



Illinois Department of Revenue

Schedule 4255 Instructions

Who must file?

You **must** file Schedule 4255, Recapture of Investment Credits, if you claimed an investment credit against your Illinois income or replacement tax liability in a previous year and any of the property considered in the computation of that investment credit becomes disqualified.

You must recapture any such investment credit in the year in which the property becomes disqualified (to the extent the credit was actually used in any previous year). Use this form to figure the amount of recaptured credit that you must add to this year's tax liability. You **must** complete and file a **separate Schedule 4255** for each tax year in which the now disqualified property was placed in service, beginning with the earliest year. Each Schedule 4255 should report only items placed in service during the same tax year you wrote at the top of the form. You **cannot** amend a previous year's return in order to exclude the disqualified property. **Attach all completed Schedules 4255 to your return.**

Note For tax years ending on or after December 31, 2000, investment credits earned by you and allocable to your partners and shareholders subject to replacement tax automatically flow through to those partners and shareholders. The amount allocable to other partners and shareholders remains with you.

Partners and shareholders **are required** to report any recapture on their respective returns. You **must** attach Schedule 4255 to your return and provide a copy to your partners or shareholders.

When does property cease to qualify?

Enterprise Zone or River Edge Redevelopment Zone Investment Credit — Property ceases to qualify if, within 48 months of placing it into service, you dispose of the property, convert it to personal use, or move it outside an Illinois enterprise zone or river edge redevelopment zone.

High Impact Business Investment Credit — For tax years ending on or before December 31, 1996, property ceases to qualify if, within 48 months of placing it into service, you dispose of the property, convert it to personal use, or move it outside of Illinois. For tax years ending on or after January 1, 1997, if you entered into an agreement with a taxing district and were granted a tax abatement and you relocate your entire facility in violation of the terms and length of the contract under Section 18-183 of the Property Tax Code, you must recapture the amount of credit previously received under the agreement.

Replacement Tax Investment Credit — Property ceases to qualify if, within 48 months of placing it into service, you dispose of the property or move it outside of Illinois. In addition, property placed in service prior to January 1, 1994, becomes disqualified if it is used for purposes other than manufacturing, retailing, coal mining, or fluorite mining within 48 months after being placed in service. Property placed in service on or after January 1, 1994, also becomes disqualified if it is converted to personal use, or if you are no longer primarily engaged in manufacturing, retailing, coal mining, or fluorite mining.

Note Property is "disposed of" if it is sold, exchanged, traded-in, abandoned, retired from use, destroyed by casualty, stolen, or transferred as a gift. Property is not "disposed of" if it is mortgaged or used as security for a loan, unless it is converted to a non-qualifying use.

Steps 1, 2, and 3 Specific Instructions

Step 1 — Complete Step 1 if your now disqualified property was considered in computing the Enterprise Zone or River Edge Redevelopment Zone Investment Credit on

- Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations),
- Schedule 1299-C, Income Tax Subtractions and Credits (for individuals), or
- Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries).

Step 2 — Complete Step 2 if your now disqualified property was considered in computing the High Impact Business Investment Credit on

- Schedule 1299-C or
- Schedule 1299-D.

Step 3 — Complete Step 3 if your now disqualified property was considered in computing the Replacement Tax Investment Credit on Form IL-477, Replacement Tax Investment Credits.

Use the following instructions to complete Columns A through E in Steps 1 through 3.

Column A — Write the date the now disqualified property was placed in service. All entries must be within the same tax year.

Column B — Write the date the property became disqualified. All entries must be within the tax year of the return to which you are attaching this form.

Column C — Describe the property exactly as it was described when you computed the investment credit.

Column D — Briefly describe the reason for the disqualification (*e.g.*, removed from service, involuntarily converted, etc.).

Column E — Write the basis that was shown when the investment credit was computed.

Use the following instructions to complete Columns F through H in each step.

Step 1

Column F — Write the name of the enterprise zone or river edge redevelopment zone in which your property was used when the investment credit was computed.

Column G —

For property placed in service in an enterprise zone

- write .005.

For property placed in service in a river edge redevelopment zone,

- write the percentage used on your Schedule 1299-A, Schedule 1299-C, or Schedule 1299-D, River Edge Redevelopment Zone Investment Credit, Column G, for the year you claimed the credit for that property.

Column H — For each item of property that is now disqualified, multiply Column E by Column G, and write the result here.

Step 2

Column F — Write the name of the foreign trade zone or sub-zone in which the property was used when the investment credit was computed. If your high impact business was designated after January 1, 1989, write "N/A."

Column G — The correct rate is printed on the form.

Column H — For each item of property that is now disqualified, multiply Column E by Column G, and write the result here.

Step 3

Column F — Write the sum of .005 and the rate you used on your Form IL-477 to claim an additional credit based on an increase of employment in Illinois.

- If you did not claim an additional credit for an increase in employment on your Form IL-477, write .005.
- If you reported an increase in employment of one percent or more on Form IL-477, or if you claimed the credit as a new business in Illinois, write .01.
- If you reported an increase in employment of less than one percent, add .005 to the decimal shown on Form IL-477, Line 18*.

* **Note** → For tax years ending before December 31, 2003, refer to Form IL-477, Part II, Line 6.

Column G — For each item of property that is now disqualified, multiply Column E by Column F, and write the result here.

Step 4 Specific Instructions

Column A — Complete this column if you are reporting the disqualification of property for which you previously claimed an Enterprise Zone or River Edge Redevelopment Zone Investment Credit.

Column B — Complete this column if you are reporting the disqualification of property for which you previously claimed a High Impact Business Investment Credit.

Column C — Complete this column if you are reporting the disqualification of property for which you previously claimed a Replacement Tax Investment Credit.

Line 7 — Write the total basis of **all** property from your Schedule 1299-A, 1299-C, or 1299-D or Form IL-477 for which you computed a credit in the tax year that the now disqualified property was originally placed in service.

Line 8 — Write the amount of your total credit as shown on your Schedule 1299-A, 1299-C, or 1299-D or Form IL-477.

Line 9 — Enter the following amounts:

Column A — Write the amount from Line 2.

Column B — Write the amount from Line 4.

Column C — Write the amount from Line 6.

Line 11

Columns A and B — Write the income tax shown on the return for the tax year in which the credit was originally computed.

Column C — Write the replacement tax shown on the return for the tax year in which the credit was originally computed.

Note → If an eligible credit was carried forward to the succeeding tax year, you must also include the tax shown on the return for the tax year to which the credit was carried.

Line 14 — Write the recapture from any other Schedule 4255 (Step 4, Line 18) you completed to recapture any investment credit originating in a tax year prior to the tax year that corresponds to the date shown in Column A of Steps 1, 2, or 3.

Line 15 — Columns A and C — Write your distributive share of recapture from partnerships and S corporations from Schedule K-1-P.

Line 16 — Add Lines 13, 14, and 15.

Line 17 — Columns A and C — (Partnerships and S corporations only) Write the amount from Line 16 that you passed through to your partners or shareholders.

Line 18 — Subtract Line 17 from Line 16. Carry this amount to any succeeding Schedule 4255, Step 4, Line 14, to be completed for this tax year. If you do not need to complete a succeeding Schedule 4255, carry this amount —

from Column A to

- IL-1040, Line 14,
- IL-1120, Line 46,
- IL-1041, Line 41,
- IL-990-T, Line 20,
- IL-1023-C, Line 5, or
- Schedule K-1-P, Line 53a.

from Column B to

- IL-1040, Line 14,
- IL-1120, Line 46,
- IL-1041, Line 41,
- IL-990-T, Line 20, or
- IL-1023-C, Line 5.

from Column C to

- IL-1120, Line 41,
- IL-1041, Line 35,
- IL-1065, Line 55,
- IL-1120-ST, Line 53,
- IL-990-T, Line 14,
- IL-1023-C, Line 11, or
- Schedule K-1-P, Line 53b.