

Note → Form IL-4562, Special Depreciation, should be filed by taxpayers who file an income or replacement tax return and report special depreciation on their federal Form 4562, Depreciation and Amortization, or Form 2106, Employee Business Expenses.

General Information

What is the purpose of this form?

The purpose of Form IL-4562 is to reverse the effects of the 30, 40, or 50 percent bonus depreciation allowed by Internal Revenue Code (IRC) Section 168(k).

The federal 100 percent bonus depreciation for property acquired and placed in service after September 27, 2017, and before January 1, 2023, is already allowed by Illinois so no adjustments are required. Do **not** include 100 percent bonus depreciation property on Form IL-4562.

Step 2 of this form figures your Illinois special depreciation addition as required by the Illinois Income Tax Act (IITA). When you sell or transfer property, this step also reverses the Illinois depreciation subtractions you claimed on Form IL-4562 in prior years.

Step 3 of this form figures your Illinois depreciation subtraction as required by the IITA. When you sell or transfer property, this step also reverses the "bonus depreciation" add back you reported on any prior year Form IL-4562.

Note → If you filed more than one federal Form 4562, be sure to add the amounts from all federal Forms 4562 and enter the total amounts on this form.

Who must use Form IL-4562?

You must use Form IL-4562 if you are filing an Illinois income or replacement tax return and you reported the special depreciation on federal Form 4562. Individuals who reported special depreciation on federal Form 2106 should also use Form IL-4562.

Unitary groups: If you are filing an Illinois combined return, complete one Form IL-4562 for the entire unitary business group.

Note → If you receive any amount of depreciation additions or subtractions from

- a partnership or S corporation on Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or
- from a trust or estate on Schedule K-1-T, Beneficiary's Share of Income and Deductions,

do not include these amounts on Form IL-4562.

Should I round?

You must round the dollar amounts on Form IL-4562 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.

When must I file this form?

You must file this form if you acquired new depreciable property after September 10, 2001, and you claimed additional first year depreciation of 30, 40, or 50 percent of the basis of that property on your federal return.

What if I need additional assistance or forms?

- Visit our website at tax.illinois.gov for assistance, forms or schedules.

- Write us at
Illinois Department of Revenue
P.O. Box 19001
Springfield, Illinois 62794-9001
- call 1 800 732-8866 or 217 782-3336 (TDD, telecommunications device for the deaf, at 1 800 544-5304).
- Visit a taxpayer assistance office - 8:00 a.m. to 5:00 p.m. (Springfield office) and 8:30 a.m. to 5:00 p.m. (all other offices), Monday through Friday.

Specific Instructions

Review the chart below.

Calendar year property placed in service	Bonus depreciation percentage for	
	IRC Section 168(k)(2)(A) property	IRC Sections 168(k)(2)(B) and (C) property
	acquired before September 28, 2017	
2018	40 percent	50 percent
2019	30 percent	40 percent
2020	None	30 percent
2021	None	None

If you claimed 30 or 50 percent bonus depreciation on your 2019 federal return follow the instructions beginning on the next page.

If you claimed 40 percent bonus depreciation on your 2019 federal return, read the information below and follow the instructions beginning on the next page.

An Illinois special depreciation addition must be reported in the same year in which you claimed a federal 40 percent bonus depreciation allowance for that property. However, because the IITA does not make a provision for property subject to the federal bonus depreciation rate of 40 percent, an Illinois subtraction modification cannot be claimed for the property until

- the asset is sold or otherwise disposed of, or
- the last taxable year that you claim federal depreciation on the property,

whichever occurs first. You are required to report an Illinois special depreciation addition in the same year in which you claimed a federal special depreciation allowance for the property even though the subtraction modification will not apply until the last year of regular depreciation.

Forty percent bonus depreciation is reported

- as an **Illinois addition modification** on Step 2, Lines 1 and 2, in the same year in which the amount was claimed as a special depreciation allowance on your federal Form 4562 or 2106.
- as an **Illinois subtraction modification** on Step 3, Line 9, in the **last year** of regular depreciation **only**. Do not report 40 percent bonus depreciation as a subtraction modification on Step 3, Line 9, before the last year of regular depreciation, or for any year on Step 3, Lines 5a through 8.

Note → If a specific line is not referenced, follow the instructions on the form.

Step 1: Provide the following information

Enter your name and entire Social Security number (SSN) or federal employer identification number (FEIN) as shown on your Illinois return. Failure to provide the entire SSN or FEIN will result in the delay of processing of your return.

Step 2: Figure your Illinois special depreciation addition

Note → Do not use negative figures on this form.

Line 1 — Enter the total amount you claimed as a special depreciation allowance on your federal Form 4562, Line 14 or 25 for property you acquired after September 10, 2001. This is the 30, 40, or 50 percent “bonus depreciation” you were allowed to claim on your federal return for this tax year.

Note → You are required to include amounts for any property subject to the 40 percent bonus depreciation rate in the same year in which you claimed a federal special depreciation allowance for the property even though the Illinois subtraction modification will not apply until the last year of regular depreciation.

Note → Do not include any special depreciation on Line 1

- for property that you sold, traded, abandoned, or otherwise disposed of in this tax year,
- that you claimed on Gulf Opportunity Zone or Liberty Zone property, or cellulosic plant property, reuse and recycling property, disaster assistance property, or recovery assistance property, or
- for property for which you claimed 100 percent bonus depreciation.

Line 2 — Individuals only: You may have reported “bonus depreciation” on federal Form 2106. That form instructs you to enter IRC Section 179 deductions and special allowances. Depending on the type of expenses you are claiming, you will show these amounts on Lines 4 or 31, or both. Illinois Form IL-4562 requires you to report only the special depreciation allowance.

Do not include any amount from federal Form 2106 that you reported on federal Schedule A, Itemized Deductions.

Enter the total amount you claimed as a special depreciation allowance on your federal Form 2106, Lines 4 and 31, for property you acquired after September 10, 2001. This is the 30, 40, or 50 percent “bonus depreciation” you were allowed to claim on your federal return for this tax year.

Note → You are required to include amounts for any property subject to the 40 percent bonus depreciation rate in the same year in which you claimed a federal special depreciation allowance for the property even though the Illinois subtraction modification will not apply until the last year of regular depreciation.

Note → Do not include any special depreciation on Line 2

- for property that you sold, traded, abandoned, or otherwise disposed of in this tax year,
- that you claimed on Gulf Opportunity Zone or Liberty Zone property, or cellulosic plant property, reuse and recycling property, disaster assistance property, or recovery assistance property, or
- for property for which you claimed 100 percent bonus depreciation.

Line 3 — Last year of regular depreciation: Line 3 allows you to claim the same total Illinois depreciation deductions and federal depreciation deductions over the period for which you can claim federal depreciation deductions for an asset.

If this is the final year for which you can claim regular federal income tax depreciation deductions for an asset because the asset was sold, traded, abandoned, or otherwise disposed of or because it has reached the end of its depreciable life, you must reverse all the subtractions claimed for that asset.

Enter the total amount of all Illinois depreciation subtractions you claimed on any prior year Forms IL-4562, Step 3, Line 8, for this property.

Line 4 — Follow the instructions on the form.

Use the following list of Illinois form and line references for reporting this addition.

Current year filers -

If you are an individual, report the addition on

- Schedule M, Step 2, Line 5.

If you are a business, report the addition on

- Form IL-1120 or Form IL-1120-X, Line 5.
- Form IL-1120-ST or Form IL-1120-ST-X, Line 17.
- Form IL-1065 or Form IL-1065-X, Line 17.
- Form IL-1041 or Form IL-1041-X, Line 7.

Note → The sum of the amounts you report on Form IL-1041, Line 7, columns A and B should match the total amount reported on Form IL-4562, Line 4.

Prior year filers -

For prior year form and line references, see the prior year version of these instructions that correspond to the tax year you are filing.

Note → Partnerships, S corporations, trusts, and estates pass this modification through to their owners in the same manner as income. See Schedule K-1-P, or Schedule K-1-T, for more information. **Partners, shareholders, and beneficiaries do not include any amount of pass-through additions from Schedule K-1-P on Form IL-4562. See Schedule K-1-P(2), Partner’s and Shareholder’s Instructions, or Schedule K-1-T(2), Beneficiary’s Instructions, for information concerning correctly reporting these amounts.**

Step 3: Figure your Illinois special depreciation subtraction

Use Lines 5a through 6 for items of depreciation claimed on property for which you claimed **30 percent bonus depreciation**.

Line 5a — Enter the portion of depreciation allowance claimed on federal Form 4562, Line 17, plus Line 19, Column g, plus Line 26, Column h, for property for which you claimed a special depreciation allowance on federal Form 4562, Line 14 or 25, for this tax year, or any other tax year ending after September 10, 2001, for bonus depreciation equal to **30 percent** of your basis in the property.

Line 5b — Individuals only: Enter the portion of any depreciation deductions included on federal Form 2106, Lines 4 and 38 for this tax year or any prior tax year for bonus depreciation equal to **30 percent** of your basis in the property

Use Lines 7a through 8 for items of depreciation claimed on property for which you claimed **50 percent bonus depreciation**.

Line 7a — Enter the portion of depreciation allowance claimed on federal Form 4562, Line 17, plus Line 19, Column g, plus Line 26, Column h, for property for which you claimed a special depreciation allowance on federal Form 4562, Line 14 or 25, for this tax year, or any other tax year ending after September 10, 2001, for bonus depreciation equal to 50 percent of your basis in the property.

Line 7b — Individuals only: Enter the portion of any depreciation deductions included on federal Form 2106, Lines 4 and 38 for this tax year or any prior tax year for bonus depreciation equal to **50 percent** of your basis in the property.

Special Note → **No subtraction is allowed on Lines 5a through 8 for 40 percent bonus depreciation for property placed in service in 2019 because that deduction can only be claimed on Line 9 in the last year of regular depreciation.**

No subtraction is allowed on Lines 5a through 8 for 100 percent bonus depreciation because the federal deduction is allowed and already included in your federal taxable income.

If this is the final year for which you can claim regular federal income tax depreciation deductions for an asset because the asset was sold, traded, abandoned, or otherwise disposed of or because it has reached the end of its depreciable life, do not include any regular depreciation claimed on that property on Lines 5a through 8.

Line 9 — Last year of regular depreciation: This line allows you to claim the same total Illinois depreciation deductions and federal depreciation deductions over the period for which you claim federal depreciation deductions for an asset.

If this is the final year for which you can claim regular federal income tax depreciation deductions for an asset because the asset was sold, traded, abandoned, or otherwise disposed of or because it has reached the end of its depreciable life, you must reverse the addition reported for that asset.

Enter the Illinois special depreciation addition you reported on any prior year Form IL-4562, Line 1 plus Line 2, for this property.

Line 10 — Follow the instructions on the form. See the list below of Illinois form and line references for reporting this subtraction.

Current year filers -

If you are an individual, report the subtraction on

- Schedule M, Step 3, Line 19.

If you are a business, report the subtraction on

- Form IL-1120 or Form IL-1120-X, Line 18.
- Form IL-1120-ST or Form IL-1120-ST-X, Line 30.
- Form IL-1065 or Form IL-1065-X, Line 30.
- Form IL-1041 or Form IL-1041-X, Line 20.

Note → The sum of the amounts you report on Form IL-1041, Line 20, columns A and B should match the total amount reported on Form IL-4562, Line 10.

Prior year filers -

For prior year form and line references, see the prior year version of these instructions that correspond to the tax year you are filing.

Note → Partnerships, S corporations, trusts, and estates pass this modification through to their owners in the same manner as income. See Schedule K-1-P or Schedule K-1-T for more information. **Partners, shareholders, and beneficiaries do not include any amount of pass-through subtractions on Schedule K-1-P on Form IL-4562. See Schedule K-1-P(2), Partner's and Shareholder's Instructions, or Schedule K-1-T(2), Beneficiary's Instructions, for information concerning correctly reporting these amounts.**

If you report an amount on Line 10, you must complete Step 3, Lines 5 through 9, as applicable. Failure to complete Step 3 may result in a delay in the processing of your return or a delay in the generation of any refund.

A Special Note regarding Bonus Depreciation on Luxury Automobiles:

Federal income tax law imposes a "cap" on the depreciation deduction allowed for a luxury automobile. In many cases, the "bonus depreciation" allowed by IRC Section 168(k) will be greater than the cap. In those cases, during the first year the property was acquired and placed in service and in years in which bonus depreciation is allowed federally, you are allowed a bonus depreciation deduction equal to the cap, and regular depreciation of zero.

Under Illinois law, if you claim a bonus depreciation deduction on an asset on your federal return, you are required to add the bonus depreciation back to your Illinois net income. You are also allowed to subtract a percentage of regular depreciation on that asset, both in the year you claimed the bonus depreciation and in subsequent years.

Therefore, during the first year the property was acquired and placed in service, if bonus depreciation on a luxury automobile exceeds the cap, no subtraction is allowed because no regular depreciation deduction is allowed. In subsequent tax years, you will be allowed a subtraction equal to the percentage of the regular depreciation claimed on the automobile, even if that causes your total depreciation to exceed the cap.

When the vehicle is disposed of or at the end of its depreciable life, all of the Illinois additions and subtractions will be reversed so that you will receive the same total depreciation for Illinois purposes as you received for federal purposes over the life of the car.