



# 2016 Schedule 1299-D Instructions

## What's new for 2016?

Public Act 100-0022 has retroactively restored the Research and Development Credit for tax years ending after December 31, 2015. Originally, the credit had sunset for these tax years and had therefore been removed from the original release of the 2016 Illinois Income Tax forms.

A supplemental Schedule 1299-D (R&D) has been designed to allow you to claim the Research and Development Credit for the 2016 tax year, if applicable. To claim the credit this year, you must use Schedule 1299-D (R&D). The Research and Development Credit calculated on Line 10 of that schedule will be reported on Schedule 1299-D, Step 1, Section B, Line 61, to properly reflect the total five-year credits. See the Schedule 1299-D (R&D) Instructions for more information.

In addition, if you did not claim the Research and Development Credit on your 2015 return because your tax year ended after December 31, 2015, you may amend that return and the 2015 Schedule 1299-D to claim the credit, if applicable.

**Short-year and fiscal-year filers** - The River Edge Redevelopment Zone Investment Credit has expired for tax years **beginning** on or after July 12, 2016. If your tax year **begins** on or after July 12, 2016, you cannot claim this credit on Schedule 1299-D, Lines 15a through 15c. You still may claim any distributive share of this credit passed through to you on Schedule K-1-P by reporting it on Schedule 1299-D, Line 16. The Enterprise Zone Investment Credit is still allowed.

**Short-year and fiscal-year filers** - The River Edge Redevelopment Zone Remediation Credit has expired for tax years **beginning** on or after July 12, 2016. If your tax year **begins** on or after July 12, 2016, you cannot claim this credit on Schedule 1299-D, Lines 26a through 28.

**Fiscal-year filers** - The Veterans Jobs Credit has expired for tax years **ending** after December 31, 2016. If your tax year **ends** after December 31, 2016, you cannot claim this credit on Schedule 1299-D, Lines 34a through 34c. You still may claim any distributive share of this credit passed through to you on Schedule K-1-P by reporting it on Schedule 1299-D, Line 35.

**Fiscal-year filers** - Public Act 100-0328 has retroactively restored the Angel Investment Credit for tax years ending after December 31, 2016. If you did not claim the Angel Investment Credit on your 2016 return because your tax year ended after December 31, 2016, you may amend that return and the 2016 Schedule 1299-D to claim the credit, if applicable.

The River Edge Historic Preservation Credit was incorrectly identified in last year's Schedule 1299-D and instructions as expiring for tax years **beginning** on or after July 28, 2016. If you were a short-year filer using the 2015 return and did not claim the River Edge Historic Preservation Credit because your tax year **began** on or after July 28, 2016, you may amend that return to claim the credit. In addition, the sunset date of the River Edge Historic Preservation Credit was extended by Public Act 99-0914 and may be claimed on the 2016 Schedule 1299-D, if applicable.

Public Act 100-0408 has extended the period of qualifying investments for the New Markets Development Credit to the end of the 2021 taxable year for fiscal-year filers.

**Short-year filers** - Public Act 100-0415 provides the Live Theater Production Tax Credit applies to tax years beginning on or after January 1, 2012 and beginning prior to January 1, 2022.

**Short-year filers** - The Hospital Credit has expired for tax years **beginning** on or after June 14, 2017. If your tax year **begins** on or after June 14, 2017, you cannot claim this credit on Schedule 1299-D, Lines 54 through 58. You still may claim any distributive share of this credit passed through to you on Schedule K-1-P by reporting it on Schedule 1299-D, Line 59. However, on Line 59 you may not claim any amount sold or donated to you.

The Historic Preservation Credit has expired for tax years **ending** after December 31, 2015. You may not claim this credit on your 2016 Schedule 1299-D.

Schedule 1299-S has been eliminated. See the Department of Commerce and Economic Opportunity (DCEO) website for a list of enterprise zones, river edge redevelopment zones, and DCEO contact information.

## General Information

Complete this schedule if you are filing Form IL-1120, Corporation Income and Replacement Tax Return, Form IL-1041, Fiduciary Income and Replacement Tax Return, or Form IL-990-T, Exempt Organization Income and Replacement Tax Return, and are entitled to the following credits:

- TECH-PREP Youth Vocational Programs Credit
- Dependent Care Assistance Program Credit
- Film Production Services Tax Credit
- Employee Child Care Tax Credit (Form IL-1120 filers only)
- Enterprise Zone Investment Credit
- River Edge Redevelopment Zone Investment Credit
- High Impact Business Investment Credit
- Tax Credit for Affordable Housing Donations
- Economic Development for a Growing Economy (EDGE) Tax Credit
- Research and Development Credit
- River Edge Redevelopment Zone Remediation Credit
- Ex-Felons Jobs Credit
- Veterans Jobs Credit
- Student-Assistance Contribution Credit
- Angel Investment Credit
- New Markets Credit
- River Edge Historic Preservation Credit
- Live Theater Production Tax Credit
- Hospital Credit

If you are filing an Illinois combined unitary return, complete one Illinois Schedule 1299-D for the entire unitary business group.

**Note** See the DCEO website for a list of enterprise zones, river edge redevelopment zones, and DCEO contact information.

## What must I attach?



*Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, if*

- you are a partner in a partnership or a shareholder in an S corporation, and you received a Schedule K-1-P from the partnership or S corporation showing an amount of credit that you may claim on your Schedule 1299-D. In order to claim amounts reported to you on an Illinois Schedule K-1-P the tax year ending listed on the Illinois Schedule K-1-P you received must fall within your tax year.

**Note** → All income credits are distributable by partnerships and S corporations and require Schedule K-1-P to support distributive share amounts, **except**

- TECH-PREP Youth Vocational Programs Credit
- Dependent Care Assistance Program Credit
- Employee Child Care Tax Credit
- High Impact Business Investment Credit
- River Edge Redevelopment Zone Remediation Credit



*Certificates issued by DCEO if*

- you entered into an agreement with DCEO and DCEO issued a tax certificate to you indicating the name of the credit and the amount of the credit allowed in this taxable year.
- you purchased or had credit transferred to you from another business and the credit purchase or transfer was approved by DCEO, and DCEO issued a tax certificate to you indicating the name of credit and the amount of credit allowed in this taxable year.

**Note** → Any credit administered by DCEO requires a copy of certification to claim the credit. Those credits include:

- Film Production Services Tax Credit
- EDGE Tax Credit
- Angel Investment Credit
- New Markets Credit
- River Edge Historic Preservation Credit
- Live Theater Production Tax Credit



*Any other documents required by the Illinois Department of Revenue and noted in these instructions.*

- If you claim the **tax credit for affordable housing donations**, you must attach a copy of proof of the credit issued by the Illinois Housing Development Authority or the city of Chicago.
- If you claim the **River Edge Redevelopment Zone Remediation Credit**, you must attach a copy of proof of the approval form issued by the Illinois Environmental Protection Agency.
- If you transferred the **Hospital Credit**, attach a written notice of the transfer that you issued to the transferee. See the specific instructions for more information.
- If you claim the **River Edge Redevelopment Zone Remediation Credit** or the **Hospital Credit**, because the credit was transferred to you, attach a copy of the written notice of the transfer that the seller or donor sent to the Illinois Department of Revenue.



## for completing Schedule 1299-D

### TECH-PREP Youth Vocational Programs Credit

**"Qualifying TECH-PREP programs"** are those certified by the Illinois State Board of Education.

### Employee Child Care Tax Credit

**"Start-up costs"** include planning, site-preparation, construction, renovation, or acquisition of a child care facility.

### Enterprise Zone, River Edge Redevelopment Zone, and High Impact Business Investment Credits

**"Qualified property"** is property that

- is tangible;
- is depreciable according to Internal Revenue Code (IRC) Section 167;
- has a useful life of four or more years as of the date placed in service in Illinois; and
- is acquired by purchase as defined in IRC Section 179(d).

Qualified property can be new or used but does not qualify for the Enterprise Zone, River Edge Redevelopment Zone, or High Impact Business Investment Credits if it was previously used in Illinois in a manner that qualified for that credit or for the Replacement Tax Investment Credit on Form IL-477, Replacement Tax Investment Credits. Qualified property includes buildings, structural components of buildings, and signs that are real property. It does not include land or improvements to real property that are not a structural component of a building, such as landscaping, sewer lines, local access roads, fencing, parking lots, and other appurtenances.

Any improvement or addition made on or after the date the enterprise zone or river edge redevelopment zone was designated, or the business was designated as a high impact business, is considered to be qualified property to the extent that the improvement or addition increases the adjusted basis of the property previously placed in service in Illinois and otherwise meets the requirements of qualified property.

### Ex-Felons Jobs Credit

**"Qualified wages"** means wages you paid during the one-year period beginning with the date an ex-offender begins working for you. Only wages that are subject to unemployment tax under IRC Section 3306 qualify. This includes amounts in excess of the maximum taxable wage. Wages paid during any period for which you received federally funded payments for on-the-job training for the ex-offender do not qualify.

A **"qualified ex-offender"** means an Illinois resident who

- has been convicted of any crime in this State or of any offense in any other jurisdiction, other than an offense or attempted offense that would subject a person to registration under the Sex Offender Registration Act;
- was sentenced to a period of incarceration in an Illinois adult correctional center; and
- was hired by you within three years after being released from the adult correctional center.

### Veterans Jobs Credit

A **"qualified unemployed veteran"** means an Illinois resident who

- was a member of the Armed Forces of the United States (including any reserve component) or of the Illinois National Guard;
- served on active duty on or after September 11, 2001;
- has provided you with documentation showing that he or she was honorably discharged;
- was initially hired by you on or after June 1, 2012;
- was unemployed for a total of 4 weeks or more during the six week period ending on the Saturday immediately preceding the date he or she was hired by you; and
- was employed by you
  - at least 185 days; or
  - at least 31 days if that employee was unemployed for a total of six months or more during the one year period ending on the date he or she was hired.

These periods of employment may be completed after the end of the taxable year in which you hired the veteran.

**Note** An employee qualifies as unemployed for a week if he or she has received unemployment benefits for the week, or has not been employed since being honorably discharged.

**“Qualified wages”** means gross wages paid to a “qualified unemployed veteran” in the course of that veteran’s sustained employment.

### Student Assistance Contribution Credit

**“Qualified education pre-paid tuition plans”** include

- Illinois Bright Start Savings Pool,
- Illinois Bright Directions Savings Pool,
- College Illinois Pre-paid Tuition Program.

## Step 1: Figure your credits

### Section A — Credits which can be carried for two years

If there is any excess of these credits, you may carry it forward for two years. This is figured in Step 3. You must use this excess credit in proportion to its share of the total excess two-year credit available for the year in which the credit was earned.

#### TECH-PREP Youth Vocational Programs Credit

**You may take this credit if**

- you are primarily engaged in manufacturing, and
- you have direct payroll expenses for qualifying cooperative secondary school youth vocational programs in Illinois, or you pay for personal services performed by a TECH-PREP student or instructor who would be subject to withholding if they were employed by you and no other credit is claimed by the actual employer.

**You may not take this credit** for programs with national standards that have been or will be approved by the U.S. Department of Labor, Bureau of Apprenticeship Training, or any federal agency succeeding to the responsibilities of that bureau.

**Line 1** — Add the amount of direct payroll expenses for cooperative secondary school youth vocational programs and the amount paid to a TECH-PREP student or instructor employed by you for personal services performed. Enter the total amount on the line provided.

Multiply the total amount by 20 percent (.20), and enter the result on Line 1. This is your TECH-PREP Youth Vocational Programs Credit.

#### Dependent Care Assistance Program Tax Credit

**To qualify for this credit,**

- you must be primarily engaged in manufacturing, and
- your on-site facility dependent care assistance program must be in Illinois and on the premises of your workplace.

**Line 2** — Enter the amount of your expenses, reported under the IRC Section 129(d)(7), that were used for on-site dependent care.

Multiply this amount by 5 percent (.05), and enter the result on Line 2. This is your Dependent Care Assistance Program Tax Credit.

**Line 3 — Total credits that may be carried forward for two years.** Add Lines 1 and 2. Enter this amount on Line 3 and Step 2, Line 12.

### Section B — Credits which can be carried for five years

If there is any excess of these credits, you may carry it forward for five years. This is figured in Step 3. You must use this excess credit in proportion to its share of the total excess credit available for the year in which the credit was earned.

**Note** For several credits, you may have more qualifying items than space provided on Schedule 1299-D. For any of these credits in which you exceed the allotted space on the schedule, attach a separate attachment in the same format as Illinois Schedule 1299-D.

Include the individual amounts from multiple schedules in the total line for each credit on Schedule 1299-D. **Do not enter the total on your attachment pages.**

For example, if you have more than three qualifying employees for the veterans credit, attach an additional sheet in the same format provided on the Schedule 1299-D. Add the totals from the 1299-D and the attachment and enter the total on Schedule 1299-D, Line 36.

Additionally, if you receive more than one Schedule K-1-P for any eligible credit, you should add the amounts from all Schedules K-1-P for that credit and enter the total on the corresponding line item on Schedule 1299-D.

#### Film Production Services Tax Credit

For tax years **beginning on or after January 1, 2004**, businesses in the film industry may be able to take a tax credit.

To qualify for this credit you must have

- applied for and received a Tax Credit Certificate from DCEO, or
- received a certificate from DCEO showing that a credit was transferred to you.

Contact DCEO for more information.

**Line 4** — Enter the amount of credit from the tax credit certificate you received from DCEO, including any amount transferred to you by the person who earned the credit.

**Line 5** — Follow the instructions on the form.

**Line 6** — Add the amounts on Lines 4 and 5, and enter the result. This is your Film Production Services Tax Credit.

#### Employee Child Care Tax Credit

**You may take this credit if**

- you file Form IL-1120, and
- you provide a child care facility, located in Illinois, for the children of your employees.

**Note** You must keep records documenting all costs for which the credit is being claimed.

**This is a two-part income tax credit.**

**Part one** — For tax years ending on or after **December 31, 2007**, a credit of 30 percent (.30) of the “start-up costs” spent by you to provide a child care facility for the children of your employees.

**Line 7** — Enter the total amount of “start-up costs” to provide the child care facility. Multiply this amount by 30 percent (.30), and enter the result on Line 7.

**Part two** — Allows a credit of 5 percent (.05) of the annual amount paid by you to provide the child care facility for your employees’ children.

**Line 8** — Enter the annual amount paid to provide the child care facility. Multiply this amount by 5 percent (.05), and enter the result on Line 8.

**Note** The 5 percent (.05) credit cannot be claimed if the Dependent Care Assistance Program Tax Credit is claimed.

**Line 9** — Add the amounts on Lines 7 and 8, and enter the result on Line 9. This is your Employee Child Care Tax Credit.

#### Enterprise Zone Investment Credit

**You may take this credit if you**

- placed qualified property in service in an Illinois enterprise zone within the tax year,
- placed it in service on or after the date the zone was officially designated as an enterprise zone, and
- continued to use the qualified property on the last day of your tax year.

**Note** Qualified enterprise zones are listed on the DCEO website.

#### Line 10 –

**Column A** – Describe each item of qualified property you placed in service in an Illinois enterprise zone.

**Column B** – Enter the month and year each item of qualified property was placed in service in Illinois. An item is placed in service on the earlier of

- the date the item is placed in a condition or state of readiness and availability for its specifically assigned function, or
- the date the depreciation period of the item begins. (Generally, this will be the same date the item is placed in service for purposes of the federal depreciation deduction.)

**Note** The date placed in service in Illinois must be entered in Column B or your basis in Column F will be reduced to zero.

**Column C** – If you are using the federal accelerated cost recovery system (ACRS) to depreciate the property, enter the ACRS class assigned to each item of qualified property. Property assigned to an ACRS class of less than four years is not qualified.

If you are not using the ACRS method to depreciate the property, enter the useful life assigned to the property for federal depreciation purposes. The useful life of the property when placed in service must be four or more years to qualify.

**Column D** – Indicate whether each item of qualified property is new or used. If the property was previously used, enter the abbreviation of the state where the property was located. In addition, if the property was previously used in Illinois, but not in a manner that qualified for this credit or for the Replacement Tax Investment Credit on Form IL-477, attach a statement to that effect.

**Column E** – Enter the name of the enterprise zone in which the property is used.

**Column F** – For each item of property, enter the basis used to figure the depreciation deduction for federal income tax purposes. Generally, the basis will be the purchase price, plus any capital expenditures, minus any rebates and IRC Section 179 deductions. The basis is not reduced by depreciation, including bonus depreciation, except depreciation you were allowed to claim before the date you placed it in service in Illinois, or in an Illinois enterprise or river edge redevelopment zone.

**Column G** – If you placed property in service in an enterprise zone, the credit rate is .005.

**Column H** – Multiply each entry in Column F by the amount in Column G, and enter the result in Column H.

**Lines 11** – Follow the instructions on the form.

**Lines 12** – Add the amounts in Column H, Lines 10a through 10c, (including the amounts on any additional schedules you have attached) and Line 11 and enter the result on Line 12. This is your Enterprise Zone Investment Credit.

**Line 13** – Add Lines 6, 9, and 12. Enter the total here and on Page 2, Line 14.

### River Edge Redevelopment Zone Investment Credit

**Note** If your tax year **begins** on or after July 12, 2016, you cannot claim this credit on Schedule 1299-D, Lines 15a through 15c. You may still claim any distributive share of this credit passed through to you on Schedule K-1-P by reporting it on Schedule 1299-D, Line 16.

#### You may take this credit if you

- placed qualified property in service in an Illinois river edge redevelopment zone within the tax year,

- placed it in service on or after the date the zone was officially designated as a river edge redevelopment zone, and
- continued to use the qualified property on the last day of your tax year.

**Note** Qualified river edge redevelopment zones are listed on the DCEO website.

#### Line 15 –

**Column A** – Describe each item of qualified property you placed in service in an Illinois river edge redevelopment zone.

**Column B** – Enter the month and year each item of qualified property was placed in service in Illinois. An item is placed in service on the earlier of

- the date the item is placed in a condition or state of readiness and availability for its specifically assigned function, or
- the date the depreciation period of the item begins. (Generally, this will be the same date the item is placed in service for purposes of the federal depreciation deduction.)

**Note** The date placed in service in Illinois must be entered in Column B or your basis in Column F will be reduced to zero.

**Column C** – If you are using the federal accelerated cost recovery system (ACRS) to depreciate the property, enter the ACRS class assigned to each item of qualified property. Property assigned to an ACRS class of less than four years is not qualified.

If you are not using the ACRS method to depreciate the property, enter the useful life assigned to the property for federal depreciation purposes. The useful life of the property when placed in service must be four or more years to qualify.

**Column D** – Indicate whether each item of qualified property is new or used. If the property was previously used, enter the abbreviation of the state where the property was located. In addition, if the property was previously used in Illinois, but not in a manner that qualified for this credit or for the Replacement Tax Investment Credit on Form IL-477, attach a statement to that effect.

**Column E** – Enter the name of the river edge redevelopment zone in which the property is used.

**Column F** – For each item of property, enter the basis used to figure the depreciation deduction for federal income tax purposes. Generally, the basis will be the purchase price, plus any capital expenditures, minus any rebates and IRC Section 179 deductions. The basis is not reduced by depreciation, including bonus depreciation, except depreciation you were allowed to claim before the date you placed it in service in Illinois or in an Illinois enterprise zone or river edge redevelopment zone.

**Column G** – If your business is new to Illinois, enter .01. Otherwise, use the Base Employment Calculation Worksheet on page 5 to figure the correct rate.

**Column H** – Multiply each entry in Column F by the amount in Column G, and enter the result in Column H.

**Line 16** – Follow the instructions on the form.

**Lines 17** – Add the amounts in Column H, Lines 15a through 15c, (including the amounts on any additional schedules you have attached) and Line 16 and enter the result on Line 17. This is your River Edge Redevelopment Zone Investment Credit.

### High Impact Business Investment Credit

#### You may take this credit if

- your business has been designated as a high impact business,
- you placed qualified property in service on or after the date the business was designated as a high impact business and within the tax year, and
- you continued to use the qualified property on the last day of your tax year.

### You may not take this credit

- if the property is eligible for the Enterprise Zone or River Edge Redevelopment Zone Investment Credit.
- until the minimum investments in qualified property required under Section 5.5 of the Illinois Enterprise Zone Act have been satisfied.

You should take the credit applicable to the minimum investments in the tax year the minimum investments were completed. Credit for additional investments (beyond the minimum investments) is available only in the year the qualified property is placed in service.

### Line 18 –

**Column A** – Describe each item of qualified property placed in service in Illinois.

**Column B** – Enter the month and year each item of qualified property was placed in service in Illinois. An item is placed in service on the earlier of

- the date the item is placed in a condition or state of readiness and availability for its specifically assigned function, or
- the date the depreciation period of the item begins. (Generally, this will be the same date the item is placed in service for purposes of the federal depreciation deduction.)

**Note** → The date placed in service in Illinois must be entered in Column B or your basis in Column F will be reduced to zero.

**Column C** – If you are using the federal accelerated cost recovery system (ACRS) to depreciate the property, enter the ACRS class assigned to each item of qualified property. Property assigned to an ACRS class of less than four years is not qualified.

If you are not using the ACRS method to depreciate the property, enter the useful life assigned to the property for federal depreciation purposes. The useful life of the property when placed in service must be four or more years to qualify.

**Column D** – Indicate whether each item of qualified property is new or used. If the property was previously used, enter the abbreviation of the state where the property was located. In addition, if the property was previously used in Illinois, but not in a manner that qualified for this credit or for the Replacement Tax Investment Credit on Form IL-477, attach a statement to that effect.

**Column E** – Leave this column blank.

**Column F** – For each item of property, enter the basis used to figure the depreciation deduction for federal income tax purposes. Generally, the basis will be the purchase price, plus any capital expenditures, minus any rebates and IRC Section 179 deductions. The basis is not reduced by depreciation, including bonus depreciation, except depreciation you were allowed to claim before the date you placed it in service in Illinois, or in an Illinois enterprise or river edge redevelopment zone.

**Column G** – Multiply each entry in Column F by .5 percent (.005) and enter the result in Column G.

**Line 19** – Add the amounts in Column G, Lines 18a through 18c (including the amounts on any additional schedules you have attached). Enter the result on Line 19. This is your High Impact Business Investment Credit.

## Base Employment Calculation Worksheet

Use this worksheet to calculate the credit rate you should use if you have placed qualifying property in service in a river edge redevelopment zone for Step 1, Section B, Line 15, Column G. You should keep a copy of this worksheet in your files as documentation of your credit calculation. The Department may request this information during a review or audit of your account.

- 1 Enter the number of covered workers from Line 1 of Illinois Department of Employment Security Form UI-3/40, Employer's Contribution and Wage Report, you filed for each month.

|       | A            | B              |
|-------|--------------|----------------|
| Month | Current Year | Preceding Year |
| 1st   |              |                |
| 2nd   |              |                |
| 3rd   |              |                |
| 4th   |              |                |
| 5th   |              |                |
| 6th   |              |                |
| 7th   |              |                |
| 8th   |              |                |
| 9th   |              |                |
| 10th  |              |                |
| 11th  |              |                |
| 12th  |              |                |

- 2 Enter the total of each column.
- 3 Enter the number of months in your taxable year. May not exceed "12". **Short year filers** - treat any partial month that begins or ends your taxable year as a whole month.
- 4 For each column, divide the amount on Line 2 by the amount on Line 3. Round the result to six decimal places.
- 5 Subtract Line 4, Column B, from Line 4, Column A. If the amount is zero or negative, enter zero.
- 6 Divide Line 5 by Line 4, Column B. If the amount is greater than .01, enter .01. Otherwise, round the result to six decimal places and enter that amount here.
- 7 Multiply Line 6 by 0.5. Round to six decimal places and enter the result here.
- 8 Add Line 7 plus .005. Enter the amount here and on Line 15, Column G, for each item of property placed in service in a river edge redevelopment zone.

|   |  |
|---|--|
| 5 |  |
| 6 |  |
| 7 |  |
| 8 |  |

## ■ Tax Credit for Affordable Housing Donations

### You may take this credit if

- you have made a donation under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in Illinois, and
- you made the donation in a tax year **ending on or after** December 31, 2001.

You also may take this credit if it was transferred to you by the donor.

**Line 20** – Enter the total amount of your donation to eligible sponsors on the line provided. Multiply this amount by 50 percent (.50), and enter the result on Line 20.

**Line 21** – Follow the instructions on the form.

**Line 22** – Add the amounts on Lines 20 and 21, and enter the result on Line 22. This is your Tax Credit for Affordable Housing Donations.

## ■ Economic Development for a Growing Economy (EDGE) Tax Credit

### You may take this credit if

- you have entered into an agreement with DCEO, either under the Economic Development for a Growing Economy Tax Credit Act or the Corporate Headquarters Relocation Act, and
- you meet the conditions stated in your agreement with DCEO.

### The EDGE Tax Credit

- cannot exceed the incremental income tax, which is the total amount withheld during the tax year from the compensation of new employees who are employed at a project that is the subject of the agreement;
- cannot exceed 100 percent of the total amount spent on approved costs (defined in the agreement) by you during all prior tax years, minus the amount of credit allowed in prior years;
- is determined on an annual basis;
- cannot exceed the amount of income tax for the tax year;
- may be applied against income tax in no more than 10 tax years for businesses that qualify under the Economic Development for a Growing Economy Tax Credit Act; and
- may be applied against income tax in more than 10 tax years, but not more than 15 tax years for businesses that qualify under the Corporate Headquarters Relocation Act, have undertaken a qualifying project within the time frame specified by DCEO, and apply no more than 60 percent of the maximum credit per year.

Contact DCEO for more information regarding the EDGE Program.

**Lines 23 and 24** – Follow the instructions on the form.

**Line 25** – Add the amounts on Lines 23 and 24, and enter the result on Line 25. This is your Economic Development for a Growing Economy (EDGE) Tax Credit.

## ■ River Edge Redevelopment Zone Remediation Credit

**Note** → If your tax year **begins** on or after July 12, 2016, you cannot claim this credit on Schedule 1299-D, Lines 26a through 28.

The River Edge Redevelopment Zone Remediation Credit allows 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 development zone. You may claim the credit for costs deducted on your federal income tax return.

The credit cannot be taken by any taxpayer if the taxpayer or any related party caused or contributed to a release of regulated substances on, in, or under the site at which the otherwise eligible remediation costs were incurred.

To qualify for this credit, you must have received approval of the eligible remediation costs from the Illinois Environmental Protection Agency (IEPA) on forms IEPA provides. The credit is 25 percent (.25) of the amount of unreimbursed eligible remediation costs that were:

- in excess of \$100,000;
- approved by IEPA; and
- incurred in performing environmental remediation at a Site Remediation Program site located within a river edge redevelopment zone for which a “No Further Remediation” (NFR) letter was issued by IEPA during the taxable year and recorded by the recipient.

The credit cannot be passed through by a partnership to its partners or by a subchapter S corporation to its shareholders.

You may carry any excess credit forward for five years. Any unused credit and remaining carryforward period may be sold to a buyer as part of a sale of all or part of the remediation site for which the credit was granted. The seller must record the transfer of the credit in the chain of title of the site and notify the director of the Illinois Department of Revenue, in writing, of the intent to sell the remediation site and of the amount of credit to be transferred.

### Line 26 –

**Column A** – Enter the name of the river edge redevelopment zone in which the remediation site is located.

**Column B** – Enter the total unreimbursed remediation costs approved by IEPA for the site, minus \$100,000. If the total unreimbursed remediation costs approved by IEPA for the site is \$100,000 or less, you are not entitled to a credit for the site.

**Column D** – Multiply the amount in Column B by 25 percent (.25).

**Line 27** – Enter the total of any River Edge Redevelopment Zone Remediation Credit that was transferred to you.

**Note** → If you report an amount on Line 27, include a copy of the written notice of the transfer that the seller sent to the Illinois Department of Revenue.

**Line 28** – Add the amounts in Column D, Lines 26a through 26c, (including the amounts on any additional schedules you have attached) and Line 27. This is your total River Edge Redevelopment Zone Remediation Credit.

**Line 29** – Add Lines 14, 17, 19, 22, 25, and 28. Enter the total here and on Page 3, Line 30.

## ■ Ex-Felons Jobs Credit

For tax years **beginning on or after January 1, 2007**, 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** tax years for wages paid to a particular ex-offender may not exceed \$1500.

**Line 31** – For each ex-offender for whom you are claiming a credit:

**Column A** – Enter the name of the qualified ex-offender.

**Column B** – Enter the Social Security number of the qualified ex-offender.

**Column C** – Enter the date you hired the qualified ex-offender.

**Column D** – Enter the amount of qualified wages you paid to this ex-offender during the taxable year. Do not include any wages paid more than one year after the date of hiring.

**Column E** – Multiply the amount in Column D by 5 percent (.05).

**Column G** – If you claimed an Ex-Felon Jobs Tax Credit for this ex-offender in any prior year, enter the total amount of credit claimed. Otherwise, enter “0”.

**Column H** – Subtract the amount in Column G from Column F. This amount cannot be less than zero.

**Column I** – Enter the amount from Column E or Column H, whichever is less.

**Line 32** – Follow the instructions on the form.

**Line 33** – Add Column I, Lines 31a through 31c, (including the amounts on any additional schedules you have attached) and Line 32. This is your total Ex-Felons Jobs Credit.

## ■ Veterans Jobs Credit

**Note** If your tax year **ends** after December 31, 2016, you cannot claim this credit on Schedule 1299-D, Lines 34a through 34c. You may still claim any distributive share of this credit passed through to you on Schedule K-1-P by reporting it on Schedule 1299-D, Line 35. The Veterans Jobs Credit is 20 percent of qualified wages paid during the taxable year to an employee who is a “qualified unemployed veteran.” See the definitions at the beginning of these instructions to determine if your employee is a “qualified unemployed veteran.” The credit **per year** for wages paid to a particular employee may not exceed \$5000 for a “qualified unemployed veteran.”

**Line 34** – For each employee for whom you are claiming a credit:

**Column A** – Enter the name of the employee.

**Column B** – Enter the Social Security number of the employee.

**Column C** – Enter the amount of qualified wages you paid to this employee during the taxable year.

**Column D** – Multiply the amount in Column C by 20% (.20), and enter it here.

**Column F** – Enter the lesser of Column D or Column E.

**Line 35** – Follow the instructions on the form.

**Line 36** – Add Column F, Lines 34a through 34c, (including the amounts on any additional schedules you have attached) and Line 35. This is your total Veterans Jobs Credit.

## ■ Student-Assistance Contribution Credit

For tax years **ending on or after December 31, 2009**, if you are an employer who makes a matching contribution to a qualified Illinois pre-paid tuition program on behalf of your employees, you are entitled to a credit of 25 percent (.25) of the contribution for each employee or \$500 per employee, whichever is less.

**Line 37** – For each employee for whom you made a matching contribution

**Column A** – Enter the name of the employee.

**Column B** – Enter the Social Security number of the employee.

**Column C** – Enter the amount of the matching contribution you made.

**Column D** – Multiply the amount in Column C by 25 percent (.25).

**Column F** – Enter the amount from Column D or the amount from Column E, whichever is less.

**Line 38** – Follow the instructions on the form.

**Line 39** – Add Column F, Lines 37a through 37c, (including the amounts on any additional schedules you have attached) and Line 38. This is your total Student-Assistance Contribution Credit.

**Note** You also must enter the total amount of credits claimed on Line 39 on your Schedule M, Step 2, Line 7.

## ■ Angel Investment Credit

For tax years **beginning on or after January 1, 2011, and ending on or before December 31, 2021**, an Angel Investment 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.

To qualify for the credit, you must have applied for and received a tax credit certificate from DCEO. Contact DCEO for more information.

**Line 40** – Enter the amount of credit from the tax credit certificate you received from DCEO.

**Line 41** – Follow the instructions on the form.

**Line 42** – Add Lines 40 and 41. This is your total Angel Investment Credit.

## ■ New Markets Credit

The New Markets Credit is allowed for qualified investments made between 2008 and 2021 in a community development entity. Credits are allowed on the second anniversary of the investment (tax years ending on or after December 31, 2010), and the next four anniversaries.

To qualify for this credit, you must have applied for and received a tax credit certificate from DCEO. Contact DCEO for more information.

**Line 43** – Enter the amount of credit from the tax credit certificate you received from DCEO.

**Line 44** – Follow the instructions on the form.

**Line 45** – Add Lines 43 and 44. This is your total New Markets Credit.

**Line 46** – Add Lines 30, 33, 36, 39, 42, and 45. Enter the total here and on Page 4, Line 47.

## ■ River Edge Historic Preservation Credit

For tax years **beginning on or after January 1, 2012**, the River Edge Historic Preservation Credit is available for projects located in river edge redevelopment zones. The credit is awarded by DCEO.

To qualify for this credit, you must have applied for and received a tax credit certificate from DCEO. Contact DCEO for more information.

**Line 48** – Enter the amount of credit from the tax credit certificate you received from DCEO.

**Line 49** – Follow the instructions on the form.

**Line 50** – Add Lines 48 and 49. This is your total River Edge Historic Preservation Credit.

## ■ Live Theater Production Tax Credit

For tax years **beginning on or after January 1, 2012**, the Live Theater Production Tax Credit is awarded based on applications approved through DCEO.

To qualify for this credit, you must have

- applied for and received a tax credit certificate from the DCEO, or
- received a certificate from DCEO showing that a credit was transferred to you.

Contact DCEO for more information.

**Line 51** – Enter the amount of credit from the tax credit certificate you received from DCEO, including any credit transferred to you by the person who earned the credit.

**Line 52** – Follow the instructions on the form.

**Line 53** – Add Lines 51 and 52. This is your total Live Theater Production Tax Credit.

## Hospital Credit

**Note** If your tax year **begins** on or after June 14, 2017, you cannot claim this credit on Schedule 1299-D, Lines 54 through 58. You may still claim any distributive share of this credit passed through to you on Schedule K-1-P by reporting it on Schedule 1299-D, Line 59. However, on Line 59 you may not claim any amount sold or donated to you.

For tax years **ending on or after December 31, 2012**, the Hospital 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.

The Hospital Credit may be transferred, either by selling or donating the credit,

- by the taxpayer who originally earned the credit, and
- only if the transfer occurs within one year after the due date of that taxpayer's return, including extensions.

The taxpayer transferring the credit must attach to their Schedule 1299-D a copy of the written notice of the transfer stating the intent to sell or donate the credit, including the amount of credit to be transferred, the date of the transfer, and the name, address, and the Federal Employer Identification Number (FEIN) or Social Security number (SSN) of the recipient. A copy of this notice must also be provided to the recipient of the credit.

If you transfer the credit after your original return has been submitted you must submit an amended return and all affected supporting documents to report the transfer.

**Line 54 through 56** – Follow the instructions on the form.

**Line 57** – Enter the amount of credit on Line 56 you have transferred or intend to transfer.

**Note** If you report an amount on Line 57, attach a written notice of the transfer.

**Line 58** – Follow the instructions on the form.

**Line 59** – Enter your distributive share from an S corporation or partnership that was reported to you on Illinois Schedule K-1-P and any amount transferred to you. In order to claim amounts reported to you on an Illinois Schedule K-1-P the tax year ending listed on the Illinois Schedule K-1-P you received must fall within your tax year.

**Note** If you report an amount on Line 59, include a copy of the Illinois Schedules K-1-P you received or a copy of the written notice of the transfer that the seller or donor sent to the Illinois Department of Revenue.

**Line 60** – Add Lines 58 and 59. This is your total Hospital Credit.

## Total five-year credits

**Line 61** – Add Lines 47, 50, 53, and 60. Also include the amount of 2016 Research and Development Credit you are claiming from your supplemental Schedule 1299-D (R&D), Line 10, if applicable. Enter the result here and in Step 2, Line 20.

In order to claim the Research and Development Credit on your return and calculate your income tax credit carryforward amounts correctly, you must include the amount from Line 10 of your Schedule 1299-D (R&D) on Schedule 1299-D, Line 61, regardless if you report any other credits on Schedule 1299-D.

You also must attach Schedule 1299-D (R&D) directly behind your 2016 Schedule 1299-D.

**Note** If you file electronically through the Modernized e-File (MeF) system, email your 2016 Schedule 1299-D (R&D), and Schedule K-1-P (R&D), if applicable, to **Rev.BitSupplemental@illinois.gov**.

**Example 1:** You claim both a \$100 Research and Development Credit on Schedule 1299-D (R&D) and a \$500 Hospital Credit on Schedule 1299-D. You will report a total five-year credit amount on Schedule 1299-D, Line 61, of \$600. Complete the rest of Schedule 1299-D. Attach **both** Schedule 1299-D and Schedule 1299-D (R&D) to your return.

**Example 2:** You claim only a \$100 Research and Development Credit on Schedule 1299-D (R&D). You did not claim any other five-year credits on Schedule 1299-D. You will report a total five-year credit amount on Schedule 1299-D, Line 61, of \$100. Complete the rest of Schedule 1299-D. Attach **both** Schedule 1299-D and Schedule 1299-D (R&D) to your return.

Failure to follow these instructions may delay the processing of your return, result in the disallowance of your Research and Development Credit, or result in you receiving further correspondence from the Department. You also may be required to submit further information to support your filing.

## Step 2: Figure your credit

This step allows you to figure the amount of credit you may use this year, through the use of unused credit carryforwards available from previous years, and credits earned in the current year in Step 1. Credits are applied based on the earliest expiration.

**Definitions** *“Unused credit carryforward” refers to any credit amount that you earned in a previous year, less any credit that you applied to unpaid tax in subsequent tax years, and less any credit that has expired.*

For example, if you earned a Dependent Care Assistance Program Credit in 2014 in the amount of \$5,000, and you used \$2,000 on your 2014 tax return, you had \$3,000 left to carry forward for two years. On your 2015 tax return, you used \$1,500. You now have \$1,500 left to use on your 2016 tax return. **This is your unused credit carryforward.** On your 2016, Illinois Schedule 1299-D, Step 2, Line 4, you would enter \$1,500. If you are not able to use all \$1,500 on the 2016 return, you will forfeit the excess credit.

**Line 1** – Enter the tax, after recapture of investment tax credit, from your Form

- IL-1120, Step 7, Line 47,
- IL-1041, Step 6, Line 44, or
- IL-990-T, Step 5, Line 21.

**Lines 2 through 31** – Follow the instructions on the form.

**Lines 32a through 32n** – Follow the instructions on the form.

**Line 33** — Add Lines 32a through 32n. This is the amount of credit you may use this year. Enter the amount here and on your Form

- IL-1120, Step 7, Line 48
- IL-1041, Step 6, Line 46, or
- IL-990-T, Step 5, Line 22.

### **Step 3: Figure your credit available to be carried forward**

**Lines 1 through 12** — Follow the instructions on the form.

 **Attach** You must attach a copy of this Illinois Schedule 1299-D to your tax return. You should also keep a copy of this schedule in your files. You will use your completed Step 3 to complete next year's Illinois Schedule 1299-D.