Schedule 1299-D, Step 1, Line 2.

**Line 43b - This credit is effective for tax years beginning on or after January 1, 2004, and ending on or before June 30, 2004.** Include this amount on Schedule 1299-D, Step 1, Line 4.

**Line 43c** - Include this amount on Schedule 1299-D, Step 3, Line 21.

**Line 43d** - Include this amount on Schedule 1299-D, Step 3, Line 25.

**Line 43e** - Include this amount on Schedule 1299-D, Step 3, Line 28.

**Line 43f** - Include this amount on Schedule 1299-D, Step 3, Line 31.

**Line 43g** - Include this amount on Schedule 1299-D, Step 3, Line 42.

**Line 43h** - Include this amount on Form IL-477, Step 1, Line 4.

### ► For partnerships filing Form IL-1065, or S corporations filing Form IL-1120-ST —

**Line 43a - This credit is effective for tax years beginning on or after January 1, 2004.** Include this amount on Schedule 1299-A, Step 3, Line 22b.

**Line 43b - This credit is effective for tax years beginning on or after January 1, 2004, and ending on or before June 30, 2004.** Include this amount on Schedule 1299-A, Step 3, Line 46.

**Line 43c** - Include this amount on Schedule 1299-A, Step 3, Line 24.

**Line 43d** - Include this amount on Schedule 1299-A, Step 3, Line 30.

**Line 43e** - Include this amount on Schedule 1299-A, Step 3, Line 27.

**Line 43f** - Include this amount on Schedule 1299-A, Step 3, Line 33.

**Line 43g - This credit is effective for tax years beginning on or after January 1, 2004.** Include this amount on Schedule 1299-A, Step 3, Line 44.

**Line 43h** - Include this amount on your Form IL-477, Step 1, Line 4.

### ► For individuals and entities —

**Recapture — Lines 44a and 44b** - Your share of recapture is based on your share of the original investment credit. If you shared in the original credit and you are no longer a partner or shareholder of the partnership or the S corporation in the year of recapture, Lines 44a and 44b will be the only lines completed on this schedule. You must complete Schedule 4255, Recapture of Investment Tax Credits, and include this total amount on Step 4, Line 17.

If your share in the year of the original investment credit is different from your share in the year of the recapture, Lines 44a and 44b will be completed and the partnership or the S corporation will attach a sheet explaining the difference. You must complete Schedule 4255 and include this total amount on Step 4, Line 17.



