



General Information

What is the purpose of Schedule M?

Schedule M, Other Additions and Subtractions, allows you to figure the total amount of "other additions and subtractions" you must include on

- Form IL-1120, Corporation Income and Replacement Tax Return, Line 8 and Line 21,
- Form IL-1120-ST, Small Business Corporation Replacement Tax Return, Line 21 and Line 33,
- Form IL-1065, Partnership Replacement Tax Return, Line 22 and Line 33, or
- Form IL-1041, Fiduciary Income and Replacement Tax Return, Line 10 and Line 24.

What must I attach?

If you claim an amount on the "other additions" or "other subtractions" lines, you **must** attach a completed Schedule M to your tax return.

What if I need additional assistance?

If you need additional assistance,

- visit our website at **tax.illinois.gov**;
- write us at P.O. Box 19044, Springfield, Illinois 62794-9044;
- call our Taxpayer Assistance Division, at **1 800 732-8866** or **217 782-3336**, or
- call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

Step-by-Step Instructions

Step 1: Provide the following information

Write your name and FEIN as shown on your tax return.

Step 2: Figure your additions

Note Any line that does not have specific instructions is self-explanatory.

Line 1 — Capital gain taxed under IRC 852(b)(3) — Write the amount of any capital gain that you were allowed to deduct federally under IRC 852(b)(3).

Line 2 — Notes, bonds, debentures, or obligations issued by the Governments of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico or the Virgin Islands — Write the amount of interest from any of these governmental obligations that you own directly that is not included on Form IL-1120 or Form IL-1041, Line 1, or Form IL-1120-ST or Form IL-1065, Line 13.

Line 3 — Lloyds plan of operation loss — Add back any loss that you included in your federal taxable income from a Lloyds plan of operation if that loss was reported on your behalf on Form IL-1023-C, Composite Income and Replacement Tax Return.

Line 4 — 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 non-business income on Illinois Schedule NB, Nonbusiness Income, or Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, for this year, include on this line all deductions you claimed for expenses connected with that income in this year and in your two most recent years.

Line 5 — Any other state's income tax deducted from federal taxable income (Form IL-1041 filers only) — If you are claiming a credit for tax paid to other states on Illinois Schedule

CR (Form IL-1041), Credit for Tax Paid to Other States, you must add back that state's income tax deducted from Federal Taxable Income. **Only add back the taxes for which you are claiming a credit.**

Line 6 — Capital loss to be carried forward (Form IL-1041 filers only) — Add back the smaller of

- any capital loss on your U.S. Form 1041, Line 4 that you may carry forward; or
- any negative amount on your U.S. Form 1041, Line 22.

Line 7 — Employer contribution to college savings plans —

If you claimed a credit on Schedule 1299-A, Tax Subtractions and Credits (For Partnerships and S Corporations), or Schedule 1299-D, Income Tax Credits, for contributions you made to a college savings plan on behalf of an employee, write the amount of the credit from Schedule 1299-A, Lines 36a through 36c, or Schedule 1299-D, Lines 45a through 45c, here.

Line 8 — Dividends paid by a captive real estate investment trust —

If you are a captive real estate investment trust (REIT), write the amount of the deduction you claimed on your U.S. Form 1120-REIT, Line 21b. You are a captive REIT if more than 50 percent of the value or voting power of your shares was owned directly or indirectly by a single corporation, unless that corporation is:

- a REIT that is not a captive REIT,
- exempt from tax under IRC Section 501 and is not required to treat the dividends it receives from you as unrelated business taxable income,
- a listed Australian property trust that is not a captive REIT under these rules, or
- a foreign corporation or entity that would be treated as a REIT if it were incorporated in and doing business in the U.S., and that would not be treated as a captive REIT under these rules.

Line 9 — Other income — Include any other amounts that you are required to add to your federal taxable income to arrive at your Illinois base income. Please include a detailed description of each addition on the line provided or on an attached statement.

Note — **Do not include** any distributive share of income shown on Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or Illinois Schedule K-1-T, or any amount calculated on Illinois Schedule 4562, Special Depreciation. These amounts are reported directly on your Illinois tax return.

Step 3: Figure your subtractions

Line 11 — Exempt interest dividends paid by regulated investment companies — Write the amount of exempt interest dividends you paid under IRC Section 852(b)(5) (regulated investment companies only).

Line 12 — Notes, bonds, debentures, or obligations issued by the Governments of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands — You may subtract these items only to the extent that you were required to add them to federal taxable income on this Illinois Schedule M, Line 2.

Line 13 — Lloyds plan of operation income if reported on your behalf on Form IL-1023-C — Write the income included in your taxable income from a Lloyds plan of operations if that amount was reported on your behalf on Form IL-1023-C, Composite Income and Replacement Tax Return.

Line 14 — Restoration of amounts held under claim of right — Write the amount equal to the deduction used to compute the federal tax credit for restoration of amounts held under claim of right under the Internal Revenue Code, Section 1341.

Lines 15a through 15g — Expenses of federally tax-exempt income and federal credits —

Write the amount

- of any expenses that were disallowed as federal deductions or because a credit was allowed under IRC Sections 45G(e)(3), 265, 280C, or 171(a)(2), 291(a)(3), and 832(b)(5)(B)(i)
- included in your adjusted gross income under IRC Section 87.

Lines 19a through 19p — Securities exempt from Illinois tax — Write the amount of interest on obligations of Illinois state and local governments only if included in your Illinois income, Form IL-1120, Line 9, Form IL-1041, Line 11, Form IL-1065, Line 23, or Form IL-1120-ST, Line 22. This amount is the amount net of any related bond premium amortization.

Interest from state and local government obligations is not exempt from Illinois Income Tax unless legislation has been specifically adopted to provide for an exemption. Income from these obligations may be subtracted only if you own the securities directly and not through mutual funds.

Use the correct line to identify your amounts for the following securities.

- Illinois Housing Development Authority bonds and notes (except housing-related commercial facilities bonds and notes)
- Illinois Development Finance Authority bonds, notes, and other evidence of obligation (only venture fund and infrastructure bonds)
- Illinois Sports Facilities Authority bonds

- Illinois Development Finance Authority bonds issued under the Illinois Development Finance Authority Act, Sections 7.80 - 7.87
- Illinois Development Finance Authority bonds or Illinois Finance Authority bonds issued under the Asbestos Abatement Finance Act
- Bonds issued by the Illinois Finance Authority under the Illinois Finance Authority Act
- Southwestern Illinois Development Authority bonds
- Illinois Power Agency bonds issued by the Illinois Finance Authority under Other Powers Article in the Illinois Finance Authority Act
- Central Illinois Economic Development Authority bonds issued under the Central Illinois Economic Development Authority Act
- Eastern Illinois Economic Development Authority bonds issued under the Eastern Illinois Economic Development Authority Act
- Southeastern Illinois Economic Development Authority bonds issued under the Southeastern Illinois Economic Development Authority Act
- Southern Illinois Economic Development Authority bonds issued under the Southern Illinois Economic Development Authority Act
- Illinois Urban Development Authority bonds issued under the Illinois Urban Development Authority Act
- Downstate Illinois Sports Facilities Authority bonds issued under the Downstate Illinois Sports Facilities Authority Act
- Western Illinois Economic Development Authority Bonds issued under the Western Illinois Economic Development Authority Bonds Act
- Upper Illinois River Valley Development Authority bonds issued under the Upper Illinois River Valley Development Authority Act

Line 23 — Illinois state refunds from prior years — Write the amount of refund of Illinois income and replacement tax that you received for a prior year, to the extent that it is included in your federal ordinary income.

Line 24 — Dividends received, including IRC Section 78 Foreign Dividend Gross-up and subpart F income (Form IL-1120-ST filers only) — Complete a pro forma federal Form U.S. 1120, Schedule C, and Illinois Schedule J, Foreign Dividends, to figure the amount of dividends received from a foreign corporation, foreign dividend gross-up and subpart F income, that you are entitled to subtract.

Line 25 — Contributions made to a job training project

- **Form IL-1120-ST and IL-1065 filers** — Write the amount of contributions you made under the Tax Increment Allocation Redevelopment Act to a job training project. For more information, see FY Bulletin 1990-40.
- **Form IL-1120 and IL-1041 filers** — Do not write anything on this line. These amounts are reported directly on your Illinois tax return.

Line 26 — Reparations or other amounts received as a victim of persecution by Nazi Germany (Form IL-1041 filers only) — Write the amount of reparations or other amounts received as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime that are included in

your federal taxable income. Also include any reparations or other amounts received as an heir of such victim that are included in your federal taxable income.

Line 27 — If you are the attorney-in-fact for an inter-insurer or reciprocal insurer that has elected under IRC Section 835 to include profits made from business in its federal taxable income, you may subtract the amount of your federal taxable income that is being taxed to the inter-insurer or reciprocal insurer.

Line 28 — Illinois Pre-Need Cemetery Sales Act trust income — Write the amount of income earned by certain trust accounts established under the Illinois Pre-Need Cemetery Sales Act, to the extent that it is included in your federal taxable income.

Line 29 — Nuclear decommissioning trusts established under Section 8-508.1 of the Public Utilities Act — Income from a fiduciary account, separate from all other accounts and assets of the public utility establishing the trust, in a bank or other financial institution established to hold the decommissioning funds provided by the Public Utilities Act for the eventual purpose of paying decommissioning costs.

Line 30 — Recovery of items by a decedent (Form IL-1041 estate filers only) — If you are an estate, write the amount of any recovery included in your federal taxable income of an itemized deduction claimed by a decedent on his or her Form U.S. 1040 Schedule A, in a prior year. Include refunds of state income taxes other than Illinois income tax refunds subtracted on Schedule M, Line 23.

Line 31 — Recovery of other state refunds (Form IL-1041 filers only) — If you are a trust or an estate, write the amount included in your federal taxable income for any state income tax refunds from tax years in which you claimed a credit for other states' income taxes on Schedule CR, Credit for Taxes Paid to Other States, and added back the federal deductions for those taxes on Schedule M, Line 5.

Line 32 — Qualifying dividends under IRC Section 965 — If you received controlled foreign corporation dividends qualifying for deduction under IRC Section 965, recompute your federal taxable income without applying IRC Section 965(e)(2)(A) (which provides that taxable income may not be less than your nondeductible controlled foreign corporation dividends), and write the excess of your actual taxable income over the recomputed amount on Line 32.

Line 33 — Other eligible subtractions — Write any other amounts not subtracted elsewhere, that you are entitled to subtract from your income to arrive at your Illinois base income. You may not subtract anything that is not listed in these instructions or Publication 101, Income Exempt from Tax. Please include a detailed description of each subtraction on the line provided.

Note — Do not include any distributive share of income shown on Illinois Schedule K-1-P or Illinois Schedule K-1-T, or any amount calculated on Illinois Schedule 4562, Schedule 80/20, Related Party Expenses or Schedule 1299-B, Enterprise Zone or Foreign Trade Zone (or sub-zone) Dividend Subtractions. Form IL-1120 filers may not include amounts from Illinois Schedule J. These amounts are reported directly on your Illinois tax return.

The following is a list of Illinois securities that are exempt. However, income from these obligations is not exempt if you own them indirectly through owning shares in a mutual fund.

- Export Development Act bonds
- Quad Cities Regional Economic Development Authority bonds and notes (only those bonds declared exempt from taxation by the Authority)
- College Savings bonds
- Higher Education Student Assistance Act bonds
- Rural Bond Bank Act bonds and notes
- Quad Cities Interstate Metropolitan Authority bonds

For more information refer to Publication 101, Income Exempt from Tax, which explains and identifies income that is exempt from Illinois Income Tax.

