



What's new for 2014?

- **Fiscal-year filers only** - The income tax rate has changed for tax periods ending **after** December 31, 2014. You may use Schedule SA (IL-1041) or the blended income tax rate to calculate your tax **if your tax year ends after December 31, 2014**. See Specific Instructions, Schedule SA Instructions (IL-1041), and Informational Bulletin FY 2015-09 for more information.
 - Form IL-1000 has been eliminated for tax years ending on or after December 31, 2014. **Do not** file Form IL-1000 for tax years ending on or after December 31, 2014. The amounts that would have been reported on behalf of your members on Form IL-1000 must be
 - **reported** on your 2014 Form IL-1041 and Schedule D, and
 - **paid** with your return, with Form IL-505-B, or voluntarily prepaid with Form IL-516-I or Form IL-516-B.
- The Form IL-1041 and Schedule D have been redesigned to accommodate these changes. See Specific Instructions for Form IL-1041 and Schedule D for more information.
- In addition, the calculation for the amount of pass-through withholding you are required to report and pay on behalf of your nonresident members has changed. Some nonbusiness income is now included in this calculation. Schedule K-1-T(3) and Schedule K-1-T(3)-FY have been developed to assist you in calculating pass-through withholding under the new law, Public Act 98-0478. If you are a trust, you are required to complete and keep a copy of Schedule K-1-T(3) or Schedule K-1-T(3)-FY for each of your nonresident members who have not submitted Form IL-1000-E to you. See the Schedule K-1-T(1) and the Schedule D instructions for more information.
- Finally, Form IL-1000-P cannot be used for making voluntary prepayments for tax years ending on or after December 31, 2014. Form IL-1000-P has been replaced by Form IL-516-I and Form IL-516-B, Pass-through Prepayment Vouchers. Form IL-516-I and Form IL-516-B allow you to voluntarily prepay your own tax liability from Form IL-1041, as well as make voluntary pass-through entity prepayments on behalf of your beneficiaries for tax years ending on or after December 31, 2014. See Form IL-516-I and IL-516-B for more information.
- Failure to comply with these requirements will result in further correspondence, a delay in the processing of your return, or a delay in the generation of any overpayment.
- Schedule 80/20 has been redesigned for tax years ending on or after December 31, 2014. See the Schedule 80/20 Instructions for more information.
 - ESBT loss amounts may not be passed to your beneficiaries. Form IL-1041, Step 3, Line 23a, Column A, has been updated to reflect this.
 - Several subtractions have been added to Line 19 of the Schedule M (for businesses). See the Schedule M Instructions for more information.
 - The **Enterprise Zone Dividend Subtraction** has been eliminated. Do not claim this subtraction on your Form IL-1041.
 - **For tax years ending on or after December 31, 2013**, Illinois lottery winnings and proceeds from sales or other transfers of rights to lottery winnings are sourced to Illinois.
 - For tax years ending on or after December 31, 2014, **Schedule NLD**, Illinois Net Loss Deduction has been redesigned. See Schedule NLD for more information.
 - Schedule 4255 has been redesigned to allow you to report and pay any recaptured Angel Investment Credit amounts. See the Schedule 4255 Instructions for more information.
 - **Short-year filers only** - The sunset date for claiming a Veterans Jobs Credit for "qualified veterans" is January 1, 2015. Do not claim a Veterans Jobs Credit for "qualified veterans" for tax years **beginning** on or after January 1, 2015. The credit for "qualified unemployed veterans" is still allowed.
 - The **Ex-felons Jobs Credit** has been modified. The maximum amount of credit that may be claimed for all tax years for wages paid to a particular ex-offender has been raised to \$1,500. The definition of a "qualified ex-offender" has also changed. See the Specific Instructions on **Schedule 1299-D** for more information.
 - Public Act 98-0109 repealed the **Jobs Tax Credit**. This credit has been removed from the **Schedule 1299-D**, Income Tax Credits (for corporations and fiduciaries).
 - Public Act 98-0122 enacted the Compassionate Use of Medical Cannabis Pilot Program Act surcharge for taxpayers with **tax years ending on or after January 1, 2014**. See Specific Instructions for more information.
 - Form IL-1041, Line 52d, has been revised to allow you to report any amounts received as withholding from federal Form(s) 1099.
 - Taxpayers who are entitled to a refund may now choose to direct deposit their refund into their checking or savings account. See Specific Instructions for more information.
 - Public Act 98-0925 has made changes to the election to apply overpayments from your return against your estimated tax obligation for next year. Taxpayers can now elect to apply their overpayments against their estimated tax obligations, even if the election is made after the extended due date of their return. See Specific Instructions for more information.
 - MyTax Illinois is now available for fiduciaries. MyTax Illinois is a centralized location on our website where taxpayers may register a new business, file their Form IL-1041 returns online, make payments, and manage their tax accounts.

General Information

Who must file Form IL-1041?

You must file Form IL-1041 if you are a fiduciary of a trust or an estate and the trust or the estate

- has net income or loss as defined under the Illinois Income Tax Act (IITA), regardless of any deduction for distributions to beneficiaries; or

- is a resident of Illinois and files, or is required to file, a federal income tax return (regardless of net income or loss). (See "When is nonbusiness income allocable to Illinois" to help you complete your Form IL-1041.); or
- is a nonresident of Illinois but received income from Illinois sources which was not reported as pass-through withholding on Form IL-1120-ST, Form IL-1065 or Form

IL-1041. You must also file Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, to determine the income that is taxed by Illinois during the tax year. For more information, see Illinois Schedule NR (Form IL-1041) with revision date 12/14 or later.

Note — “Grantor” trusts are not required to file Form IL-1041. Estates do not pay replacement tax.

If the trust or estate is a charitable organization exempt from federal income tax by reason of IRC Section 501(a), it is not required to file Form IL-1041. However, unrelated business taxable income, as determined under IRC Section 512, is subject to tax (without any deduction for the Illinois income tax) and must be reported on Form IL-990-T, Exempt Organization Income and Replacement Tax Return, instead of Form IL-1041. For more information, see Form IL-990-T instructions.

What forms must I use?

In general, you must obtain and use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the Department will not be accepted and you will be asked for appropriate documentation. **Failure to comply with this requirement may result in failure to file penalties, a delay in the processing of your return, or a delay in the generation of any overpayment.** Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

Trusts and Estates must complete Form IL-1041. Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the return. Computer generated printouts are not acceptable, even if they are in the same format as the Department's forms. Computer generated forms from a Department-approved software developer are acceptable.

How do I register my business?

If you are required to file Form IL-1041, you should register with the Illinois Department of Revenue. You may register

- online with MyTax Illinois, our free online account management program for taxpayers; or
- by calling our Central Registration Division at **217 785-3707**.

Visit our website at **tax.illinois.gov** for more information.

Registering with the Illinois Department of Revenue (IDOR) **prior to filing your return** ensures that your tax returns are accurately processed.

Your identification numbers as an Illinois business taxpayer are your federal employer identification number (FEIN) and your Illinois account number.

When should I file?

Your Illinois filing due date is the same as your federal filing due date. In general, Form IL-1041 is due on or before the 15th day of the **4th** month following the close of the tax year.

Automatic six-month extension — We grant you an automatic six-month extension of time to file your fiduciary tax return. You are not required to file Form IL-505-B, Automatic Extension Payment, in order to obtain this automatic extension. However, if you expect tax to be due, you must use Form IL-505-B to pay any tentative tax due in order to avoid interest and penalty on tax not paid by the original due date of the return. An extension of time to file your Form IL-1041 is not an extension of time for payment of Illinois tax.

Additional extensions beyond the automatic extension period — We will grant an extension of more than six months **only** if an extension of more than six months is granted by the Internal Revenue Service (IRS). You must attach a copy of the approved federal extension to your Form IL-1041.

When should I pay?

Payment of tax — You must pay your Illinois Income and Replacement Tax and pass-through withholding reported on behalf of your members in full on or before the original due date of the return. This payment date applies even though an automatic extension for filing the return has been granted.

Estimated tax payments — **For state purposes, trusts and estates are not required** to make estimated payments, although they may be required to make **federal** estimated payments.

You may use Form IL-516-I and Form IL-516-B, Pass-through Prepayment Vouchers, to make voluntary prepayments for **tax years ending on or after December 31, 2014**. Form IL-1000, Pass-through Entity Payment Income Tax Return, has been eliminated for tax years ending on or after December, 31, 2014, and the amounts that would have been reported on Form IL-1000 must be

- **reported** on your Form IL-1041 and Schedule D, and
- **paid** with your Form IL-1041 or Form IL-505-B.

Form IL-516-I and Form IL-516-B allow you to voluntarily prepay your own tax liability as well as make pass-through entity prepayments on behalf of your nonresident beneficiaries.

Do not use Form IL-1040-ES, Estimated Income Tax Payments for Individuals, or Form IL-1120-ES, Estimated Income and Replacement Tax Payments for Corporations, to make these payments. Doing so may delay the processing of your return.

Who should sign the return?

Your Form IL-1041 must be signed by the fiduciary of the trust or estate. If there are two or more joint fiduciaries, the signature of one will comply with the requirements of the IITA. The signature verifies by written declaration (and under penalties of perjury) that the signing fiduciary has personally examined the return and the return is true, correct, and complete. The fact that a fiduciary's name is signed to a return is prima facie evidence that the fiduciary is authorized to sign the return on behalf of the trust or estate.

Any person paid to prepare the return (other than a fiduciary of the trust or estate, or a regular, full-time employee of the taxpayer, such as a clerk, secretary, or bookkeeper) must provide a signature, date the return, and enter the preparer's taxpayer identification number. If the preparer is an employee or partner of a firm or corporation, the preparer must also provide the firm's name and address, and instead of the preparer's taxpayer identification number, the preparer must provide the firm's FEIN. Self-employed preparers must provide their own name, address, and taxpayer identification number in the appropriate spaces.

Note — If your return is not signed, any overpayment of tax is considered forfeited if, after notice and demand for signature, you fail to provide a signature within three years from the date your return was filed.

What are the penalties and interest?

Penalties — You will owe

- a **late-filing penalty** if you do not file a processable return by the extended due date;
- a **late-payment penalty** if you do not pay the tax you owe by the original due date of the return;

- a **bad check penalty** if your remittance is not honored by your financial institution;
- a **cost of collection fee** if you do not pay the amount you owe within 30 days of the date printed on your bill.

Interest — Interest is calculated on tax from the day after the original due date of your return through the date you pay the tax.

We will bill you for penalties and interest. For more information about penalties and interest, see Publication 103, Penalties and Interest for Illinois Taxes, available at tax.illinois.gov.

What if I am discontinuing my business?

Terminated — If you are the fiduciary of a trust or estate that has terminated during any tax year, you are still required to file the tax return. Also, we will pursue the assessment and collection of taxes if

- the trust or estate was liable for income and replacement tax for that or any previous tax period; or,
- the beneficiaries had income allocable to Illinois and were liable for income and replacement tax for that or any previous tax period, due to a distribution from the trust or estate.

Sales or transfers — If you are a fiduciary that, outside the usual course of business, sells or transfers the major part of any one or more of

- the stock of goods which you are in the business of selling,
- the furniture or fixtures of your business,
- the machinery and equipment of your business, or
- the real property of your business,

you or the purchaser must complete and send us Form CBS-1, Notice of Sale, Purchase, or Transfer of Business Assets, no later than 10 days after the date the sale took place. Mail this form, along with copies of the sales contract and financing agreement, to:

**ILLINOIS DEPARTMENT OF REVENUE
BULK SALES UNIT
100 WEST RANDOLPH, LEVEL 7-400
CHICAGO IL 60601**

Request for prompt determination — You may make a request for prompt determination of liability, in accordance with IITA 35 ILCS 5/905(i), if you are an estate that has terminated. A completed tax return must be on file with us before you can submit a request for prompt determination. Do not submit your return and request at the same time. Mail your initial return to the address indicated on the form. You should allow 12 weeks for processing. If your request is properly made, the expiration of the statute of limitations (absent fraud) will not extend beyond 18 months from the date of your request. Mail your request and a copy of your previously submitted return to:

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044**

Note — The procedure described above does not apply to 11 U.S. Code Section 505 Determination of Tax Liability requests.

What if I need to correct or change my return?

Do not file another Form IL-1041 with “amended” figures to change your originally filed Form IL-1041. If you need to correct or change your return after it has been filed, you must file Form IL-1041-X, Amended Fiduciary Income and Replacement

Tax Return. Returns filed before the extended due date of the return are treated as your original return for all purposes. For more information, see Form IL-1041-X instructions.

You should file Form IL-1041-X only after you have filed a processable Illinois Income Tax return. You must file a separate Form IL-1041-X for each tax year you wish to change.

State changes only — File Form IL-1041-X promptly if you discover an error on your Illinois return that does not relate to an error on your federal return but rather was caused by

- a mistake in transferring information from your federal return to your Illinois return;
- failing to report or misreporting to Illinois an item that has no effect on your federal return; or
- a mistake in another state’s tax return that affects the computation of your Illinois tax liability.

If you are claiming an overpayment, Form IL-1041-X must be filed within three years after the extended due date or the date the return was filed, or within one year after the tax giving rise to the overpayment was paid, whichever is latest.

Federal changes only — File Form IL-1041-X if you have filed an amended federal return or if you have been notified by the IRS that they have made changes to your return. This includes any change in your federal income tax liability, any tax credit, or the computation of your federal taxable income as reported for federal income tax purposes, if the change affects any item entering into the computation of net income, net loss, or any credit for any year under the IITA. You must file Form IL-1041-X no later than 120 days after the federal changes have been agreed to or finally determined to avoid a late-payment penalty.

If you are filing Form IL-1041-X to claim an overpayment resulting from a federal change, it must be filed within two years after the date such notification was due (regardless of whether such notice was given).

Attach a copy of federal finalization or proof of acceptance from the IRS along with a copy of your amended federal form, if applicable, to your Form IL-1041-X. Examples of federal finalization include a copy of one or more of the following items:

- your federal refund check
- your audit report from the IRS
- your federal transcript verifying your federal taxable income

What records must I keep?

You must maintain books and records to substantiate any information reported on your Form IL-1041. Your books and records must be available for inspection by our authorized agents and employees.

Do the IDOR and the IRS exchange income tax information?

The IDOR and the IRS exchange income tax information for the purpose of verifying the accuracy of information reported on federal and Illinois tax returns. All amounts you report on Form IL-1041 are subject to verification and audit.

Should I round?

You must round the dollar amounts on Form IL-1041 and accompanying schedules to whole-dollar amounts. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

What if I have an Illinois net loss deduction (NLD)?

If you have an Illinois NLD from any loss year ending on or after December 31, 1986, it is subtracted from and limited to your base income allocable to Illinois.

To determine your "Illinois net loss" start with federal taxable income and apply all addition and subtraction modifications and all allocation and apportionment provisions.

Illinois net losses incurred in tax years ending on or after December 31, 2003, may only be carried forward for 12 years. If you are carrying an Illinois NLD, you must complete Illinois Schedule NLD, Illinois Net Loss Deduction, and claim the deduction on Step 4, Line 30.

If you had discharge of indebtedness income for a taxable year ending on or after December 31, 2008, and all or a portion of this income was excluded from your federal gross income due to bankruptcy or insolvency, then you may be required to reduce any Illinois net loss you incurred for that year or Illinois net loss carryovers to that year before you determine your Illinois NLD. See the Step 4 Instructions and Schedule NLD for more information.

If you have an Illinois net loss for this tax year, you must file Form IL-1041 reporting the loss in order to carry the loss forward to another year.

If you need more information, view the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330, available on our website at tax.illinois.gov.

What is the standard exemption?

The standard exemption is \$1,000 multiplied by a fraction in which the numerator is your base income allocable to Illinois and the denominator is your total base income. If you have a change in your tax year end and the result is a period of less than 12 months, the standard exemption is prorated based on the number of days in the tax year. If this is your first or final return, you are allowed the full-year standard exemption. If you need further information, see IITA, Section 401(b).

What attachments do I need?

When filing your return there are certain types of income items and subtraction modifications that require the attachment of Illinois or federal forms and schedules. Instructions for these attachments appear throughout the specific instructions for completing your return.

Note All Illinois forms and schedules include an "IL Attachment No." in the upper right corner of the form. Required attachments should be ordered numerically behind the tax return, as indicated by the IL Attachment No. Failure to attach forms and schedules in the proper order may result in processing delays.

Required copies of documentation from your federal return should be attached **behind the completed Illinois return**.

You must attach a copy of your U.S. Form 1041, Pages 1 and 2, to your Illinois return if you are required to file federally.

Note When filing your Form IL-1041 include only forms and schedules required to support your return. Schedule D, Beneficiary Information, **must** to be completed and attached to all Form IL-1041 filings. Send correspondence separately to:

ILLINOIS DEPARTMENT OF REVENUE
TAXPAYER CORRESPONDENCE
PO BOX 19044
SPRINGFIELD IL 62794-9044

Definitions to help you complete your Form IL-1041.

Resident means

- an individual who is present in Illinois for other than a temporary or transitory purpose;
- an individual who is absent from Illinois for a temporary or transitory purpose but who is domiciled in Illinois;
- the estate of a decedent who at his or her death was domiciled in Illinois;
- a trust created by a will of a decedent who at his or her death was domiciled in Illinois; or
- an irrevocable trust, whose grantor was domiciled in Illinois at the time the trust became irrevocable. For purposes of this definition, a trust is irrevocable to the extent that the grantor is not treated as the owner of the trust under IRC Sections 671 through 678. For a more detailed explanation of "domicile" and "resident," see Form IL-1040, Illinois Individual Income Tax Return, General Information.

Nonresident means a person who is not a resident of Illinois, as defined previously.

Note In the following definitions, all references to "income" include losses.

Illinois base income is your federal taxable income, plus any additions on Lines 2 through 10, less any subtractions on Line 25. See specific instructions for Steps 2 and 3.

Business income means 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 of a trust or estate 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.

Nonbusiness income means all income other than business income or compensation. For more information about the different types of nonbusiness income, see the instructions for Illinois Schedule NB, Nonbusiness Income.

When is business income allocable to Illinois?

If the trust or estate is a resident, all income received, regardless of source, is allocable to Illinois.

If the trust or estate is a nonresident and business income is derived

- wholly inside Illinois, the entire amount of business income is allocable to Illinois;
- wholly outside of Illinois, none of the business income is allocable to Illinois;
- inside and outside of Illinois, complete Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, Step 6. See the instructions for Illinois Schedule NR (Form IL-1041), Step 6.

- from subchapter S corporations, partnerships, and other fiduciaries, the business income may be allocable to Illinois. See the Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, furnished by the subchapter S corporation or partnership or the Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions, furnished by the other fiduciary to determine what income is allocable to Illinois.

When is nonbusiness income allocable to Illinois?

If the trust or estate is a resident, all nonbusiness income is allocable to Illinois.

If the trust or estate is a nonresident, items of income and deduction which constitute nonbusiness income are allocable to Illinois according to the following rules:

- **Interest and dividend income** received by a nonresident trust or estate is not allocable to Illinois.

• Net rents and royalties

Real property — Rents and royalties from real property are allocable to Illinois if the property is located in Illinois.

Tangible personal property — Rents and royalties from tangible personal property are allocable to Illinois to the extent the property is used in Illinois. The extent of use of tangible personal property in a state is determined by multiplying the rents and royalties derived from the property by a fraction, in which the numerator is the number of days the property is located in the state during the rental and royalty period in the tax year and the denominator is the total number of days during all rental or royalty periods in the tax year.

- **Patent and copyright royalties** are allocable to Illinois to the extent the patent or copyright is used in Illinois.

A **patent** is used in Illinois to the extent that it is employed in production, fabrication, manufacturing, or other processing in Illinois or to the extent that a patented product is produced in Illinois.

A **copyright** is used in Illinois to the extent that printing or other publication originates in Illinois.

- **Gains and losses** from sales or exchanges of real or tangible property are in Illinois if the property is located in Illinois at the time of the sale or exchange. Gains or losses from the sale or exchange of intangible personal property are not allocable to Illinois.
- **Income from subchapter S corporations, partnerships and other fiduciaries** paid to the trust or estate is allocable to Illinois as if the trust or estate received it directly. See the Illinois Schedule K-1-P furnished by the subchapter S corporation or partnership or the Illinois Schedule K-1-T furnished by the other fiduciary to determine what income is allocable to Illinois.
- **Illinois State lottery winnings and proceeds from sales or other transfers of rights to lottery winnings** received by a nonresident fiduciary are allocable to Illinois.
- **Other unspecified items** of income or deduction of a nonresident taxpayer are not allocable to Illinois.

What does taxable in other states mean?

Taxable in other states means you are subject to and actually pay "tax" in another state. "Tax" means net income tax, franchise tax measured by net income, or franchise tax for the privilege

of doing business. You are considered taxable in another state if that state has jurisdiction to subject you to a net income tax, even though that state does not impose such a tax. This definition is for purposes of allocating nonbusiness income and apportioning business income inside or outside Illinois.

What is the fiduciary's share or beneficiary's share of income?

The fiduciary's share of an item of income or deduction is that amount required to be taken into account in computing fiduciary taxable income for federal income tax purposes for the tax year and is not paid, credited, or required to be distributed to the beneficiaries of the trust or estate for that year. The fiduciary's share of each of the addition and subtraction items required under the IITA is that part of each item that relates and is attributable to the fiduciary's share of the items of income and deduction.

The beneficiary's share of each of the items is the amount that was properly paid, credited, or required to be distributed to the beneficiary for the tax year. The items of income and deduction and the additions and subtractions that are deemed to have been paid, credited, or distributed must be taken into account by the beneficiaries in proportion to their respective shares of the distributable net income.

When must I use Illinois Schedules K-1-T, K-1-T(3), K-1-T(3)-FY, and D?

You must use **Illinois Schedule K-1-T** to supply each beneficiary with that individual's or entity's share of the amounts reported on your federal and Illinois tax returns. For Illinois Income Tax purposes, you must give a completed Illinois Schedule K-1-T and a copy of the **Illinois Schedule K-1-T(2)**, Beneficiary's Instructions, to each beneficiary. **Do not file copies of Illinois Schedule K-1-T that you issued to your beneficiaries with your Form IL-1041.** However, you must keep a copy of each Illinois Schedule K-1-T with your tax records. See Illinois Schedule K-1-T(1), Instructions for Trusts and Estates Completing Schedule K-1-T and Schedule K-1-T(3) or Schedule K-1-T(3)-FY, for more information.

Trusts only - You must use **Illinois Schedule K-1-T(3)**, Pass-through Withholding Calculation for Nonresident Members, or **Illinois Schedule K-1-T(3)-FY**, Pass-through Withholding Calculation for Nonresident Members (for fiscal filers), to calculate the required tax you must report and pay on behalf of your nonresident beneficiaries who receive business or nonbusiness income from you. Your tax year ending date will determine whether you will use Schedule K-1-T(3) or Schedule K-1-T(3)-FY. You must complete either schedule if you have business or nonbusiness income distributable to Illinois nonresident beneficiaries who have not provided you with Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments. You are required to complete Schedule K-1-T(3) or Schedule K-1-T(3)-FY for each such beneficiary and keep a copy of the completed schedule in your files. **Do not submit Schedule K-1-T(3) or Schedule K-1-T(3)-FY to the Department unless we request it from you.** The information entered on these schedules will assist you in completing Illinois Schedule D. See Schedule K-1-T(1) for more information.

You must use **Illinois Schedule D** to supply us with a listing of your beneficiaries, certain items of income, and pass-through withholding payments you made on their behalf. You **must** complete all lines of Illinois Schedule D, as applicable, and file it with your Form IL-1041.

What if the trust makes an accumulation or capital gain distribution?

If the trust makes an accumulation distribution or a capital gain distribution (both as defined in IRC Section 665), the portion of the distribution included in the income of a nonresident or part-year resident beneficiary (under IRC Sections 668 and 669) is taxable to the extent that the trust income was allocable to Illinois before distribution.

What if I participated in a reportable transaction?

If you participated in a reportable transaction, including a “listed transaction,” during this tax year and were required to disclose that transaction to the IRS, you are also required to disclose that information to Illinois.

You must send us two copies of the form used to disclose the transaction to the IRS.

- Attach one copy to your tax return, and
- Mail the second copy to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19029
SPRINGFIELD IL 62794-9029

Where should I file?

Online - Visit our website at tax.illinois.gov and click on the MyTax Illinois logo.

By mail - If a payment is enclosed with your return, mail your Form IL-1041 to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19053
SPRINGFIELD IL 62794-9053

If a payment is **not** enclosed, mail your Form IL-1041 to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19009
SPRINGFIELD IL 62794-9009

What if I need additional assistance or forms?

If you need additional assistance -

- Visit our website at tax.illinois.gov.
- Write to us at:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

- Call **1 800 732-8866** or **217 782-3336** (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.

If you need additional forms or schedules, visit our website at tax.illinois.gov.

Specific Instructions

Specific instructions for most of the lines are provided on the following pages. Lines that are not discussed in the instructions are self-explanatory.

Step 1 — Identify your fiduciary

A — Indicate if you are a trust or an estate by checking the appropriate box.

B — All taxpayers: Type or print your legal business name. If you have a name change from last year, check the corresponding box.

C — Type or print your mailing address. If your address has changed since you filed your last return or if this is your first return, check the box.

Note — If you checked the box in Line C because you have never filed an Illinois return, you must also check the “first return” box in Line D.

D — If this is your first or final return, check the appropriate box.

E — Indicate your method of accounting by checking the appropriate box. You must use the same accounting method (*e.g.*, cash or accrual) and tax year that you used for federal income tax purposes.

F — If you are required to disclose reportable transactions and you have attached federal Form 8886, check the box on Line F. See “What if I participated in a reportable transaction?” for more information.

G — Enter your federal employee identification number.

H — Indicate if you are an Electing Small Business Trust (ESBT) or an individual bankruptcy estate by checking the appropriate box.

Note — You may only indicate you are an

- ESBT if you checked the “Trust” box on Step 1, Line A; or
- individual bankruptcy estate if you checked the “Estate” box on Step 1, Line A.

Note — For individual bankruptcy estates, Illinois follows the federal filing procedures. You should complete Form IL-1040, Individual Income Tax Return, and carry the tax amount to Step 6 of Form IL-1041 and mark the Individual Bankruptcy box. On the top of Form IL-1040, write “Individual Bankruptcy Estate. Do not detach.” Attach Form IL-1040 to the back of Form IL-1041.

I — If your residency is not in Illinois, mark the box and attach a completed Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, to your tax return.

J — If you earned or can carry forward credits on Illinois Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries), mark the box and attach Illinois Schedule 1299-D to your tax return, even if you are unable to use any of the credits in this tax year.

K — If you received income from a partnership, an S corporation, or another trust or estate, mark the box and attach Illinois Schedule I, Income Received, to your tax return.

L — If you are claiming a special depreciation addition or subtraction modifications on Form IL-1041, mark the box and attach Form IL-4562, Special Depreciation, to your tax return.

M — If you are claiming other addition or subtraction modifications on Form IL-1041, mark the box and attach Schedule M, Other Additions and Subtractions (for businesses), to your tax return.

N — If you are claiming related-party expense modifications on your Form IL-1041, mark the box and attach Schedule 80/20, Related-Party Expenses, to your tax return.

O — Check the box if you must adjust your loss or loss carryover due to Discharge of Indebtedness. For more information, see the instructions for Line 28, the Loss Reduction worksheet, and Schedule NLD.

Note — You must complete a Department-issued or previously approved Form IL-1041 and corresponding schedules. Do not send a computer printout or spreadsheets with line numbers and dollar amounts attached to a blank copy of the return.

Step 2 — Figure your income or loss

Line 1 — Enter the amount from U.S. Form 1041, Line 22.

Note — Do not include any capital gains on the lump-sum distribution from a retirement plan that you reported on your U.S. Form 4972, rather than on Line 8 of your U.S. Form 1041.

Line 2 through 10 — Do not enter **negative** amounts on Lines 2 through 10. If you are claiming over-accrued taxes, include them on Schedule M (for business), Line 23.

Line 2 — Enter the amount of net operating loss deduction from U.S. Form 1041, Line 15b.

Line 3 — If you are an Electing Small Business Trust (ESBT), enter your positive taxable income from subchapter S corporations. Also, you should include the amounts applicable from this trust in your addition and subtraction modifications. Attach a breakdown worksheet explaining each amount. Losses from subchapter S corporations are reported on Line 23.

Line 4 — Enter the exemption amount from your U.S. Form 1041, Line 20. If you are a qualified disability trust, enter \$100 or the amount of your exemption, whichever is less.

Modifications — Any addition or subtraction modification required in the computation of base income should be adjusted by any amount permanently set aside for charitable purposes pursuant to IRC Section 642(c).

Enter the addition or subtraction modifications in Column A if the item is included in figuring your beneficiaries' income.

Enter the addition or subtraction modifications in Column B if the item is included in figuring your income.

Line 5 — You must add back any amount of Illinois Income and Replacement taxes and surcharge that you deducted on your U.S. Form 1041 to arrive at your federal taxable income. You are not required to add back taxes from other states that you included as a federal deduction.

IL-1041 Instructions (R-01/15)

Line 6 — Enter the total of all amounts excluded from federal taxable income that were received or accrued as interest during the tax year.

Line 7 — Enter the addition amount calculated on Form IL-4562, Special Depreciation, Step 2, Line 4. For more information, see Form IL-4562 and instructions. **Attach Form IL-4562 to your Form IL-1041.**

Note — The sum of the amounts reported in columns A and B of this line should match the total amount reported on Form IL-4562, Step 2, Line 4.

Line 8 — Enter the interest or intangible expenses, or insurance premiums paid to an affiliated company, to the extent these expenses exceed any taxable dividends you received from the affiliated company. To compute the amount of this addition, complete Step 2 of Illinois Schedule 80/20 and enter on Line 8 the total from Illinois Schedule 80/20, Step 2, Line 13. **Attach Illinois Schedule 80/20 to your Form IL-1041.**

Note — The sum of the amounts reported in columns A and B of this line should match the total amount reported on Illinois Schedule 80/20, Step 2, Line 13.

Some interest and intangible expenses may be exempt from this add-back provision. See Illinois Schedule 80/20 Instructions for more information including definitions of "affiliated company," "intangible expenses," and "intangible assets."

Line 9 — If you are a beneficiary in another trust or estate, a partner in a partnership, or a shareholder in a subchapter S corporation, include your distributive share of additions received from the trust, estate, partnership, or subchapter S corporation. If you receive multiple schedules because you are a recipient from multiple entities, you should enter the combined total of Step 5, Column A, Lines 32 through 37, from all Illinois Schedules K-1-P you receive and Step 5, Column A, Lines 30 through 35, from all Illinois Schedules K-1-T you receive. **Attach a copy of all Illinois Schedules K-1-P and K-1-T to your Form IL-1041.**

Note — The trust or estate is required to send you an Illinois Schedule K-1-T and Schedule K-1-T(2) and the partnership or subchapter S corporation is required to send you an Illinois Schedule K-1-P and Schedule K-1-P(2), specifically identifying your share of income.

Special Note — Include only additions reported to you on a Schedule K-1-P or K-1-T you received. Do not report amounts you reported to your beneficiaries on the Schedules K-1-T you issued to them. **Do not attach** copies of Schedules K-1-T you issued to your beneficiaries. You should keep copies of these schedules in your records.

Line 10 — Enter the addition amount calculated on the 2014 Illinois Schedule M, Other Additions and Subtractions (for businesses), Step 2, Line 10. **Attach a copy of Illinois Schedule M to your Form IL-1041.**

Note — The sum of the amounts reported in columns A and B of this line should match the total amount reported on Illinois Schedule M, Step 2, Line 10.

The following are examples of items that must be added to taxable income and are included on the Illinois Schedule M.

- Notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands.

- Lloyd's plan of operations loss if reported on your behalf on Form IL-1065, Partnership Replacement Tax Return, and included in your federal taxable income.
- **Nonresidents only: Business Expense Recapture -** Deductions you claimed this year and in your two most recent tax years for expenses connected with income from an asset or activity which were reported as business income in prior years and as nonbusiness income on this return. This recapture should be allocated to the fiduciary to the extent the business expenses were allocated to the fiduciary in the year they were deducted. See Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, Line 36, and Illinois Schedule NR (Form IL-1041) Instructions for more information.
- Any other state's income tax deducted from federal taxable income, if a corresponding credit is claimed on Illinois Schedule CR (Form IL-1041), Credit for Tax Paid to Other States. **Only add back the taxes for which you are claiming a credit.**
- The smaller of any capital loss on U.S. Form 1041, Line 4 that you may carry forward or any negative amount on U.S. Form 1041, Line 22.

Step 3 — Figure your base income or loss

A double deduction is prohibited by IITA, Section 203(g). You cannot deduct the same item more than once when figuring your subtractions.

Line 13 — Enter the amount from Illinois Schedule F (Form IL-1041), Gains from Sales or Exchanges of Property Acquired Before August 1, 1969, Line 18. Capital gain, or Section 1245 or 1250 gain, on property acquired before August 1, 1969, may be limited by the value of the property on August 1, 1969. See Illinois Schedule F for instructions. **Attach Illinois Schedule F, and a copy of U.S. Schedule D (or U.S. Form 8949), U.S. Form 4797, and U.S. Form 6252, if filed.**

Line 14 — Enter the federally taxed portion of any qualified distribution received from

- a qualified employee pension, profit sharing, stock bonus, or bond purchase plan, or from a government (including military) retirement or disability plan. Report only such distribution that was included in taxable income on U.S. Form 1041, Line 8. **Attach a copy of U.S. Form 1041, Page 1, and supporting schedule for Line 8.**
- an Individual Retirement Account (IRA), a self-employed retirement plan (SEP), or a 401(k) plan.
- a lump-sum distribution of cash or property from a qualified plan (e.g., employer securities or retirement income, endowment or life insurance contracts). Report the total distribution treated as long-term capital gain shown on U.S. Schedule D plus any amount treated as ordinary income and included in U.S. Form 1041, Line 8. **Attach a copy of U.S. Schedule D and U.S. Form 1041, Page 1, and supporting schedule for Line 8.**
- the redemption of U.S. Retirement Bonds. **Attach a copy of U.S. Form 1041, Page 1, and supporting schedule for Line 8.**
- gain on the sale or exchange of employer securities. Complete Form IL-4644, Gains from Sales of Employer's Securities Received from a Qualified Employee Benefit Plan, to compute the subtraction. **Attach Form IL-4644 to your Form IL-1041.**

Note → Do not subtract any capital gains on the lump-sum distribution from a retirement plan that you reported on your U.S. Form 4972, rather than on U.S. Form 1041, Line 8. These amounts are excluded from your federal taxable income on Form IL-1041, Line 1, and cannot be subtracted.

Special Note → You must notify each beneficiary of his or her share of any amount included on Line 14, Column A, that is attributable to a capital gain distribution or to a gain realized on the disposition of employer securities. You must also advise the beneficiary that his or her share of any such amount is to be reported **only** if he or she is limiting capital gain on the disposition of property acquired before August 1, 1969, on Illinois Schedule F. If the beneficiary is an individual, he or she will include the amount on Illinois Schedule F (Form IL-1040), Line 13. If the beneficiary is a trust or estate, the fiduciary will include the amount on Illinois Schedule F (Form IL-1041), Line 14.

Line 15 — Enter the total interest received or accrued from U.S. Treasury bonds, notes, bills, federal agency obligations, and savings bonds that is included in your federal taxable income. You may **not** subtract anything that is not identified in Illinois Publication 101, Income Exempt from Tax. This amount is net of any bond premium amortization deducted federally.

Line 16 — Enter any retirement payments to retired partners that were received by the trust or estate and excluded in computing net earnings from self-employment by IRC Section 1402.

Note → You must attach Illinois Schedule 1299-B, River Edge Redevelopment Zone or Foreign Trade Zone (or sub-zone) Subtractions, to your Form IL-1041 if you have an amount on Lines 17 and 18.

Line 17 — Enter the River Edge Redevelopment Zone Dividend subtraction from Illinois Schedule 1299-B, Step 1, Line 3.

Line 18 — Enter the High Impact Business Dividend subtraction from Illinois Schedule 1299-B, Step 1, Line 6.

Line 19 — Enter the amount of any contribution made to a job training project established under the "Tax Increment Allocation Redevelopment Act," as amended. For further information, see Illinois Compiled Statutes, Chapter 65, paragraph 5/11-74.4-1 *et seq.*

Line 20 — Enter the subtraction allowance from Form IL-4562, Special Depreciation, Step 3, Line 10. **Attach Form IL-4562 to your Form IL-1041.**

Note → The sum of the amounts reported in columns A and B of this line should match the total amount reported on Form IL-4562, Step 3, Line 10.

Line 21 — Enter the amount from Illinois Schedule 80/20, Step 4, Line 32. **Attach Illinois Schedule 80/20 to your Form IL-1041.**

Note → The sum of the amounts reported in columns A and B of this line should match the total amount reported on Illinois Schedule 80/20, Step 4, Line 32.

You should use Illinois Schedule 80/20

- if you added back interest paid to an affiliated company on Step 2, Line 8, you may subtract any interest received from that affiliated company during this tax year, up to the amount of your addition for interest expense paid to that company. Also, if you added back intangible expenses from a transaction with an affiliated company on Line 8, you may subtract any income

you received during the tax year from similar transactions with the affiliated company, up to the amount of your addition for intangible expense for that company. To compute the amount of this subtraction, complete Illinois Schedule 80/20.

- if you are an affiliated company, and you received interest or intangible income from someone who had to add back the interest and intangible expense on their Illinois Schedule 80/20, you may subtract your interest or intangible income from that person.

Line 22 — Enter your distributive share of subtractions passed through to you by a partnership, subchapter S corporation, trust, or estate that you were either a partner, a shareholder, or a beneficiary. Do not include any amounts passed through that are reflected on Illinois Schedule 1299-B. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1041.**

Note — The partnership or the subchapter S corporation is required to send you an Illinois Schedule K-1-P and Schedule K-1-P(2) and the trust or estate is required to send you an Illinois Schedule K-1-T and Schedule K-1-T(2), specifically identifying your share of subtractions.

Special Note — Include only subtractions reported to you on a Schedule K-1-P or K-1-T you received. Do not report amounts you reported to your beneficiaries on the Schedules K-1-T you issued to them. **Do not attach** copies of Schedules K-1-T you issued to your beneficiaries. You should keep copies of these schedules in your records.

Line 23 — If you are an ESBT, enter the amount of any loss passed through to you by a subchapter S corporation. Also, you should include the amounts applicable from this trust in your addition and subtraction modifications. Attach a breakdown worksheet explaining each amount. Positive income from a subchapter S corporation is reported on Line 3.

Note — Do not enter an amount on Line 23a.

Line 24 — Enter the subtraction amount calculated on the 2014 Illinois Schedule M Step 3, Line 34. **Attach a copy of Illinois Schedule M to your Form IL-1041.**

Note — The sum of the amounts reported in columns A and B of this line should match the total amount reported on Illinois Schedule M, Step 3, Line 34.

You may **not** subtract anything that is not identified below, on Schedule M (for businesses), or in Illinois Publication 101. Subtractions allowed on Illinois Schedule M include:

- notes, bonds, debentures, or obligations issued by the Governments of Guam, American Samoa, Puerto Rico, the Northern Mariana Islands, or the Virgin Islands, to the extent that you were required to add these amounts to your federal taxable income;
- Lloyd's plan of operations income if reported on your behalf on Form IL-1065 and included in your federal taxable income;
- the amount equal to the deduction used to compute the federal tax credit for restoration of amounts held under claim of right under IRC Section 1341;
- the amounts disallowed as federal deductions or interest expenses under IRC Sections 171(a)(2), 265, or 280C;
- 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;
- any other income included on Step 2, Line 11, exempt from taxation by Illinois by reason of its Constitution or statutes or by the Constitution, treaties, or statutes of the United States. This amount is net of any bond premium amortization deducted federally. For more information, see Illinois Publication 101.

Line 26 — Subtract Line 25 from Line 12. If you are a resident of Illinois enter this amount on Step 4, Line 27. The base income of a resident trust or estate is not subject to allocation or apportionment. The entire amount is allocated to Illinois under the provisions of the IITA. If you are a nonresident of Illinois, complete Illinois Schedule NR (Form IL-1041) before completing Step 4. **Attach Illinois Schedule NR (Form IL-1041) to your Form IL-1041.** For more information, see Illinois Schedule NR (Form IL-1041) instructions.

Step 4 — Figure your net income

Line 27 — Follow the instructions on the form. If this amount is a loss, you may be allowed to carry it forward to other years as an Illinois net loss deduction (NLD).

Line 28 — If you were required to reduce the net operating loss reported on your federal Form 1041 because you excluded any discharge of indebtedness income from this tax year's gross income, then you may be required to reduce the net loss reported on Line 27. Use the Loss Reduction Worksheet on page 9 to figure your loss reduction.

Loss Reduction Worksheet

- 1 Enter the amount of the reduction to your federal net operating losses
See federal Form 982.
- 2 Enter your income allocation ratio. See instructions.
- 3 Multiply the amount on Line 1 by Line 2. This is your reduction amount.
Enter the result here and on Form IL-1041, Line 28.

1 _____
2 _____
3 _____

Line 1 — Follow the instructions in Line 1.

Line 2 — Your income allocation ratio is calculated by dividing the amount of debt cancellation income excluded from your gross income that would have been allocated or apportioned to Illinois under the IITA if it was not excluded by the total amount of debt

cancellation income excluded from your gross income. If all of your debt cancellation income would have been business income, use the apportionment factor you calculated on Schedule NR for the tax year of the debt cancellation.

Line 3 — Follow the instructions on the form.

Attach a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, to your Form IL-1041. For more information, see Illinois Income Tax Regulations, Section 100.2310(c).

Note → If you also have Illinois net operating loss carryovers to the tax year of the debt cancellation, you may also be required to reduce these carryovers. See Schedule NLD for more information.

Line 29 — If you have a discharge of indebtedness adjustment on Line 28, add Lines 27 (a negative number) and 28 (a positive number), and enter the result here. This amount cannot be greater than "0".

If you do not have a discharge of indebtedness adjustment, enter "0" on Line 28 and the amount from Line 27 on Line 29.

Line 30 — Enter your Illinois NLD carryforward from Illinois Schedule NLD, Line 5. **Attach Illinois Schedule NLD to your Form IL-1041.**

Line 31 — Your exemption amount is \$1,000 if you are an Illinois resident and this return is for a 12-month taxable year, or is a first or final return (even if the return is a short-year return).

If you are an Illinois resident and you have a short-year return that is not a first or final return, you must prorate your exemption allowance based on the number of taxable days in your tax year.

If you are a nonresident, you must use Schedule NR (1041) to compute your exemption allowance.

Step 5 — Figure your net replacement tax - For trusts only, estates go to Step 6

Line 35 — Enter your recapture of investment credits from Illinois Schedule 4255, Recapture of Investment Tax Credits, Step 4, Column C, Line 18.

If you claimed any Illinois investment tax credit in a prior year on Form IL-477, Replacement Tax Investment Credits, and any of the property was disqualified within 48 months of being placed in service, you must use Illinois Schedule 4255 to compute the amount of recapture. Credit must be recaptured in the year the property became disqualified.

Line 37 — Enter the amount from Form IL-477, Step 1, Line 11. **Attach Form IL-477 to your Form IL-1041.**

You may claim a replacement tax investment credit of .5 percent (.005) of the basis of qualified property placed in service in Illinois during the tax year.

An additional credit of up to .5 percent (.005) of the basis of qualified property is available if your Illinois base employment increased over the preceding year or if your business is new to Illinois. Excess credit may be carried forward for five years following the excess credit year. For more information, see Form IL-477 instructions.

Step 6 — Figure your net income tax - For trusts and estates

Line 40 — If your tax year ends on December 31, 2014 - Follow the instructions on the form.

If your tax year ends after December 31, 2014 - The income tax rate has changed for tax periods ending after December 31, 2014. You may use Schedule SA (IL-1041) or the blended income

tax rate to calculate your tax. See Schedule SA Instructions (IL-1041), and Informational Bulletin FY 2015-09, Illinois Income Tax Rate Decrease, for more information.

Line 41 — Enter your recapture of investment credits from Illinois Schedule 4255, Step 4, Columns A and B, Line 18 and Step 5, Line 21.

If you claimed an Illinois Enterprise Zone or River Edge Redevelopment Zone Investment Credit, High Impact Business Investment Credit, or Angel Investment Credit in a prior year on Illinois Schedule 1299-D, Income Tax Credits, and any of the property becomes disqualified, you must use Illinois Schedule 4255 to compute the amount of recapture. Credit must be recaptured in the year in which the property became disqualified. For more information, see Illinois Schedule 4255.

Line 43 — Enter the amount from Illinois Schedule CR (Form IL-1041), Credit for Tax Paid to Other States, Line 56. **Attach Illinois Schedule CR and all required supporting documents to your Form IL-1041.** For more information, see Illinois Schedule CR instructions.

Line 44 — Enter the amount from Illinois Schedule 1299-D, Step 2, Line 31. The total of all credits is limited to the total income tax shown on Line 42. **Attach Illinois Schedule 1299-D to your Form IL-1041.** For more information, see Illinois Schedule 1299-D instructions.

The TECH-PREP Youth Vocational Programs Credit and the Dependent Care Assistance Program Credit are available to taxpayers primarily engaged in manufacturing. Any excess credit may be carried forward for **two** years following the excess credit year.

- **TECH-PREP Youth Vocational Programs Credit —** The programs must be certified as qualifying TECH-PREP programs by the State Board of Education. The credit is for an amount equal to 20 percent (.20) of the direct payroll expenditures for cooperative secondary school youth vocational programs in Illinois. The payroll expenditures must not have been claimed for the Training Expense Credit. You also may claim an additional credit of 20 percent (.20) for personal services rendered by a TECH-PREP student or instructor that would be subject to withholding if they were employed by you and no other credit is claimed by the actual employer.
- **Dependent Care Assistance Program Credit —** A credit of 5 percent (.05) of the amount of expenditures reported, under IRC Section 129(d)(7), to provide an on-site facility dependent care assistance program as defined in IRC Section 129 is allowed.

The following credits are also available and may be carried forward **five** years following the excess credit year:

- **Film Production Services Tax Credit —** Businesses in the film industry may receive a transferable credit for Illinois production expenses incurred in a project that has been approved by the Illinois Department of Commerce and Economic Opportunity (DCEO). Credits earned in tax years ending prior to July 11, 2005 may not be carried over, while credits earned in later years may be carried forward five years. The credit is issued by the DCEO and a copy of your credit certificate from the DCEO must be attached to your return.
- **Enterprise Zone Investment Credit —** A credit of .5 percent (.005) of the basis of qualified property placed in service in an Illinois enterprise zone during the tax year is allowed.

- **River Edge Redevelopment Zone Investment Credit — For tax years beginning on or after January 1, 2007,** a credit is allowed which is a percentage of the basis of qualified property placed in service in an Illinois river edge redevelopment zone during the tax year. See the Illinois Schedule 1299-D instructions for specific percentage amounts.
- **High Impact Business Investment Credit —** A credit of .5 percent (.005) of the basis of qualified property placed in service in Illinois by you during your tax year as a “High Impact Business,” certified as such by the DCEO is allowed. This credit is available only after you have met the minimum investment required by the Illinois Enterprise Zone Act.
- **Tax Credit for Affordable Housing Donations —** A credit of 50 percent (.50) of the amount of the donation a taxpayer makes under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in Illinois is allowed.
- **Economic Development for a Growing Economy (EDGE) Tax Credit —** A credit is available to taxpayers who have entered into an agreement with the DCEO under the Economic Development for a Growing Economy Tax Credit Act. The credit is available to businesses located within Illinois or businesses planning to locate within Illinois, who are participating in an economic development project area. The credit is issued by the DCEO and a copy of your credit certificate from the DCEO must be attached to your return.
- **Research and Development Credit —** A credit of 6.5 percent (.065) of the qualifying expenditures for increasing research activities conducted in Illinois, and that are allowable under IRC Section 41 is allowed.
- **River Edge Redevelopment Zone Remediation Credit —** A credit for tax years ending on or after December 31, 2006, for unreimbursed eligible remediation costs incurred in a Site Remediation Program under the Environmental Protection Act in a river edge redevelopment zone is allowed. See Illinois Schedule 1299-D instructions or contact the Illinois Environmental Protection Agency for more information.
- **Ex-Felons Jobs Credit — For tax years beginning after December 31, 2006,** the Ex-Felons Jobs Credit is 5 percent (.05) of qualified wages paid during the taxable year to an employee who is a qualified ex-offender. The total credits for all years for wages paid to a particular ex-offender may not exceed \$1,500.
- **Veterans Jobs Credit — For tax years ending on or after December 31, 2012, and on or before December 31, 2016,** the Veterans Jobs Credit is
 - the lesser of 10 percent (.10) of qualified wages paid during the taxable year to a “qualified veteran”, or \$1,200 per “qualified veteran”; or
 - the lesser of 20 percent (.20) of qualified wages paid during the taxable year to a “qualified unemployed veteran,” or \$5,000 per “qualified unemployed veteran”.

See the instructions for Schedule 1299-D for more information, including the definitions of a “qualified veteran” and a “qualified unemployed veteran”.

Note **Short -year filers only** - The credit for hiring a “qualified veteran” cannot be claimed in tax years **beginning** on or after January 1, 2015.
- **Student-Assistance Contribution Credit —** For tax years **ending on or after December 31, 2009,** this credit is allowed to employers who make a matching contribution to a qualified Illinois pre-paid tuition program on behalf of employees. Qualified Illinois pre-paid tuition plans include:
 - *Illinois Bright Start Savings Pool,*
 - *Illinois Bright Directions Savings Pool,*
 - *College Illinois Pre-paid Tuition Program.*

The credit amount is 25 percent (.25) of the contribution for each employee, or \$500 per employee, whichever is less.
- **Angel Investment Credit — For tax years beginning on or after January 1, 2011, and ending on or before December 31, 2016,** a credit may be claimed in an amount equal to 25 percent (.25) of an investment made directly in a qualified new business. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by the DCEO and a copy of your credit certificate from the DCEO must be attached to your return.
- **New Markets Credit — For qualified investments made between 2008 and 2017** in a community development entity, a credit is allowed on the second anniversary of the investment (tax years ending on or after December 31, 2010), and the next four anniversaries. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by the DCEO and a copy of your credit certificate from the DCEO must be attached to your return.
- **River Edge Historic Preservation Credit — For tax years beginning on or after January 1, 2012,** a credit for restoring certain types of real estate in a river edge redevelopment zone may be claimed if you entered into an agreement with the DCEO. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by the DCEO and a copy of your credit certificate from the DCEO must be attached to your return.
- **Live Theater Production Credit — For tax years beginning on or after January 1, 2012,** a credit for various costs associated with the production of live theater may be claimed if you applied with and were approved by the DCEO. The credit may not reduce tax below zero and may be carried forward for five years. The credit is issued by the DCEO and a copy of your credit certificate from the DCEO must be attached to your return.
- **Hospital Credit — For tax years ending on or after December 31, 2012,** a credit is available to the owner of a hospital that is licensed under the Hospital Licensing Act, and is not exempt from federal income taxes under the Internal Revenue Code. The credit is an amount equal to the lesser of the amount of real property taxes paid on Illinois property used for hospital purposes during the prior tax year or the cost of free or discounted services provided during the tax year at Illinois locations in accordance with the hospital's charitable financial assistance policy, measured at cost. See the instructions for Schedule 1299-D for more information.
- **Historic Preservation Credit —** A credit for restoring certain types of real estate in the Peoria area may be claimed if you entered into an agreement with the DCEO. The credit may not reduce tax below zero and may be carried forward for ten years. The credit is issued by the DCEO and a copy of your credit certificate from the DCEO must be attached to your return.

Step 7 — Figure your refund or balance due

Line 49 — Compassionate Use of Medical Cannabis Pilot Program Act surcharge.

Definitions

Organization registrant means a corporation, partnership, trust, limited liability company (LLC), or other organization, that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

Transactions subject to the surcharge means sales and exchanges of

- capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

What is the surcharge?

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Pilot Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Pilot Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a “transaction subject to the surcharge,” including individuals and other taxpayers who are not themselves the “organization registrant” that engaged in the transaction.

A line has been included on Schedules K-1-P and K-1-T to identify the amount of federal income attributable to transactions subject to the surcharge that was passed through to you on federal Schedule K-1.

How do I figure the surcharge?

If the surcharge applies to you, complete the Compassionate Use of Medical Cannabis Pilot Program Act Surcharge Worksheet at the bottom of page 12.

For more information, see Illinois Income Tax Regulations, Section 100.2060.

Line 50 — Complete all steps of Illinois Schedule D and enter the amount from Illinois Schedule D, Step 1, Line 6 on this line.

This is the amount of pass-through withholding payments you reported on behalf of your members. **Attach Illinois Schedule D to your Form IL-1041.**

Line 51 — Add Lines 47, 48, 49, and 50 and enter the total on this line. This is your total net income and replacement taxes, surcharge, and pass-through withholding payments.

Line 52a — Enter the amount of any overpayment from your prior year tax returns that you requested to be applied to this year’s tax return. Take into account any correspondence we may have sent you that changed the amount of your credit carryforward from the previous year.

Line 52b — Enter the amount of Illinois Income and Replacement Tax paid with Form IL-505-B. **Do not** report amounts paid with Form IL-516-I or Form IL-516-B on this line. Those amounts are reported on Lines 52e and 52f.

Note If you made a payment on Form IL-1120-ES, enter that amount on Line 52b. In the future use Form IL-516-I or Form IL-516-B to make voluntary prepayments.

Line 52c — Enter the amount you wish to claim of Illinois pass-through withholding payments made on your behalf by partnerships, S corporations, or trusts, as reported to you on Schedule K-1-P or K-1-T. If you have more than one Schedule K-1-P or K-1-T, add the amounts you wish to claim from all the schedules and enter the total on Line 52c. **Attach copies of the Schedules K-1-P and K-1-T you received from the pass-through entities to your Form IL-1041.**

Special Note **Do not attach** copies of Schedules K-1-T you issued to your beneficiaries. You should keep copies of these schedules in your records.

Line 52d — Enter the amount of Illinois income tax withheld on wages and salaries (of a decedent) and gambling withholding that were received by you. **This withholding must be claimed by the fiduciary.** Also include any Illinois Income Tax withheld as reported on any federal 1099 forms you received. **Attach Forms W-2, W-2G, and any federal 1099 forms you received to your Form IL-1041.**

Line 52e — Enter the total amount of voluntary prepayments you paid for this tax year with **Form IL-516-I only. Do not** report amounts paid with Form IL-516-B, Form IL-505-B, or Form IL-1120-ES here.

Line 52f — Enter the total amount of voluntary prepayments you paid for this tax year with **Form IL-516-B only. Do not** report amounts paid with Form IL-516-I, Form IL-505-B, or Form IL-1120-ES here.

Lines 53 and 54 — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

Compassionate Use of Medical Cannabis Pilot Program Act Surcharge Worksheet

- 1

Enter your federal income tax liability for the taxable year.

1
- 2

Enter your federal income tax liability for the taxable year computed as if transactions subject to the surcharge made in that year had not been made by the organization registrant.

2
- 3

Subtract Line 2 from Line 1. This is your Compassionate Use of Medical Cannabis Pilot Program Act surcharge. Enter the result here and on Form IL-1041, Step 7, Line 49.

3

Line 55 — Enter the amount of overpayment you elect to be applied to a subsequent tax period.

Your credit carryforward will not be applied if you do not file a processable return.

Note → Your credit carryforward may be reduced by us to satisfy any unpaid tax, penalty, and interest due for this year or any preceding year. If we reduce your credit carryforward, it may result in a late-payment penalty in a subsequent year.

To which tax period will my credit apply?

Your credit will be applied to your liability for the tax year during which you file this return, unless you elect to apply the credit to a different tax year.

Note → If you wish to apply the credit to a different tax year, see “May I apply my credit to a different tax period?”

Example: You file your 2014 calendar year return on August 4, 2015, requesting to receive your overpayment as a credit. August 4, 2015, falls within your 2015 tax year so your credit will be applied against your 2015 tax year liability.

With what date will my credit apply against my tax liability?

If your 2014 return was filed

- on or before the extended due date of your return (October 15, 2015, for calendar year filers), your credit is considered to be paid on the original due date of your 2015 return (April 15, 2016, for calendar year filers).
- after the extended due date of your return, your credit is considered to be paid on the original due date of your 2015 return, or on the date you filed the return on which you made the election, whichever is later.

Example 1: You file your 2014 calendar year return on or before the extended due date of your return requesting \$500 be applied against estimated tax. All of your payments are made before the original due date of your return. Your credit of \$500 will be considered to be paid on April 15, 2016.

Example 2: You file your 2014 calendar year return on or before the extended due date of your return requesting \$500 be applied against estimated tax. Your overpayment includes payments of \$400 you made before the original due date of your return, and a \$100 payment you made on June 1, 2015. A credit of \$500 will be considered to be paid on April 15, 2016.

Example 3: You file your 2014 calendar year return on December 1, 2015, requesting \$500 be applied against estimated tax. Your credit of \$500 will be considered to be paid on April 15, 2016, because the original due date of your 2015 calendar year return, April 15, 2016, is later than the date you filed the return making the election.

May I apply my credit to a different tax period?

Yes. If you wish to apply your credit to a tax year other than the one during which you file this return, you must submit a separate request in writing to:

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19004
SPRINGFIELD IL 62794-9004

Note → Submit your request at the time you file your return. **Do not** submit your return to this address.

Your request must include

- your name,
- your FEIN,
- the tax period of the return creating the overpayment, and
- the tax period you wish to have the credit apply.

If you do not follow these instructions, your election will be considered invalid and we will not apply your credit as you requested.

If you submit a valid request, we will apply your credit as you requested and notify you. Once made, your election to change the tax period to which your credit will apply is irrevocable.

Note → You may only apply your credit to tax periods occurring after the period of the return creating the overpayment. If you request to apply more credit than our records show you have available, we will apply the maximum amount available and notify you of the difference.

Lines 56 — Follow the instructions on the form. Your refund will not be issued if you do not file a processable return.

Note → Your refund may be reduced by us to satisfy any unpaid tax, penalty, and interest due for this year or any other year.

Line 57 — Direct deposit information.

If you choose to deposit your refund directly into your checking or savings account, you must

- Enter your routing number.
 - For a checking account, your routing number must be nine digits and the first two digits must be 01 through 12 or 21 through 32.
The sample check following these instructions has an example of a routing number.
 - For a savings account, you must contact your financial institution for your routing number.
- Check the appropriate box to indicate whether you want your refund deposited into your checking or savings account.
- Enter your account number.
 - For a checking account, your account number may be up to 17 digits.
The sample check following these instructions has an example of an account number.
 - For a savings account, you must contact your financial institution for your account number.

Do not use your account and routing numbers from your checking or savings account **deposit slip**. **Do not** include your check number. Include hyphens, but omit spaces and special symbols. You may have unused boxes.

Note → If your financial institution does not honor your request for direct deposit, we will send you a check instead.

Note → We do not support international ACH transactions. We will only deposit refunds into accounts located within the United States. If your financial institution is located outside the United States, we will send you a check instead of depositing your refund into your account.

Business Taxpayer
1234 Square
Lincoln Land, IL 12345

Date _____ 9876

PAY TO THE ORDER OF _____ DOLLARS

The Land Bank
Land IL 12345

Do not include your check number

Routing number

Account number

Memo

9876 123456789 9101112131415

Line 58 — Follow the instructions on the form. This is your amount of tax due that must be paid in full if \$1 or more. If you are not paying electronically, complete a payment voucher, Form IL-1041-V, make your check or money order payable to **"Illinois Department of Revenue"** and attach them to the front of your return.

Note If you are paying electronically **do not** complete and attach a payment voucher.

You should also **enter the amount you are paying in the box located on the top of Page 1** of the Form IL-1041.

We encourage you to let us figure your penalties and interest and send you a bill instead of determining these amounts yourself. We will compute any penalty and interest due and notify you (see General Information, "What are the penalties and interest?").

Step 8 — Signature, date, and preparer's information

You must sign and date your return. If you do not sign your return, it will not be considered filed and you may be subject to a **nonfiler penalty**.

If you want to allow the preparer listed in this step to discuss this return with the Department, check the box. This authorization will allow your preparer to answer any questions that arise during the processing of your return, call us with questions about your return, and receive or respond to notices we send. The authorization will automatically end no later than the due date for filing your 2015 tax return (excluding extensions.) You may revoke the authorization at any time by calling or writing us.

Illinois Schedule D Instructions

General Information What's new for 2014?

Illinois Schedule D has been redesigned for tax years ending on or after December 31, 2014. Read these instructions carefully in order to complete Illinois Schedule D correctly and to avoid unnecessary delays in the processing of your return.

Read this information before completing Illinois Schedule D.

- You **must** complete all Schedule(s) K-1-T and Schedule(s) K-1-T(3) (or Schedule(s) K-1-T(3)-FY), as applicable, for your members before completing Illinois Schedule D. The information reported on those schedules will be used to complete Illinois Schedule D. See Schedule K-1-T(1) for more information.
- You **must** complete Step 2 of Illinois Schedule D and provide all the required information for your members before completing Step 1 of Illinois Schedule D. Step 1 reports total amounts from Step 2, and is required to be completed in full in order to avoid processing delays, further correspondence, or delays in the processing of any overpayments.

What is the purpose of Illinois Schedule D?

The purpose of Illinois Schedule D, Beneficiary Information, is for you to identify any person who was a beneficiary during your tax year.

Trusts only - In addition, Form IL-1000 has been eliminated for tax years ending on or after December 31, 2014. The amounts that would have been reported on behalf of your members on Form IL-1000 must be reported on your Illinois Schedule D. The Illinois Schedule D has been redesigned for tax years ending on or after December 31, 2014, to report certain items of income reported to your beneficiaries, and pass-through withholding payments made on behalf of your nonresident beneficiaries. For a definition of resident and nonresident beneficiaries see "What is a resident" and "What is a nonresident?" below.

Is Schedule D required?

Yes. You are required to have a copy of this form on file. You **must** attach a copy to your Form IL-1041, Illinois Fiduciary Income and Replacement Tax Return. Illinois Schedule D has replaced Form IL-1000 for tax years ending on or after December 31, 2014, and supports the amount reported on Form IL-1041, Step 7, Line 50, as pass-through withholding payments reported on behalf of your nonresident members. Therefore, you **must** follow the instructions for Illinois Schedule D, complete it in full, and attach it to your return.

Note You must use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the Department will not be accepted and you will be asked for appropriate documentation. **Failure to comply with this requirement may result in the delay of processing your return or generating any overpayment.** Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

Fiduciaries must complete Illinois Schedule D. Do not send a computer printout with line numbers and dollar amounts attached to a blank copy of the schedule. Computer generated printouts are not acceptable, even if they are in the same format as the Department's forms. Computer generated forms from a Department-approved software developer are acceptable.

What is a resident?

A resident is

- an individual who is present in Illinois for other than a temporary or transitory purpose;
- an individual who is absent from Illinois for a temporary or transitory purpose but who is domiciled in Illinois;
- the estate of a decedent who at his or her death was domiciled in Illinois;

- a trust created by a will of a decedent who at his or her death was domiciled in Illinois; or
- an irrevocable trust, whose grantor was domiciled in Illinois at the time the trust became irrevocable. For purposes of this definition, a trust is irrevocable to the extent that the grantor is not treated as the owner of the trust under Internal Revenue Code (IRC) Sections 671 through 678.

What is a nonresident?

A nonresident is a person who is not a resident, as previously defined. Corporations, S corporations, partnerships, and exempt organizations are considered nonresidents for purposes of Illinois Schedule D.

What do Step 2, Columns F and G report?

Columns F and G report certain items of income and pass-through withholding payments you reported to your nonresident members on the Schedule K-1-T you issued to them.

How do I determine the amounts to report in Step 2, Columns F and G?

Before completing Illinois Schedule D you must complete Schedule(s) K-1-T and Schedule(s) K-1-T(3) (or Schedule K-1-T(3)-FY) for each of your nonresident members, as applicable. The amounts reported on those schedules will be used to complete Illinois Schedule D, Step 2, Columns F and G.

Note Your tax year ending date will determine whether you will use Schedule K-1-T(3) or Schedule K-1-T(3)-FY and what tax rate your nonresident members are subject to for pass-through withholding payments.

Estates are not required to make pass-through withholding payments on behalf of their nonresident members.

See Schedule K-1-T(1) for instructions and more information about Schedule K-1-T(3) and Schedule K-1-T(3)-FY.

Specific Instructions

Step 1 — Provide the following total amounts

Note Complete Schedule(s) K-1-T, Schedule(s) K-1-T(3) (or Schedule(s) K-1-T(3)-FY), as applicable, **and** all of Illinois Schedule D, Step 2, before completing this step.

Illinois Schedule D, Step 1 should be completed using the totals from Illinois Schedule D, Step 2. When you submit your return you should only attach a single page of Step 1. If you require multiple pages of Step 2, you may attach as many pages of Step 2 as required behind Step 1.

Line 1 — Report amounts for **both resident and nonresident members** — Add the amounts you reported on Step 3, Column A, Line 9 through Line 18, of all the Schedule(s) K-1-T you issued to your beneficiaries and enter the total here.

Lines 2 through 6 — Report amounts for **nonresident members only**.

Line 2 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-T you issued to your **nonresident individual and estate members only**. Total the amounts reported in Step 2, Column G, for members that are identified with an “I” or “M” in Step 2, Column B, and enter it here.

Line 3 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-T you issued to your **nonresident partnership and S corporation members only**. Total the amounts reported in Step 2, Column G, for members that are identified with a “P” or “S” in Step 2, Column B, and enter it here.

Line 4 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-T you issued to your **nonresident trust members only**. Include members identified as an exempt organization (trust). Total the amounts reported in Step 2, Column G, for members that are identified with a “T” or “A” in Step 2, Column B, and enter it here.

Line 5 — Enter the total amount of pass-through withholding payments you reported on the Schedule(s) K-1-T you issued to your **nonresident C corporation members only**. Include members identified as an exempt organization (corporation). Total the amounts reported in Step 2, Column G, for members that are identified with a “C” or “N” in Step 2, Column B, and enter it here.

Line 6 — Add Step 1, Lines 2 through 5 of this Illinois Schedule D and enter this amount here and on Form IL-1041, Line 50. The amount on Line 6 should match the total amount from Schedule D, Step 2, Column G for all members on all pages.

If you completed multiple pages of Step 2, complete Step 1 one time reporting the totals from all pages of Step 2, place all pages of Step 2 behind the single page of Step 1, and attach them to your return.

Step 2 — Identify your beneficiaries

Lines 1 through 6 —

Column A — Enter the name and address of each beneficiary. Addresses should be formatted in the same way you address the Schedule K-1-T for the beneficiary. Use the following examples as a guide.

If the beneficiary is an individual, use the following formats:

John Doe	John and Mary Doe	John Doe
111 W. Main Street	111 W Main Street	% Mary Doe
Anytown, IL 62666	Anytown, IL 62666	111 W Main St. #5A
		Anytown, IL 62666

If the beneficiary is a trust or an estate, use the following formats:

John Doe Bankruptcy Trust	Estate of John Doe
% Mary Doe, Trustee	111 W Main St., Ste 4A
111 W Main Street, Suite 4A	Anytown, IL 62666
Anytown, IL 62666	

If the beneficiary is a corporation (including S corporations), or a partnership, use the following formats:

Illinois Big Business Group	Illinois Small Business Group
% John Doe, VP Finance	% Mary Doe
111 West Main Street, Suite 4	111 West Main Street
Anytown, IL 62666	Anytown, IL 62666

Column B — Indicate the type of each beneficiary. Enter

- “I” for individual
- “P” for partnership
- “M” for estate
- “T” for trust
- “C” for C corporation
- “S” for S corporation
- “A” for exempt organization (trust)
- “N” for exempt organization (corporation)

Column C — Enter the Social Security number (SSN) or federal employer identification number (FEIN) of each beneficiary.

Note If the beneficiary is a foreign entity and does not have an SSN or FEIN, leave this column blank for that beneficiary. If you leave this column blank, you may be contacted for further information.

Column D — Enter the amount of base income or loss that was distributed or deemed distributed to this beneficiary.

Column E — If the beneficiary was excluded from pass-through withholding payments indicate the reason by entering

- “R” if the beneficiary is an Illinois resident,
- “E” if the beneficiary provided you a Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments, indicating that they would pay their own tax liability,
- “M” if you are an estate and therefore not required to make pass-through withholding payments on behalf of your beneficiaries, or
- “N” if the beneficiary was an exempt organization and you did not make pass-through withholding payments on their behalf.

Note Taxpayers are not required to make pass-through withholding payments on behalf of their exempt organization members, but may do so for tax year ending on or after December 31, 2014.

If you elected to make pass-through withholding payments on behalf of an exempt organization member, leave this column blank for that member and complete Columns F and G.

Column F — Enter the amount you reported on Step 3, Line 12, of the Schedule K-1-T(3) or Schedule K-1-T(3)-FY you completed for this member. This amount is this member's share of Illinois income subject to pass-through withholding.

Note This amount is a dollar amount. Do not list a percentage in this column.

Column G — Enter the amount of **pass-through withholding payments** that were made on behalf of the beneficiary and reported to them on Schedule K-1-T, Step 7, Line 49.

Note This should match the amount reported on Step 3, Line 13, of the Schedule K-1-T(3) or Schedule K-1-T(3)-FY you completed for this member.

If you have more than six beneficiaries to report, and additional space is needed, complete and attach additional pages of Illinois Schedules D, Step 2. After you have completed Step 2, listing all required amounts for your members, complete Illinois Schedule D, Step 1.