



Schedule M IL-1040 Instructions

General Information

What is the purpose of Schedule M?

Schedule M, Other Additions and Subtractions for Individuals, allows you to figure the total amount of additions you must include on Form IL-1040, Individual Income Tax Return, Line 3 and subtractions you may claim on Form IL-1040, Line 7.

May I subtract my out-of-state income?

No, you may not subtract your out-of-state income. However, if you are filing as a resident or a part-year resident, you may be allowed to take a credit against Illinois Income Tax for income tax you paid to another state. See the instructions for Form IL-1040, Line 16, and Schedule CR, Credit for Tax Paid to Other States.

What other income is not allowed as a subtraction?

You may not subtract anything that is not listed on Schedule M. For example, you may not subtract

- unemployment compensation. Unemployment compensation included in your federal adjusted gross income, except railroad unemployment, is fully taxable to Illinois.
- gambling losses. Illinois does not allow a deduction for gambling losses.
- your federal itemized deductions from U.S. 1040 Schedule A, Itemized Deductions.
- any wages reported on your federal return. If you believe the wages reported on the Form W-2, Wage and Tax Statement, you received from your employer are incorrect, you must obtain a corrected Form W-2 or a statement from your employer, on company letterhead, stating that your Form W-2 was incorrect. We will not accept a letter from you or your tax preparer.

- Income received from Social Security benefits and retirement plans (including Illinois Teacher's Retirement). Eligible retirement income should be subtracted on IL-1040, Line 5.

What must I attach to Form IL-1040?

If you enter an amount on Form IL-1040, Line 3 or Line 7, you **must** attach Schedule M and any other required documentation listed in the "Step-by-Step Instructions" of this schedule to your Form IL-1040.

Note If you must attach Schedule K-1-P or K-1-T, be sure to attach the Illinois schedule **not** the federal Schedule K-1 or any worksheets.

What if I need additional forms or schedules?

If you need additional forms or schedules,

- visit our website at tax.illinois.gov,
- 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.

You may use our toll-free number to order forms 24 hours a day, 7 days a week.

What if I need additional assistance?

If you need assistance,

- visit our website at tax.illinois.gov,
- 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 a.m. to 5 p.m. Monday through Friday.

Step-by-Step Instructions

Step 1: Provide the following information

Write your name and Social Security number as shown on your Form IL-1040.

Step 2: Figure your additions for Form IL-1040, Line 3

Line 1 — Your child's federally tax-exempt interest and dividend income

Write the amount of any federally tax-exempt interest and dividends earned by your child if you elected to report your child's interest and dividend income on U.S. Form 8814, Parents' Election To Report Child's Interest and Dividends.

Line 2 — Distributive share of additions from a partnership, S corporation, estate, or trust

Include your distributive share of additions received from a partnership, S corporation, trust, or estate. The partnership, S corporation, trust, or estate is required to notify you of your share of this type of income. An Illinois entity will send you a Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or Schedule K-1-T, Beneficiary's Share of Income and Deductions, specifically identifying your income.



a copy of Illinois Schedule K-1-P or K-1-T.

Line 3 — Lloyds plan of operations loss

Add back any loss that you included in your adjusted gross 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 — IRC Section 529 college savings plans earnings

Include earnings distributed from IRC Section 529 college savings and tuition programs if these earnings are not included in your adjusted gross income on Form IL-1040, Line 1.

Note Do not include earnings if they were rolled over tax-free into another program.

Also, do not include earnings received from the following, which are exempt from tax:

- "Bright Start" College Savings Pool
- "Bright Directions" College Savings Pool
- "College Illinois" Prepaid Tuition Program
- Qualified IRC Section 529 tuition programs that
 - comply with the College Savings Plans Network's disclosure principles, and
 - annually inform Illinois residents and those distributing the program that in-state programs exist.

Line 5 — Special depreciation addition

Write the addition amount from Form IL-4562, Special Depreciation, Step 2, Line 4. See Form IL-4562 instructions for more information.

Note Do not include your distributive share of any special depreciation addition from a partnership, S corporation, trust, or estate on this line. Your distributive share of additions should be included on Schedule M, Line 2.

Attach Form IL-4562.

Line 6 — Business expense recapture (nonresidents only)

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 this Schedule M or on your Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, 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 tax years.

Line 7 — Recapture of deductions for contributions to college savings plans transferred to an out-of-state plan

If you made a rollover from an Illinois plan to another state's plan, write the smaller of

- the amount of deductions you claimed for amounts contributed to an Illinois college savings plan, minus any deductions recaptured in prior years, or
- the amount you transferred during the tax year from the Illinois plan to an out-of-state plan.

Line 8 — Credit for student-assistance contributions

Include any amount equal to the credit you received on Schedule 1299-C, Income Tax Subtractions and Credits (for individuals), for student-assistance contributions made as an employer on behalf of your employees for this tax year. This credit amount is 25% of the contribution for each employee, but cannot exceed \$500 per employee.

Line 9 — Recapture of deductions for contributions to college savings plans withdrawn for nonqualified expenses or refunded

If you withdrew funds or received a refund of contributions from a qualified tuition program, the funds were not used for qualified expenses at an eligible institution, and the withdrawal or refund did not result from the death or disability of a beneficiary of the program, include the amount equal to the amount of deductions you claimed for contributions related to the nonqualified withdrawal or refund amount. Write the smaller of

- the amount of deductions you claimed for amounts contributed to an Illinois college savings plan, minus any amount recaptured on Line 7 for this year and any deductions recaptured in prior years for that plan, or
- the refund or amount you withdrew during the tax year that was not used for qualified expenses in an eligible institution plus any refund of contributions.

Line 10 — Other income

Include any other amounts that you are required to add to your federal adjusted gross 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.

Line 11 — Add Lines 1 through 10. Write the amount here and on Form IL-1040, Line 3.

Step 3: Figure your subtractions for Form IL-1040, Line 7

Line 12 — Contributions you made to “Bright Start” and “Bright Directions” College Savings Pools and “College Illinois” Prepaid Tuition Program

Write the amount of contributions you made during the tax year to the “Bright Start” and “Bright Directions” College Savings Pools and the “College Illinois” Prepaid Tuition Program. You may not subtract contributions made to any other college savings program. If your contributions were made by rolling over funds from another college savings program into a “Bright Start,” “Bright Directions,” or “College Illinois” account, you may not subtract any income that was earned in the other savings program and rolled over into your Illinois account.

Note The total of Lines 12a, 12b, and 12c may not exceed \$10,000 (\$20,000 if married filing a joint return).

Line 13 — Distributive share of subtractions from a partnership, S corporation, trust, or estate

Write the amount of your distributive share of subtractions from a partnership, S corporation, trust, or estate. The partnership, S corporation, trust, or estate is required to notify you of your share of any of these subtractions. You may write the amount of such subtractions only if you are notified. An Illinois entity will send you a Schedule K-1-P or K-1-T specifically identifying your subtractions.

Note Do not include any distributive share of subtractions from a partnership, S corporation, trust, or estate that are included in Lines 20 or 22 of this schedule.

Attach a copy of Illinois Schedule K-1-P or K-1-T, which identifies you as a partner, shareholder, or beneficiary and lists your Social Security number, or a copy of the notification (which includes the Federal Employer's Identification Number) furnished to you that **specifically details** the amount of the subtraction being claimed as your distributive share.

If your distributive share is from a grantor trust, attach a detailed statement that identifies the grantor trust.

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, or
- any itemized deduction taken from adjusted gross income in the computation of taxable income for restoration of amounts held under claim of right for the taxable year.

Line 15 — Contributions to a job training project

Write the amount equal to the contributions you made under the Tax Increment Allocation Redevelopment Act to a job training project. For more information, see Informational Bulletin FY 90-40.

Line 16 — Expenses related to federal credits or federally tax-exempt income

Write the amount

- of any expenses that were disallowed as federal deductions under Internal Revenue Code (IRC) Section 45G(e)(3), 171(a)(2), 265, or 280C because they are related to income that is exempt from federal tax which you added back on Form IL-1040, Line 2 or because a credit was allowed for the expenses, or
- included in your adjusted gross income under IRC Section 87.

Line 17 — Home Ownership Made Easy Program interest

If you bought a home under the Home Ownership Made Easy (HOME) Program, you may subtract the total amount of interest income you earned over the life of your HOME account in the tax year that you bought your home.

Line 18 — Special Depreciation subtraction

Write the subtraction amount from Form IL-4562, Step 3, Line 10. See Form IL-4562 instructions for more information.

Note Do not include your distributive share of any special depreciation subtraction from a partnership, S corporation, trust, or estate on this line. Your distributive share of subtractions should be included on Line 13.

Attach Form IL-4562.

Line 19 — Military pay earned

Write the amount of military pay that you received from the U.S. Armed Forces or the National Guard of any state.

You may not subtract the following:

- combat pay that is not included in your federal adjusted gross income, Line 1
- pay you received
 - under the Voluntary Separation Incentive,
 - from the military as a civilian,
 - under the Ready Reserve Mobilization Income Insurance Program,
 - for duty as an officer in the Public Health Service

For more information, see Publication 102, Illinois Filing Requirements for Military Personnel.

Attach Form W-2 showing your military pay.

Line 20 — U.S. Treasury bonds, bills, notes, savings bonds, and U.S. agency interest

Write the income included in your Form IL-1040, Line 1, you received from U.S. Treasury bonds, bills, notes, savings bonds, U.S. agency income, and other similar obligations from your

- U.S. 1040A or 1040, or
- mutual fund statement **plus**

any income listed in Publication 101, Income Exempt from Tax, under

- “What if I have income from obligations of the United States Government?”
- “What federally-taxable income is exempt from Illinois Income Tax by other federal statutes?”
- “What if I have distributions from money market trusts (mutual funds)?”

Tip Mutual fund distributions

Include the entire amount of federally taxed distributions received from mutual funds investing exclusively in U.S. government obligations. If the mutual fund invests in U.S. government obligations and non-exempt obligations, your deduction is the distribution received from the mutual fund attributable to the U.S. government obligations, as determined by the mutual fund. If the mutual fund does not provide this percentage amount, multiply the total distribution by a fraction. The numerator is the amount invested by the fund in exempt U.S. government obligations, and the denominator is the fund's total investment.

Note This subtraction is the amount net of any related bond premium amortization.

Note Savings bond interest that is not included in your federal adjusted gross income is **not an allowable subtraction**.

Note If you received a distributive share of a subtraction for U.S. government obligations from a partnership, an S corporation, a trust, or an estate, include that amount on Line 13.

Attach a copy of U.S. 1040A or 1040, Schedule B, if required federally, a copy of the statement from the mutual fund, and any worksheets that clearly identify your interest from U.S. obligations.

For more details, see Publication 101, Income Exempt from Tax.

Line 21 — August 1, 1969, valuation limitation

Write the amount of your August 1, 1969, valuation limitation from Schedule F, Gains from Sales or Exchanges of Property Acquired Before August 1, 1969, Line 17.

Attach Schedule F and copies of required federal forms.

Line 22 — Enterprise and river edge redevelopment zone and high impact business dividend subtraction

Write the amount from Schedule 1299-C, Step 2, Line 10.

Attach Schedule 1299-C.

Lines 23 and 24 — Follow the instructions on Schedule M.

Line 25 — Recovery of items previously deducted on U.S. 1040, Schedule A

Write the amount of recovery of items (including refunds of any state and local income taxes, other than Illinois) that you deducted on your U.S. 1040, Schedule A in a prior year. You must have included these items on your U.S. 1040, page 1, and your Form IL-1040, Line 1, for this tax year.

Attach a copy of U.S. 1040, page 1, and any schedule or attachment to your U.S. 1040 that shows the nature and source of this deduction.

Line 26 — Ridesharing money and other benefits

Write the amount of ridesharing money and benefits (other than salary) received by a driver in a ridesharing arrangement using a motor vehicle if these amounts are included in your Form IL-1040, Line 1.

Line 27 — Payment of life insurance, endowment, or annuity benefits received

Write the amount of payment of life insurance, endowment, or annuity benefits received before the time they would have ordinarily been paid as an indemnity for a terminal illness. This amount must be included in your Form IL-1040, Line 1.

Line 28 — Lloyds plan of operations income if reported on your behalf on Form IL-1023-C

Write the income included in your adjusted gross income from a Lloyds plan of operations if that amount was reported on your behalf on Form IL-1023-C.

Line 29 — 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. You may claim this amount only if this income is included on your Form IL-1040, Line 1 or Line 3.

Line 30 — Education loan repayments for primary care physicians

Write the amount of education loan repayments made for primary care physicians who agree to practice in designated shortage areas for a specified period of time under the terms of the Family Practice Residency Act. You may claim this amount only if this income is included on your Form IL-1040, Line 1 or Line 3.

Line 31 — Reparations or other amounts received as a victim of persecution by Nazi Germany

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

Line 32 — Interest on tax-exempt obligations of state and local government

Write the amount of interest on obligations of Illinois state and local governments included on Form IL-1040, Line 1, 2, or 3. 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 except where legislation has been specifically adopted to provide for an exemption.

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

Securities exempt from Illinois Income Tax include

- Illinois Housing Development Authority bonds and notes (except housing-related commercial facilities bonds and notes)
- Export Development Act of 1983 bonds
- Illinois Development Finance Authority bonds, notes, and other obligations (only venture fund and infrastructure bonds)
- Quad Cities Regional Economic Development Authority bonds and notes (only those bonds declared exempt from taxation by the Authority)
- College Savings bonds
- Illinois Sports Facilities Authority bonds
- Higher Education Student Assistance Act bonds
- Illinois Development Finance Authority bonds issued under the Illinois Development Finance Authority Act, Sections 7.80 - 7.87
- Rural Bond Bank Act bonds and notes
- Illinois Development Finance Authority bonds issued under the Asbestos Abatement Finance Act
- Quad Cities Interstate Metropolitan Authority bonds
- Southwestern Illinois Development Authority bonds
- Illinois Finance Authority bonds issued under the Illinois Finance Authority Act, Sections 820.60 and 825.55 or the Asbestos Abatement Finance Act
- Illinois Power Agency bonds issued by the Illinois Finance Authority
- Central Illinois Economic Development Authority bonds
- Eastern Illinois Economic Development Authority bonds
- Southeastern Illinois Economic Development Authority bonds
- Southern Illinois Economic Development Authority bonds
- Illinois Urban Development Authority bonds
- Downstate Illinois Sports Facilities Authority bonds
- Western Illinois Economic Development Authority bonds

- Upper Illinois River Valley Development Authority Act bonds
- Will-Kankakee Regional Development Authority bonds

For more information see Publication 101.

Line 33 — Interest on tax-exempt obligations of non-U.S. governments

Write the amount of interest on obligations of non-U.S. governments included on Form IL-1040, Line 1, 2, or 3. This amount is the amount net of any related bond premium amortization.

Interest from non-U.S. government obligations is not exempt from Illinois Income Tax except where legislation has been specifically adopted to provide for an exemption.

Non-U.S. securities exempt from Illinois Income Tax include

- Bonds issued by the government of Guam
- Bonds issued by the government of Puerto Rico
- Bonds issued by the government of the Virgin Islands
- Bonds issued by the government of American Samoa
- Bonds issued by the government of the Northern Mariana islands
- Mutual mortgage insurance fund bonds

Line 34 — Your child's interest reported on U.S. Form 8814

Write the amount of your child's income that you reported on U.S. Form 8814, Parents' Election To Report Child's Interest and Dividends, that would be allowed as a subtraction on Lines 20, 32, or 33 of this schedule if you had received it rather than your child. You may claim this amount only if your child's income is included on your Form IL-1040, Line 1 or Line 3.

Line 35 — Railroad sick pay and unemployment compensation

Write the amount of any railroad sick pay and unemployment compensation that is included in your Form IL-1040, Line 1.

Note Do not include retirement or third party sick pay on this line.

Attach Form 1099-G showing railroad sick pay and unemployment compensation and a copy of page 1 of your federal return.

Line 36 — Unjust imprisonment compensation

Write the amount of any compensation you were awarded by the Illinois Court of Claims for time unjustly served in an Illinois prison if it is included in your Form IL-1040, Line 1.

Line 37 — Distributions from "Bright Start," "College Illinois," and "Bright Directions" college savings plans

Write the amount of distributions from the "Bright Start," "College Illinois," and "Bright Directions" college savings plans if you included them in your federal adjusted gross income because you claimed a federal American Opportunity Credit or Lifetime Learning Credit for the expenditures.

Line 38 — Add Lines 24 through 37. Write the amount here and on Form IL-1040, Line 7.