



# Schedule NR IL-1040 Instructions

## General Information

### What is the purpose of Schedule NR?

Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, allows part-year or nonresidents of Illinois to determine the income that is taxed by Illinois during the tax year and to figure Illinois Income Tax.



Schedule NR to Form IL-1040, Individual Income Tax Return.

### What if I was a nonresident of Illinois for the entire tax year?

If you were a nonresident of Illinois during the entire tax year, you must complete and file Form IL-1040 and Schedule NR if you

- earned enough taxable income from Illinois sources to have a tax liability (i.e., your Illinois base income from Schedule NR is greater than your Illinois exemption allowance on Schedule NR), or
- are entitled to a refund of Illinois Income Tax that was withheld from your pay in error.

**Note** If you were not a resident of Iowa, Kentucky, Michigan, or Wisconsin, you must attach a statement from your employer, on company letterhead, indicating that your wages were not earned in Illinois and Illinois tax was withheld in error.

### What if I was a resident of a reciprocal state for the tax year?

If you were an Iowa, Kentucky, Michigan, or Wisconsin resident, and earned income in Illinois, you are exempt from paying Illinois Income Tax on income you earned from salaries, wages, tips, and other employee compensation. You are exempt because Illinois has a reciprocal agreement with these states. You must file Form IL-W-5-NR, Employee's Statement of Nonresidence in Illinois, with your employer to be entitled to this exemption. If you are a resident of a reciprocal state, you do not have to file

Form IL-1040 and Schedule NR unless you

- earned income in Illinois from sources **other than** wages paid to you as an employee, or
- had Illinois Income Tax withheld from your pay in error.

### What if I was a nonresident professional athlete?

All nonresident members of a professional athletic team are subject to Illinois income tax on the Illinois portion of their total compensation for services performed as a member of such a team. For more information, see Publication 130, Who is Required to Withhold Illinois Income Tax, or refer to "What if I need assistance, forms, or schedules?" for our telephone numbers.

### What if I was an Illinois resident for part of the tax year?

If you were a resident of Illinois during part of the tax year, you are considered a part-year resident and must complete and file

Form IL-1040 and Schedule NR if you

- earned or received income from any source while you were an Illinois resident,
- earned or received income from Illinois sources while you were not an Illinois resident, or
- are entitled to receive a refund of Illinois Income Tax.

As a part-year resident, the rules you use to determine Illinois income and tax depend on whether or not you were a resident of Illinois when you earned the income.

If you were a resident of Illinois when you received the income, you will (within certain limitations) be taxed on 100 percent of the income you received while you were a resident, regardless of the source.

If you were a nonresident of Illinois when you received the income, you will be taxed only on the income you received from Illinois sources.

When completing Schedule NR, you must add the income you received during the time you were a resident, and the Illinois income you received during the time you were not a resident. See "Part-Year Resident Step-by-Step Instructions" for details.

Use the same method of reporting that you use for filing your federal return. Report your income when you receive it and your deductions when they are paid. However, if you use the accrual method, "received" means "earned or received." Income that you received through partnerships, S corporations, trusts, or estates is considered received on the last day of the business' tax year.

### What if I received income from a business or a farm during the tax year?

If, while you were a nonresident of Illinois, you received

- business income earned both inside and outside Illinois, or
- farm income earned both inside and outside Illinois,

you must complete the Business or Farm Income Apportionment Formula (IAF) Worksheet on Page 10. The IAF Worksheet allows you to figure the Illinois portion of your business or farm income. Be sure to keep a copy of this worksheet with your income tax records.

### What is business income?

Business income is income you earned or received from any activity that you took part in during the regular course of your trade or business. It does not include wages or other compensation you received as an employee. It includes all income (other than compensation) that may be apportioned by formula among the states in which you are doing business without violating the Constitution of the United States. All income (other than compensation) you received is business income unless it is clearly attributable to only one state and is earned or received through activities totally unrelated to any business you are conducting in more than one state. Business income is net of all deductions attributable to that income.

# General Information

## What if I received income from partnerships, S corporations, trusts, or estates?

If you received income from an Illinois partnership or S corporation, that entity is required to send you an Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture. Also the entity is required to send you the partner's and shareholder's instructions for completing Schedule NR.

If you received income from an Illinois estate or trust, that entity is required to send you an Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions. Also the entity is required to send you the beneficiary's instructions for completing Schedule NR.

## What if I need assistance, forms, or schedules?

If you need assistance, visit our web site at [tax.illinois.gov](http://tax.illinois.gov) or call our Taxpayer Assistance Division at **1 800 732-8866** or **217 782-3336**. Our office hours are 8 a.m. to 5 p.m.

If you need forms or schedules, visit our web site, call our 24-hour Forms Order Line at **1 800 356-6302**, or write to us at P.O. Box 19010, Springfield, Illinois 62794-9010. Our TDD (telecommunications device for the deaf) number is **1 800 544-5304**.

## Nonresident Step-by-Step Instructions

### Step 1

#### Provide the following information

**Line 1:** Check the “Yes” box if

- you were a full-year resident of Illinois during the tax year, or
- your filing status is “married filing jointly” and your spouse was a full-year resident of Illinois during the tax year.

Check the “No” box if

- you were not a full-year resident of Illinois, or
- your filing status is “married filing jointly” and neither you nor your spouse were full-year residents of Illinois during the tax year.

**Note** If you check the “Yes” box on Line 1, you cannot use Schedule NR. If you file your Illinois return indicating your filing status as “married filing jointly” and one spouse is a full-year resident of Illinois, you must file your return using full-year residency status. However, if you are filing a joint federal return and one spouse is an Illinois resident while the other is a full-year nonresident, you may choose to file “married filing separately.” In this case each person must determine income and exemptions as if he or she had filed separate federal returns.

**Lines 2a and b:** Nonresidents, skip these lines.

**Line 3:** If you were a resident of Iowa, Kentucky, Michigan, or Wisconsin, **during any part of the tax year**, check the boxes to identify where you were a resident.

**Line 4:** If you earned income or filed an income tax return in any state other than those listed on Line 3, write the two-letter abbreviation of the state(s) on the lines provided.

### Step 2

#### Complete Form IL-1040

Complete Lines 1 through 10 of your Form IL-1040 as if you were a full-year Illinois resident. Follow the IL-1040 instructions.

### Step 3

#### Figure the Illinois portion of your federal adjusted gross income

##### Column A – Federal Total

Write the amounts exactly as reported on your federal income tax return in Column A.

##### Column B – Illinois Portion

Write the portion of Column A, Federal Total, that is taxed by Illinois. To determine the taxable amount, you must read and follow the instructions for each line.

##### **Note** Partnerships, S corporations, trusts, or estates

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on each line.

#### Income

##### Line 5: Wages, salaries, tips, etc.

Write the amount shown as Illinois wages on the Illinois copy of the W-2 forms you received while you were a nonresident. **Do not include** any Illinois wages you received while you were a resident of Iowa, Kentucky, Michigan, or Wisconsin.

**Note** If the Illinois wages as shown on your W-2 are incorrect, you must **attach** a letter from your employer, on company letterhead, stating the correct amount of Illinois wages and Illinois Income Tax withheld. We will not accept a letter from you or your tax preparer.

**Note** If any of your wages are for military pay, be sure to complete Step 4, Line 44 and Schedule M.

##### Line 6: Interest income

Interest income that you received, other than business interest income, is not taxed by Illinois.

Business interest income that you received as part of a business conducted in Illinois is taxed by Illinois. If this income was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

##### Line 7: Dividend income

Dividend income that you received, other than business dividend income, is not taxed by Illinois.

# Nonresident Instructions

Business dividend income that you received as part of a business conducted in Illinois is taxed by Illinois. If this income was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

## Line 8: Taxable refunds, credits, or offsets of state and local income tax

Write the amount of any Illinois Income Tax refund that you included in your taxable income because you claimed this refund as an itemized deduction on a previous year's federal return. If you received this refund from business taxes, include any refund amount to the extent that the original deduction was allocated to Illinois.

## Line 9: Alimony received

Do not write an amount on this line. As a nonresident, alimony that you received is not taxed by Illinois.

## Line 10: Business income or loss

Business income or loss that you received as part of a business conducted in Illinois is taxed by Illinois. If your business income or loss was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

## Line 11: Capital gain or loss

Write any capital gains or losses, other than business capital gains or losses, that you received from the sale of real property or tangible personal property located in Illinois at the time of the sale or exchange. Nonbusiness capital gains or losses that resulted from your sale of intangibles are not taxed by Illinois.

Capital gains or losses that you received as part of a business conducted in Illinois are taxed by Illinois. If you received your business income or loss

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of your capital gain or loss, and include the amount from Line 3 of the worksheet.

## Line 12: Other gains or losses

Other gains or losses that you received as part of a business conducted in Illinois are taxed by Illinois. All gains or losses that you included on federal Form 4797, Sales of Business Property, are classified as business income.

If this income or loss was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

## Line 13: Taxable IRA distributions

Do not write an amount on this line. As a nonresident, your IRA distributions are not taxed by Illinois.

## Line 14: Taxable pensions and annuities

Do not write an amount on this line. As a nonresident, your pensions and annuities are not taxed by Illinois.

## Line 15: Rents, royalties, partnerships, S corporations, estates, and trusts

Figure the total amount to write on this line by adding

- the net amount of income or loss, other than business income, that you received from
  - real estate located in Illinois.
  - tangible personal property, to the extent it was used in Illinois.

**Note** You can determine the extent of Illinois use of tangible personal property by dividing the number of days the property was in Illinois during the rental or royalty period in the taxable year by the number of days the property was everywhere during all rental or royalty periods in the taxable year. Multiply the resulting fraction by the net amount of rents and royalties received.

- patents and copyrights (the amount that was used in Illinois).

**Note** A **patent** is used in Illinois when it is employed in the production, fabrication, manufacturing, or other processing of a product, or when a patented product is produced in Illinois.

A **copyright** is used in Illinois when the printing or publication originated in Illinois.

- income or loss you received from an Illinois business. If your business was conducted
  - entirely within Illinois, include the amount from Column A.
  - both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.
- income or loss that you received from partnerships, S corporations, trusts, and estates as directed by Illinois Schedules K-1-P and K-1-T.

## Line 16: Farm income or loss

All farm income or loss that you included on federal Schedule F, Profit or Loss from Farming, and that you received from an Illinois farm is taxed by Illinois. If your farm income or loss was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of your farm income, and include the amount from Line 3 of the worksheet.

## Line 17: Unemployment compensation, Alaska Permanent Fund dividends, and jury duty pay

Do not write an amount on this line. As a nonresident, your unemployment compensation, Alaska Permanent Fund dividends, and jury duty pay are not taxed by Illinois.

## Line 18: Taxable Social Security benefits

Do not write an amount on this line. As a nonresident, your Social Security benefits are not taxed by Illinois.

## Line 19: Other income

Write the total amount of income that you received from

- the **Illinois State Lottery** (even if you were a resident of a reciprocal state).

**Note** Nonresidents are not required to include other Illinois gambling winnings such as riverboat and pari-mutuel winnings.

- a business net operating loss (NOL) from an earlier year that is being carried forward. If your loss was derived
  - from a partnership or an S corporation, the loss is allocated to Illinois to the same extent that business income from that entity is apportioned to Illinois on the Illinois Schedule K-1-P for this year.
  - from a business you conducted entirely within Illinois, the entire amount is allocated to Illinois.
  - from a business you conducted inside and outside Illinois, figure the Illinois portion on the IAF Worksheet, Page 10, and include the amount from Line 3 of the worksheet.
- a recovery or reimbursement for a deduction claimed in a prior year to the extent that the deduction was allocated to Illinois.

**Line 20:** Follow the instructions on Schedule NR.

# Nonresident Instructions

## Adjustments to Income

**Line 21:** Follow the instructions on Schedule NR.

### Line 22: Educator Expenses

Write the amount of educator expenses that you deducted this year that were incurred in connection with your Illinois employment.

### Line 23: Certain business expenses of reservists, performing artists, and fee-based government officials

Write the amount of business expenses that you deducted this year for which the related compensation is allocable to Illinois. If only a portion of the compensation related to your total business expenses shown in Column A is allocated to Illinois, allocate the same portion of these expenses to Illinois in Column B.

### Line 24: Health savings account deduction

Write the amount of health savings account deduction that you claimed this year as shown in Column A.

### Line 25: Moving expenses

Write the amount of expenses you paid to take a new job in Illinois.

### Line 26: Deduction for one-half of self-employment tax

Complete the following calculation to determine your Illinois self-employment (ISE) decimal for use on Lines 26, 27, and 28. The ISE decimal may not exceed 1.0 or be less than zero.

$$\frac{\text{Self-employment income included in Column B}}{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}} = \text{Illinois self-employment (ISE) decimal}$$

Figure the amount of your Illinois deduction for one-half of your self-employment tax by completing the following calculation, and write the amount on Line 26, Column B.

$$\text{ISE decimal} \times \text{Column A, Line 26} = \$ \text{Column B, Line 26}$$

### Line 27: Self-employed (SEP), SIMPLE, and qualified plans

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 27, Column B.

$$\text{ISE decimal} \times \text{Column A, Line 27} = \$ \text{Column B, Line 27}$$

### Line 28: Self-employed health insurance deduction

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 28, Column B.

$$\text{ISE decimal} \times \text{Column A, Line 28} = \$ \text{Column B, Line 28}$$

### Line 29: Penalty on early withdrawal of savings

Write the penalty amount you paid when you withdrew money from a business savings account earning interest that is allocated to Illinois. If only a portion of the interest on the account is allocated to Illinois, allocate the same portion of this penalty to Illinois.

### Line 30: Alimony paid

Write the amount of alimony you paid during the tax year as shown in Column A.

### Line 31: Total IRA deduction

Figure the amount of your Illinois IRA deduction by completing the calculation below, and write the result on Line 31, Column B.

$$\frac{\text{Wages, salaries, tips, earned income received from an Illinois source}}{\text{Wages, salaries, tips, alimony, earned income received from all sources}} =$$

$$\text{Decimal} \times \text{Column A, Line 31} = \$ \text{Column B, Line 31}$$

### Line 32: Student loan interest

Write the amount of student loan interest that you deducted this year as shown in Column A.

### Line 33: Tuition and fees

Write the amount of tuition and fees that you deducted this year as shown in Column A.

### Line 34: Domestic production activities deduction

Write the amount of deduction for domestic production activities that you are allowed on your federal income tax return. If the income on which the deduction is computed was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of the deduction, and include the amount from Line 3 of the worksheet.

If the deduction was passed through to you by a partnership or S corporation, it is apportioned in the same manner as your business income from that partnership or S corporation.

If your domestic production activities deduction is derived from more than one source, divide the deduction among the sources in proportion to your domestic production activities income from each source and apportion the amount from each source separately.

### Line 35: Other adjustments

Use this line **only** if the Internal Revenue Service instructs you to include an amount on your federal Form 1040, Line 36 that is not listed as a separate line item on the federal Form 1040, Lines 23 through 35. Include only the amount of unlisted items, not the Line 36 total.

If the federal adjustment is

- an item of income, you may include the subtraction in Column B only if the amount is included as income in Column B on another line of this Schedule NR.
- an expenditure related to income, you may include in Column B the same percentage of Column A as the percentage of the total related income included in Column B on any line of this schedule.
- an expenditure unrelated to income, you may include in Column B the amount from Column A.

**Lines 36 through 38:** Follow the instructions on Schedule NR.

## Step 4

## Figure your Illinois additions and subtractions

### Column A – Form IL-1040 Total

Write the amounts in Column A from your Form IL-1040 by following the instructions on Schedule NR.

### Column B – Illinois Portion

To determine the Illinois portion of additions and subtractions, you must read and follow the instructions for each line.

#### Note Partnerships, S corporations, trusts, or estates

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form's instructions to figure the amount to include on each line.

### Additions

#### Line 39: Federally tax-exempt interest income

Interest and dividends, except from a business, are not taxed by Illinois. Federally tax-exempt interest income you received as part of a business conducted in Illinois is taxed by Illinois. If this income was received



## Nonresident Instructions

- entirely from Illinois sources, write the amount from Column A.
- both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

### Line 40: Other additions

Include the following:

- any distributive share of additions received from partnerships, S corporations, trusts, and estates as reported on Schedules K-1-P and K-1-T.
- withdrawals made from a Medical Care Savings Account that was established in connection with your Illinois employment.
- any Lloyds plan of operations loss if reported on your behalf on Form IL-1023-C, Composite Income and Replacement Tax Return, and included in your adjusted gross income.
- any amount that you reported on Form IL-4562, Special Depreciation, that resulted from Illinois property. If this depreciation was incurred in a business conducted
  - entirely within Illinois, include the amount from Column A.
  - both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.
- business expense recapture if you reported income from an asset or activity as business income in prior years and reported any income from that asset or activity as nonbusiness income on your Schedule NR for this year. Write the amount of business expense recapture included in Column A multiplied by the greater of
  - the decimal on Line 1 of the IAF Worksheet on Page 10, or
  - the decimal on Line 1 of the IAF Worksheet for this year plus the IAF decimals for your two most recent years, divided by 3. If you filed Schedule NR for only one prior year, add the IAF decimal from that year's Schedule NR and the IAF decimal from this year's Schedule NR, and divide by 2.
- recapture of deductions for contributions to Illinois college savings plans transferred to an out-of-state plan.

### Line 41: Follow the instructions on Schedule NR.

#### Subtractions

### Line 42: Federally taxed Social Security and retirement

Do not write an amount on this line. As a nonresident, federally taxed Social Security and retirement income are not taxed by Illinois and should not be included in Column B, Lines 13, 14, or 18.

### Line 43: Illinois Income Tax refund

Write the amount of any Illinois Income Tax overpayment that you included in Column B, Line 8.

### Line 44: Other subtractions

Include the total amount of the following:

- **“Bright Start” or “Bright Directions” College Savings Pool contributions** and **“College Illinois” Prepaid Tuition Program contributions** from your Schedule M, Other Additions and Subtractions for Individuals, Lines 11a, 11b, and 11c.
- Restoration of amounts held under **claim of right** from your Schedule M, Line 13.
- **Contributions to a job training project** from your Schedule M, Line 14.

Use the instructions for each of the following items to figure the amount to include:

- Write the amount of the following items from your Schedule NR, Column A, Line 44 that is included as income in Column B of any line of your Schedule NR.
  - **August 1, 1969, valuation limitation**
  - **Enterprise zone or river edge redevelopment zone and high impact business dividend subtraction**

- **Ridesharing money and other benefits**
- **Payment of life insurance, endowment, or annuity benefits received**
- **Lloyds plan of operations income if reported on your behalf on Form IL-1023-C**
- **Illinois Pre-Need Cemetery Sales Act trust income**
- **Education loan repayments to primary care physicians**
- **Reparations or other amounts received as a victim of persecution by Nazi Germany**
- **Interest from obligations of Illinois state and local government**
- **Your child's interest income reported on U.S. Form 8814**

- **Military pay** - Write the amount of military pay that you received for duty in the U.S. Armed Forces. This income must be included in your federal adjusted gross income and in Column B, Line 5.
- **U.S. government obligations** - Write the amount of any interest income from U.S. Treasury bonds, bills, notes, savings bonds, and U. S. agency interest that you included in Column B, Line 6.
- **Distributive share of subtractions from a partnership, S corporation, trust, or estate** - Write the amount reported to you on the Schedule K-1-P or Schedule K-1-T from the partnership, S corporation, trust, or estate.
- **Expenses of federally tax-exempt income and federal credits** - For expenses related to
  - federal credits, include the amount from Column A.
  - income that is exempt from federal taxation, multiply the amount in Column A by the percentage of that income that was included in Column B of your Schedule NR for the line on which this income was added back to your base income.
- **Home Ownership Made Easy Program income** - Write the amount from Column A that was received while you were a resident or that was included as income in Column B on any line of Schedule NR for this year or any prior year.
- **Special Depreciation subtraction** - Write any amount that you reported on Form IL-4562, Special Depreciation. If this depreciation was incurred in a business conducted
  - entirely within Illinois, include the amount from Column A.
  - both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.
- **Recovery of items previously deducted on U.S. 1040, Schedule A** - Write any amount from Column A that is included as income in your Schedule NR, Column B, Line 8 or Line 19.
- **Employer's contributions made on your behalf to an account established under the Medical Care Savings Account Act and the interest earned** - Write any amount from Column A that is paid by an employer whose compensation you included in your Schedule NR, Column B, Line 5.
- **Non-U.S. bond interest** - Write the amount of any interest income from bonds issued by the governments of Guam, Puerto Rico, or the Virgin Islands, or the mutual mortgage insurance fund that you included in Column B, Line 6 or Line 39.
- **Railroad unemployment** - Write any amount from Column A that is included as income in your Schedule NR, Column B, Line 5.

### Line 45 – Follow the instructions on Schedule NR.

## Step 5

### Figure your Illinois income and tax

Lines 46 through 52 – Follow the instructions on Schedule NR.

## Part-Year Resident Step-by-Step Instructions

### Step 1

#### Provide the following information

**Line 1:** Check the “Yes” box if

- you were a full-year resident of Illinois during the tax year, or
- your filing status is “married filing jointly” and your spouse was a full-year resident of Illinois during the tax year.

Check the “No” box if

- you were not a full-year resident of Illinois, or
- your filing status is “married filing jointly” and neither you nor your spouse were full-year residents of Illinois during the tax year.

**Note** If you check the “Yes” box on Line 1, you cannot use Schedule NR. If you file your Illinois return indicating your filing status as “married filing jointly” and one spouse is a full-year resident of Illinois, you must file your return using full-year residency status. However, if you are filing a joint federal return and one spouse is an Illinois resident while the other is a part-year resident, you may choose to file “married filing separately.” In this case each person must determine income and exemptions as if he or she had filed separate federal returns.

As a part-year resident, you may be allowed to take a credit against Illinois Income Tax for income tax you paid to another state if the income you earned while an Illinois resident is also being taxed by another state. See the instructions for Form IL-1040, Line 17 and Schedule CR, Credit for Tax Paid to Other States.

**Line 2a:** Write the dates that you lived in Illinois during the tax year, the name of the other state where you lived during the tax year, and the dates you lived in the other state. Attach a separate sheet of paper with this information if you need more room.

**Line 2b:** If your filing status is “married filing jointly,” write the dates your spouse lived in Illinois during the tax year, the name of the other state where your spouse lived during the tax year, and the dates your spouse lived in the other state. Attach a separate sheet of paper with this information if you need more room.

**Note** You must enter dates that fall within the tax year (January 2008 through December 2008, for calendar-year filers) on Lines 2a and 2b. For example, if you or your spouse

- began living in Illinois on or before January 1, 2008, enter 01/01/08.
- began living in Illinois after January 1, 2008, enter the actual month, day, and year you began living in Illinois.
- moved out of Illinois on or after December 31, 2008, enter 12/31/08.
- moved out of Illinois before December 31, 2008, enter the actual month, day, and year you moved out of Illinois.

**Line 3:** If you were a resident of Iowa, Kentucky, Michigan, or Wisconsin, during any part of the tax year, check the boxes identifying where you were a resident.

**Line 4:** If you earned income or filed an income tax return in any state other than those listed on Lines 2 and 3, write the two-digit abbreviation of the state(s) on the lines provided.

### Step 2

#### Complete Form IL-1040

Complete Lines 1 through 10 of your Form IL-1040 as if you were a full-year Illinois resident. Follow the IL-1040 instructions.

### Step 3

#### Figure the Illinois portion of your federal adjusted gross income

##### Column A – Federal Total

Write the amounts exactly as reported on your federal income tax return in Column A.

##### Column B – Illinois Portion

Write the portion of Column A, Federal Total, that is taxed by Illinois. To determine the taxable amount, you must read and follow the instructions for each line. As a part-year resident, you must include the income you received from any source during the time you were a resident, plus the Illinois income you received during the time you were a nonresident.

**Note** Partnerships, S corporations, trusts, or estates

If you received an Illinois Schedule K-1-P or K-1-T, refer to that form’s instructions to figure the amount to include on each line.

For the purposes of determining if income was received by you while you were an Illinois resident, all income from these entities is considered received on the last day of the entity’s tax year.

##### Income

##### Line 5: Wages, salaries, tips, etc.

Write the amount of all wages you received as an Illinois resident, including wages received from employment in Iowa, Kentucky, Michigan, or Wisconsin.

Also include all Illinois wages you received while you were a nonresident. These wages are identified as Illinois wages on the Illinois copy of your W-2 forms. **Do not include** any Illinois wages you received while you were a nonresident of Illinois and a resident of Iowa, Kentucky, Michigan, or Wisconsin.

## Part-Year Resident Instructions

**Note** If the Illinois wages as shown on your W-2 are incorrect, you must **attach** a letter from your employer, on company letterhead, stating the correct amount of Illinois wages and Illinois Income Tax withheld. We will not accept a letter from you or your tax preparer.

**Note** If any of your wages are for military pay, be sure to complete Step 4, Line 44 and Schedule M.

### Line 6: Interest income

Write the total amount of interest income from Column A that you received as an Illinois resident. Also include any business interest income that you received while you were a nonresident and that you received from Illinois sources located

- entirely within Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Interest income that you received while you were a nonresident, other than business interest income, is not taxed by Illinois.

### Line 7: Dividend income

Write the total amount of dividend income from Column A that you received as an Illinois resident. Also include business dividend income that you received while you were a nonresident and that you received from Illinois sources located

- entirely within Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

Any dividend income that you received while a nonresident, other than business dividend income, is not taxed by Illinois.

### Line 8: Taxable refunds, credits, or offsets of state and local income tax

Write the amount of any income tax refund from Column A that you received as an Illinois resident and any Illinois Income Tax refund you received while you were a nonresident. Include these refunds **only** if they are included in your taxable income because you claimed them as itemized deductions on a previous year's federal return.

If you received a refund from business taxes, you must include any refund you received as a nonresident to the extent that the original deduction was allocated to Illinois.

### Line 9: Alimony received

Write the amount of alimony that you received as an Illinois resident.

### Line 10: Business income or loss

Write the amount of business income or loss from Column A that you received as an Illinois resident. Also include the amount of business income or loss that you received while a nonresident and that you received from Illinois sources located

- entirely within Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure the Illinois portion of your business income, and include the amount from Line 3 of the worksheet.

### Line 11: Capital gain or loss

Write any capital gains or losses from Column A that you received as an Illinois resident. Include any capital gains or losses, other than business capital gains or losses, that you received while a nonresident and that were associated with the sale of real property or tangible personal property located in Illinois at the time of the sale or exchange.

Also include any capital gains or losses that you received while a

nonresident from Illinois business sources located

- entirely in Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure your Illinois portion, and include the amount from Line 3 of the worksheet.

### Line 12: Other gains or losses

Write the total amount of other gains or losses from Column A that you received as an Illinois resident and any amount you received while you were a nonresident from Illinois business sources located

- entirely in Illinois.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income and include the amount from Line 3 of the worksheet.

### Line 13: Taxable IRA distributions

Write the amount of IRA distributions from Column A that you received as an Illinois resident, regardless of where you were a resident when you made the contributions.

### Line 14: Taxable pensions and annuities

Write the amount of pensions and annuities from Column A that you received as an Illinois resident, regardless of the source.

### Line 15: Rents, royalties, partnerships, S corporations, estates, and trusts

Write the total amount of income or loss from Column A that you received as an Illinois resident. Include any amount you received from Illinois sources while you were a nonresident. Add the total

- net amount of income or loss, other than business income, that you received from

- real estate located in Illinois.
- tangible personal property, to the extent it was used in Illinois.

**Note** You can determine the extent of Illinois use of tangible personal property by dividing the number of days the property was in Illinois during the rental or royalty period in the taxable year by the number of days the property was everywhere during all rental or royalty periods in the taxable year. Multiply the resulting fraction by the net amount of rents and royalties received.

- patents and copyrights (the amount that was used in Illinois).

**Note** A **patent** is used in Illinois when it is employed in the production, fabrication, manufacturing, or other processing of a product, or when a patented product is produced in Illinois.

A **copyright** is used in Illinois when the printing or publication originated in Illinois.

- income or loss that you received from an Illinois business source if you received that income or loss
  - entirely from Illinois sources.
  - from both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.
- income or loss from partnerships, S corporations, trusts, and estates as directed on Illinois Schedules K-1-P and K-1-T.

### Line 16: Farm income or loss

Write the total amount of farm income or loss from Column A that you received as an Illinois resident. Also, include farm income or loss you received while a nonresident if this income or loss was received

- entirely from Illinois sources.
- from both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure the Illinois portion of your farm income, and include the amount from Line 3 of the worksheet.



## Part-Year Resident Instructions

### Line 17: Unemployment Compensation, Alaska Permanent Fund dividends, and jury duty pay

Write the total amount of unemployment compensation, Alaska Permanent Fund dividends, and jury duty pay from Column A that you received as an Illinois resident.

### Line 18: Taxable Social Security benefits

Write the total amount of Social Security income from Column A that you received as an Illinois resident.

### Line 19: Other income

Write the total amount of other income from Column A that you received as an Illinois resident, plus any amount that you received while you were a nonresident from

- the **Illinois State Lottery** (even if you were a resident of a reciprocal state).
- a business net operating loss from an earlier year that is being carried forward. If your loss was derived
  - from a partnership or an S corporation, the loss is allocated to Illinois to the same extent that business income from that entity is apportioned to Illinois on the Illinois Schedule K-1-P for this year.
  - from a business you conducted entirely within Illinois, the entire amount is allocated to Illinois.
  - from a business you conducted inside and outside Illinois, figure the Illinois portion on the IAF Worksheet, Page 10, and include the amount from Line 3 of the worksheet.
- a recovery or reimbursement for a deduction from a prior year to the extent that the deduction was allocated to Illinois.

**Line 20:** Follow the instructions on Schedule NR.

## Adjustments to Income

**Line 21:** Follow the instructions on Schedule NR.

### Line 22: Educator Expenses

Write the amount of educator expenses from Column A that you established this year in connection with your

- employment while you were an Illinois resident, or
- Illinois employment while you were a nonresident.

### Line 23: Certain business expenses of reservists, performing artists, and fee-based government officials

Write the amount of business expenses that you deducted this year for which the related compensation is allocable to Illinois. If only a portion of the compensation related to your total business expenses shown in Column A is allocated to Illinois, allocate the same portion of these expenses to Illinois in Column B.

### Line 24: Health savings account deduction

Write the amount of health savings account deduction that you claimed this year as shown in Column A.

### Line 25: Moving expenses

Write the amount of expenses that you paid while you were an Illinois resident or that you paid for moving to take a job located in Illinois. If you moved to take a job located outside of Illinois, you must provide receipts showing the expenses were paid while you were an Illinois resident.

### Line 26: Deduction for one-half of self-employment tax

Complete the following calculation to determine your Illinois self-employment (ISE) decimal for use on Lines 26, 27, and 28. The ISE decimal may not exceed 1.0 or be less than zero.

$$\frac{\text{Self-employment income included in Column B}}{\text{Total self-employment income (total of Lines 1 and 2 from federal Schedule SE)}} = \text{Illinois self-employment (ISE) decimal}$$

Figure the amount of your Illinois deduction for one-half of your self-employment tax by completing the following calculation, and write the amount on Line 26, Column B.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 26}} \times \text{Column A, Line 26} = \$ \text{Column B, Line 26}$$

### Line 27: Self-employed (SEP), SIMPLE, and qualified plans

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 27, Column B.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 27}} \times \text{Column A, Line 27} = \$ \text{Column B, Line 27}$$

### Line 28: Self-employed health insurance deduction

Figure the amount of your Illinois deduction by completing the following calculation using the ISE decimal, and write the amount on Line 28, Column B.

$$\frac{\text{ISE decimal}}{\text{Column A, Line 28}} \times \text{Column A, Line 28} = \$ \text{Column B, Line 28}$$

### Line 29: Penalty on early withdrawal of savings

Write the amount from Column A that you paid as an Illinois resident when you withdrew money from a savings account plus any penalty amount that you paid while a nonresident that is allocated to Illinois. If only a portion of the interest on the account is allocated to Illinois, allocate the same portion of this penalty to Illinois.

### Line 30: Alimony paid

Write the amount of alimony you paid during the tax year as shown in Column A.

### Line 31: Total IRA deduction

Figure the amount of your Illinois IRA deduction as follows, and write the amount on Line 31, Column B.

$$\frac{\text{Wages, salaries, tips, alimony, earned income included in Column B}}{\text{Wages, salaries, tips, alimony, earned income received from all sources}} \div \text{Decimal} \times \text{Column A, Line 31} = \$ \text{Column B, Line 31}$$

### Line 32: Student loan interest

Write the amount of student loan interest you deducted this year as shown in Column A.

### Line 33: Tuition and fees

Write the amount of tuition and fees that you deducted this year as shown in Column A.

### Line 34: Domestic production activities deduction

Write the amount of deduction for domestic production activities that you are allowed on your federal income tax return. If the income on which the deduction is computed was received

- entirely from Illinois sources, write the amount from Column A.
- from both inside and outside Illinois, complete the IAF Worksheet on Page 10 to figure the Illinois portion of the deduction, and include the amount from Line 3 of the worksheet.

If the deduction was passed through to you by a partnership or S corporation, it is apportioned in the same manner as your business income from that partnership or S corporation.

If your domestic production activities deduction is derived from more than one source, divide the deduction among the sources in proportion to your domestic production activities income from each source and apportion the amount from each source separately.

### Line 35: Other adjustments

Use this line **only** if the Internal Revenue Service instructs you to include an amount on your federal Form 1040, Line 36 that is



## Part-Year Resident Instructions

not listed as a separate line item on the federal Form 1040, Lines 23 through 35. Include only the amount of unlisted items, not the Line 36 total.

If the federal adjustment is

- an item of income, you may include the subtraction in Column B only if the amount is included as income in Column B on another line of this Schedule NR.
- an expenditure related to income, you may include in Column B the same percentage of Column A as the percentage of the total related income included in Column B on any line of this Schedule NR.
- an expenditure unrelated to income, you may include in Column B the amount from Column A.

**Lines 36 through 38** - Follow the instructions on Schedule NR.

### Step 4

## Figure your Illinois additions and subtractions

### Column A — Form IL-1040 Total

Write the amounts in Column A from your Form IL-1040 by following the instructions on Schedule NR.

### Column B — Illinois Portion

To determine the Illinois portion of additions and subtractions, you must read and follow the instructions for each line.

#### Additions

### Line 39: Federally tax-exempt interest income

Write the amount of federally tax-exempt interest from Column A that you received as an Illinois resident.

Interest and dividends, other than from a business, that you received while a nonresident are not taxed by Illinois.

Include any federally tax-exempt interest income that you received while a nonresident that came from an Illinois business located

- entirely within Illinois. Include the amount from Column A.
- both inside and outside Illinois. Complete the IAF Worksheet on Page 10 to figure the Illinois portion of that income, and include the amount from Line 3 of the worksheet.

### Line 40: Other additions

See the nonresident instructions for Line 40 for a list of other additions. Include each of the items from Column A that you received or incurred while an Illinois resident. You must also include on this line the Illinois portion of any federally tax-exempt interest income reported on federal Form 8814 and any earnings distributed from IRC Section 529 college savings programs that you received while you were a resident if they are not included in your federal adjusted gross income.

Also include the amount of the items you received while a nonresident to the extent required in the nonresident instructions for Line 40.

Write the total Illinois amount of other additions.

**Line 41:** Follow the instructions on Schedule NR.

#### Subtractions

### Line 42: Federally taxed Social Security and retirement

Write the amount of federally taxed Social Security and retirement income from Column A that you received as an Illinois resident and

that is included in the Illinois portion of your federal adjusted gross income, Line 38.

### Line 43: Illinois Income Tax refund

Write the amount of any Illinois Income Tax overpayment that you included in Column B, Line 8.

### Line 44: Other subtractions

See the nonresident instructions for Line 44 for a list of other subtractions. Include each of the items you received or incurred while an Illinois resident. You must include on this line the Illinois portion of any deductible interest income reported on federal Form 8814.

Also include the amount of the items you received while a nonresident to the extent required in the nonresident instructions for Line 44.

**Line 45** – Follow the instructions on Schedule NR.

### Step 5

## Figure your Illinois income and tax

**Lines 46 through 52** – Follow the instructions on Schedule NR.

# Business or Farm Income Apportionment Formula (IAF) Worksheet

You must complete this worksheet if, while a nonresident of Illinois, you received business or farm income from both inside and outside of Illinois. If you have more than one source of business or farm income, make copies of this worksheet and prepare a separate worksheet for each line of the Schedule NR on which you reported business income.

Worksheet for Schedule NR, Line \_\_\_\_\_

	<b>Column A</b> Total sales everywhere	<b>Column B</b> Total sales inside Illinois		<b>Column C</b> Apportionment Factor Column B ÷ Column A
<b>1</b> Figure your apportionment factor. _____	_____	_____	<b>1</b>	_____ ● _____
<b>2</b> Write the amount of your business or farm income from Schedule NR, Column A.			<b>2</b>	_____
<b>3</b> Apportioned Income – Multiply Line 2 by the Line 1 decimal. Write the result here and on the corresponding line on Schedule NR, Column B.			<b>3</b>	_____

**Keep a copy of this worksheet with your income tax records.**

## IAF Worksheet Instructions

### Line 1: Apportionment factor

#### Column A

Write the total amount of sales that you received from both inside and outside Illinois.

#### Column B

Write the total amount of sales that you received in Illinois.

#### Column C

Divide Column B by Column A. Carry the decimal to six places. This is your apportionment factor.

### Line 2: Business or farm income

Write the amount of your business or farm income from the appropriate line on Schedule NR, Column A.

### Line 3: Apportioned income

Multiply the amount of your business or farm income, Line 2, by the apportionment factor, Line 1 decimal. Write the result on Line 3 and on the corresponding line of Schedule NR, Column B.

**Note**

If you need more detailed instructions, please see the instructions for Form IL-1120, Corporation Income and Replacement Tax Return, Step 4. If your business income was derived from a transportation company, an insurance company, or a financial organization, see Form IL-1120 specific instructions for "Special Apportionment Formulas."