



## What's New?

- Schedules NLD, Illinois Net Loss Deduction, and UB/NLD, Unitary Illinois Net Loss Deduction, are no longer schedules to be completed and sent in with the return. Both schedules have been redesigned as worksheets to be completed to assist you with calculating your Illinois Net Loss Deduction. The worksheets are not required to be submitted with your return and should be retained with your records. See Appendices C and E in these instructions.
- Due to the elimination of the NLD schedules, a checkbox for merged losses has been added to Line 38 and a request for a detailed statement of the merged loss(es) has been added. See Step 5, Line 38 instructions for more information.
- A note has been added to the Line 1 instructions about Federal Paycheck Protection Program (PPP) loans.
- A checkbox has been added to Step 8, Line 64, to indicate if there is credit carryforward to a different FEIN on the taxpayer's final return. A detailed statement must be attached to your return. See Step 8, Line 64 instructions for more information.
- If you are reporting a discharge of indebtedness loss on Step 5, Line 36, a detailed statement is to be enclosed with your return and the box checked in Step 1, Line U. See Step 5, Line 36 instructions for more information.
- **Reminder:** Taxpayers making an extension payment, an estimated payment, a voluntary prepayment of their tax liabilities, or a return payment should pay electronically using [tax.illinois.gov](http://tax.illinois.gov) or mail Form IL-1120-V, Payment Voucher for Corporation Income and Replacement Tax.

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# General Information

## Who must file Form IL-1120?

You must file Form IL-1120 if you are a corporation that

- has net income or loss as defined under the Illinois Income Tax Act (IITA); or
- is qualified to do business in the state of Illinois and is required to file a federal income tax return (regardless of net income or loss).

**Unitary filers** — If you are a corporation that is a member of a unitary business group, see Illinois Schedule UB, Combined Apportionment for Unitary Business Group, and its instructions for information about filing requirements.

**Political organizations and homeowners' associations** — If you are a corporation that falls under the definition in Internal Revenue Code (IRC), Sections 527 and 528, and you report your federal taxable income on U.S. Form 1120-POL or U.S. Form 1120-H, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120.

**Cooperatives** — If you are a corporation operating on a cooperative basis under IRC Section 1381, and file U.S. Form 1120-C, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120.

**Settlement funds** — If you are a settlement fund under IRC Section 468B and you report your federal taxable income on U.S. Form 1120-SF, you are subject to Illinois Income and Replacement Taxes and must file Form IL-1120.

**Limited liability companies** — If you are a limited liability company and you file as a corporation for federal income tax purposes, you are treated as a corporation for Illinois purposes.

**Foreign corporations** — If you are a foreign corporation, you must observe the same filing requirements as U.S. domestic corporations. For Illinois purposes, you should report the taxable income you are reporting for federal purposes under IRC Sections 881 through 885. You must use only the domestic factor information regarding sales information in the “everywhere” denominator when apportioning business income to Illinois. If you are a foreign corporation that is a member of a unitary business group, see Illinois Schedule UB and instructions for information about filing requirements.

**Domestic international sales corporations and foreign sales corporations** — If you are a Domestic International Sales Corporation (DISC) under IRC Section 992, you are not subject to the taxes imposed by IRC Subtitle A (except for the tax imposed on transfers to avoid income tax under IRC Section 1491). Similarly, you are not required to file Form IL-1120.

For Illinois purposes, distributions from DISCs are treated in accordance with the federal rules pertaining to dividends, dividend exclusions, and dividend-received deductions.

If you are a Foreign Sales Corporation (FSC) for federal purposes and have federal taxable income apportionable or allocable to Illinois, you are subject to Illinois tax rules applicable to all corporations. You are taxed by Illinois to the extent that your nonexempt foreign trade income, investment income, and carrying charges (taxable for federal purposes) are apportionable or allocable to Illinois.

**Note** Corporate shareholders who derive income from Illinois should include actual and deemed distributions from a DISC or FSC in business income.

**Real estate mortgage investment conduits (REMIC)** — If you are a real estate mortgage investment conduit in accordance with IRC Section 860A through G, you are not required to file Form IL-1120.

**Charitable organizations, etc.** — If you are an organization exempt from federal income tax by reason of IRC Section 501(a), you are not required to file Form IL-1120. However, unrelated business taxable income, as determined under IRC Section 512, is subject to tax (without any deduction for Illinois Income Tax) and must be reported on Form IL-990-T, Exempt Organization Income and Replacement Tax Return. For more information, see Form IL-990-T Instructions.

**Small business corporations** — If you are an S corporation, as defined by IITA, Section 1501(a)(28), you are subject only to Illinois Replacement Tax and must file Form IL-1120-ST, Small Business Corporation Replacement Tax Return. The shareholders of these corporations are taxed by Illinois on their distributive shares of the corporation's income. For more information, see Form IL-1120-ST instructions.

## What forms must I use?

In general, you must obtain and use forms prescribed by the Illinois Department of Revenue (IDOR). Separate statements not on forms provided or approved by IDOR 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.

**Corporations must complete Form IL-1120.** 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 IDOR's forms. Computer generated forms from an IDOR-approved software developer are acceptable.

**Note** Form IL-1120 (R12/20) is for tax years ending on or after December 31, 2020, and before December 31, 2021. For tax years ending before December 31, 2020, use the 2019 form. Using the wrong form will delay the processing of your return.

## How do I register my business?

If you are required to file Form IL-1120, you should register with IDOR. You may register

- online with MyTax Illinois, our free online account management program for taxpayers;
- by completing Form REG-1, Illinois Business Registration Application, and mailing it to the address on the form; or
- by visiting a regional office.

Visit our website at [tax.illinois.gov](http://tax.illinois.gov) for more information.

Registering with the 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?

**Original filing date** — Your Illinois filing due date is the same as your federal filing due date. See the table below.

Determine the date your tax year ends. If your tax year ends on

- **a date other than June 30**, Form IL-1120 is due on or before the 15th day of the 4th month following the close of the tax year.\*
- **June 30**, Form IL-1120 is due on or before the 15th day of the 3rd month following the close of the tax year.\*

\*If you are a cooperative, Form IL-1120 is due on the 15th day of the 9th month following the close of the tax year regardless of when your tax year ends.

## Automatic extension —

Determine the date your tax year ends. If your tax year ends on

- **a date other than June 30**, we grant you an automatic extension of time to file your annual return of **six** months.\*
- **June 30**, we grant you an automatic extension of time to file your annual return of **seven** months.\*

See Illinois Income Tax Regulations, Section 100.5020 for more information.

\*If you are a cooperative, we grant you an automatic extension of time to file your annual return of **seven** months regardless of when your tax year ends.

The automatic extension of time to file is granted whether or not you request it. You are not required to file a form in order to obtain this automatic extension. If you expect tax to be due, you must pay any tentative tax due, by the original due date of the return, in order to avoid interest and penalty on tax not paid by that date. Use the Extension Payment Worksheet in Appendix A to determine if you will owe a tentative tax due payment. To pay any tax due by the original due date of your return:

- visit [tax.illinois.gov](http://tax.illinois.gov), for information about ACH credit,
- pay using [mytax.illinois.gov](http://mytax.illinois.gov), or
- mail Form IL-1120-V, Payment Voucher for Corporation Income and Replacement Tax, using the address on the form.

If an unpaid liability is disclosed when you file your return, then you may owe penalty and interest charges in addition to the tax. See the “What are the penalties and interest?” section below. **An extension of time to file your Form IL-1120 is not an extension of time for payment of Illinois tax.**

## Additional extensions beyond the automatic extension period —

We will grant an additional extension **only** if an extension is granted by the Internal Revenue Service (IRS) beyond the date of the Illinois automatic extension. Your additional Illinois extension will be equal to the federal extension, plus one month. You must attach a copy of the approved federal extension to your Form IL-1120.

## When should I pay?

**Payment of tax** — You must pay your Illinois Income and Replacement Tax in full on or before the original due date of the return. Failure to pay the tax due on or before the original due date of the return may result in penalty and interest. This payment date applies even though an automatic extension for filing your return has been granted.

**Estimated tax payments** — If you reasonably expect your Illinois Income and Replacement Tax and surcharge liability to be more than \$400 for the tax year, you are required to make quarterly payments of estimated tax using Form IL-1120-V, Payment Voucher for Corporation Income and Replacement Tax.

**Note** → Use the Form IL-1120-V for the year that you are making the estimated payment.

You should complete the Estimated Tax Worksheet in Appendix B to figure your estimated tax and to determine if you are required to make estimated tax payments. Taxpayers with short tax years must make estimated payments. See Illinois Income Tax Regulations, Section 100.8010(f).

The due dates for filing your estimated payments are the 15th day of the 4th, 6th, 9th, and 12th months of your tax year.

We encourage you to make your payments electronically using MyTax Illinois or Modernized E-File (MeF) systems, or you may use Form EFT-1, Authorization Agreement for Certain Electronic Payments, to set up ACH credit or phone debit. These options can be found on our website at [tax.illinois.gov](http://tax.illinois.gov). If you make your payments using MyTax Illinois, MeF, or EFT, **do not** mail us your IL-1120-V forms. You **must** use one of our electronic payment options if IDOR has notified you that you are required to make payments electronically.

Unitary business groups must make estimated payments on a combined basis using the designated agent’s federal employer identification number (FEIN) only. For more information about designated agents or combined estimated payments, refer to Illinois Income Tax Regulations, Sections 100.5220 and 100.5230, respectively.

If you do not pay the required estimated tax payments on time, you may be assessed a late-payment penalty. We will apply each payment to the earliest due date until that liability is paid, unless you provide specific instructions to apply it to another period.

You may also be assessed a **bad check penalty** if your remittance is not honored by your financial institution.

## Who should sign the return?

Your Form IL-1120 must be signed by the president, vice president, treasurer, or any other officer duly authorized to sign the return. In the case of a bankruptcy, a receiver, trustee, or assignee must sign any return required to be filed on behalf of the corporation. The signature verifies by written declaration (and under penalties of perjury) that the signing individual has personally examined the return and the return is true, correct, and complete. The fact that an individual’s name is signed to a return is prima facie evidence that the individual is authorized to sign the return on behalf of the corporation.

Any person paid to prepare the return (other than a regular employee of the taxpayer, such as a clerk, secretary, or bookkeeper) must provide a signature, date the return, enter the preparer tax identification number (PTIN) issued to them by the Internal Revenue Service, and provide their firm’s name, address, and phone number.

**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 **late-payment penalty for underpayment of estimated tax** if you were required to make estimated tax payments and failed to do so, or failed to pay the required amount by the payment due date;
- 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](http://tax.illinois.gov).

### What if I am discontinuing my business?

**Liquidation, withdrawal from Illinois, or loss of charter** — If you are a corporation that is liquidated, withdraws either voluntarily or involuntarily from Illinois, or in any manner surrenders or loses your charter during any tax year, you are still required to file tax returns. Also, we will pursue the assessment and collection of taxes owed by you or your shareholders.

**Sales or transfers** — If you are a corporation 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,
- 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 **prior** to the date the sale takes place. Send this form, along with copies of the sales contract and financing agreement, to:

**ILLINOIS DEPARTMENT OF REVENUE  
BULK SALES UNIT  
PO BOX 19035  
SPRINGFIELD IL 62794-9035**

or

[REV.BulkSales@illinois.gov](mailto:REV.BulkSales@illinois.gov)

**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 a corporation in the process of dissolution. 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-1120 with “amended” figures to change your originally filed Form IL-1120. If you need to correct or change your return after it has been filed, you must file Form IL-1120-X, Amended Corporation 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-1120-X instructions.

You should file Form IL-1120-X only after you have filed a processable Illinois Income Tax return. You must file a separate Form IL-1120-X for each tax year you wish to change.

**State changes only** — File Form IL-1120-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-1120-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-1120-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-1120-X no later than 120 days after the federal changes have been agreed to or finally determined to avoid a late-payment penalty.

If your federal change decreases the tax due to Illinois and you are entitled to a refund or credit carryforward, you must file Form IL-1120-X within two years plus 120 days of federal finalization.

**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-1120-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-1120. 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-1120 are subject to verification and audit.

### Should I round?

You must round the dollar amounts on Form IL-1120 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 is base income/taxable income?

Your base income or loss is your federal taxable income or loss, plus any additions on Lines 2 through 8, less any subtractions on Line 22. See specific instructions for Steps 2 and 3.

“Taxable income” as reported for federal income tax purposes is determined differently for certain corporations. If you are a

- **life insurance company** subject to the tax imposed by IRC Section 801, your taxable income is the life insurance company taxable income, plus the amount of distributions from pre-1984 policyholder surplus accounts as calculated under IRC Section 815(a).
- **nonlife mutual or nonlife stock insurance company** subject to the tax imposed by IRC Section 831, your taxable income is the insurance company taxable income.
- **regulated investment company** subject to the tax imposed by IRC Section 852, your taxable income is the investment company taxable income.
- **real estate investment trust** subject to the tax imposed by IRC Section 857, your taxable income is the real estate investment trust taxable income.



- **corporation included in the filing of a consolidated income tax return** for the tax year for federal income tax purposes, your taxable income is determined as if you had filed a separate return for federal income tax purposes for the tax year and each preceding tax year you were a member of an affiliated group. Your separate taxable income must be determined as if the election provided by IRC Section 243(b)(2) had been in effect for all years.
- **cooperative or association**, your taxable income is the taxable income determined in accordance with the provisions of IRC Sections 1381 through 1388.
- **foreign corporation**, your taxable income is the amount of federal taxable income described in IRC Sections 881 through 885.

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

An Illinois net loss deduction (NLD) can be used to reduce the base income allocable to Illinois **only** if the loss year return has been filed and to the extent the loss was not used to offset income from any other tax year. Corporations, excluding S corporations, that are members of a unitary group, should use the Unitary Illinois Net Loss Deduction Worksheet in Appendix E, to determine any NLD. S corporations and partnerships, including any that are members of a unitary group, trusts, and non-unitary corporations should use the Illinois Net Loss Deduction Worksheet in Appendix C to determine any NLD.

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

In order to have any available NLD applied to your return, you must claim the deduction on Step 5, Line 38. See specific instructions for Step 5, Line 38.

If you have an Illinois net loss for this tax year, you must file Form IL-1120 reporting the loss in order to carry the loss forward to another year.

If corrections have been made to the loss amount (e.g., federal audit or amended return), you must report the corrected amount when you file.

**Note** → Ensure you have filed returns (i.e., Form IL-1120, Form IL-1120-ST, Form IL-1041, or Form IL-1065) for all periods in which you were required to file an Illinois return. Unfiled returns may result in disallowed losses, processing delays, and further correspondence from IDOR.

If you need more information about Illinois NLDs see the worksheets and instructions in Appendices C, D, and E or the Illinois Income Tax Regulations, Sections 100.2050 and 100.2300 through 100.2330, available on our website at [tax.illinois.gov](http://tax.illinois.gov).

### What if I am a cooperative and have an Illinois NLD?

If you are a cooperative, filing form U.S. 1120-C and you are carrying an Illinois NLD, you must claim the deduction on Step 5, Line 38. See specific instructions for Step 5, Line 38.

If you are a cooperative, filing form U.S. 1120-C and you make the election to split your patronage and nonpatronage income and loss amounts, you must complete Schedule INL, Illinois Net Loss Adjustments for Cooperatives. You are required to complete Schedule INL every year and make the loss computation on the appropriate NLD worksheet.

### What are the limitations of the Illinois NLD?

For tax years **ending on or after December 31, 2003**, Illinois net losses can no longer be carried back, and can only be carried forward for 12 years.

When determining the years to which a loss can be carried forward, corporations, other than S corporations, do not count

- tax years ending after December 31, 2010, and before December 31, 2012 (NLD suspension);

- tax years ending on or after December 31, 2012 and before December 31, 2014 for which the deduction would exceed \$100,000 (NLD limitation). You must count any years in which the deduction you took did not exceed \$100,000.

For tax years **ending on or after December 31, 1999, and before December 31, 2003**, all Illinois net losses must be carried back two years (unless an election to only carry forward is made) then forward 20 years. The election to carry a loss forward only was made by checking the appropriate box on the original or amended loss-year return, whichever showed the loss first. Once the election was made to forgo the Illinois carryback provision, the election was irrevocable. Illinois net losses in tax years **ending before December 31, 1999**, are allowed as a carryback or carryforward deduction only in the manner allowed under IRC Section 172, including, for example, the 10-year carryback allowed to banks for bad debt losses.

The following are the carryback and carryforward years generally allowed for Illinois net losses in tax years **ending before December 31, 1999**. Illinois net losses in tax years beginning

- after August 5, 1997, and ending before December 31, 1999, must be carried back two years, then forward 20 years.
- on or before August 5, 1997, must be carried back three years, then forward 15 years.

**Note** → For tax years ending on or after December 31, 1996, and before December 31, 2003, you may have made the election to forgo any of the previously mentioned Illinois NLD carryback periods by checking the appropriate box on your loss year return. This election must have been made by the extended due date of your return and once made was irrevocable for that tax year.

In addition, the special carryover periods in IRC Section 172, as in effect for a particular tax year, would apply to losses incurred in that year. For example, a "specified liability loss" incurred in 1998 may be carried back 10 years under IRC Section 172(b)(1)(c).

Also, no limitations under IRC Section 382 or the separate return limitation year provisions of the federal consolidated return regulations apply to any NLD carryover.

### What if I have a discharge of indebtedness?

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 either or both (i) the net operating loss incurred in the taxable year of the discharge, and (ii) any net operating loss carryovers to the taxable year of the discharge. If you were required to reduce a federal net operating loss in the year of the discharge, you may have been required to reduce any Illinois net loss you incurred for the same year. This reduction is made on the Illinois income tax return you filed for the loss year using the Loss Reduction Worksheet on Page 9 of these instructions. If you are a corporation (other than an S corporation) or trust and you were required to reduce or eliminate a federal net operating loss carryover because you had discharge of indebtedness income, you may be required to reduce or eliminate your Illinois net operating loss carryovers. This reduction is calculated on the Discharge of Indebtedness Worksheet in Appendix D of these instructions. **Attach** a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, to your return. For more information, see Illinois Income Tax Regulations, Section 100.2310(c).

### 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. Breakdowns, statements, and other documentation may also be required. 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 or other sources should be attached **behind the completed Illinois return.**

**All taxpayers, including unitary business groups, must attach a copy of your U.S. Form 1120, Pages 1 through 5, and Schedules L, M-1, M-2, and M-3 to your Illinois return.**

- **Exception no. 1** — If you are a corporation, but do not file U.S. Form 1120, you must attach a copy of the form that you file federally, including, U.S. Form 1120-L, Page 1, or U.S. Form 1120-PC, Page 1 (and Schedule A, if filed), 1120-POL, 1120-H, or 1120-SF.
- **Exception no. 2** — If you are a corporation whose taxable income is included in a consolidated federal tax return, you must provide a pro forma copy of U.S. Forms 1120, 1120-L, 1120-PC, and all applicable schedules, as if you had filed a separate federal return. Please label your pro forma federal return “pro forma”.

**Note** When filing your Form IL-1120, include only forms and schedules required to support your return. Send correspondence separately to:

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

## 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.

- Mail the first copy of the federal disclosure statement to:  
**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19029  
SPRINGFIELD IL 62794-9029**
- Attach the second copy to your Illinois Income Tax return for the tax year that the IRS disclosure was required. Mail the second copy and your Illinois Income Tax return to the address shown on your return. **Do not** mail the second copy and your Illinois Income Tax return to the address listed above.

## What are Illinois Schedules K-1-T and K-1-P?

**Illinois Schedule K-1-T**, Beneficiary’s Share of Income and Deductions, is provided for trusts and estates to supply each beneficiary with income amounts that are taxable to Illinois and pass-through withholding payments made on the beneficiary’s behalf. If you are a beneficiary of a trust or an estate, you should receive a completed Illinois Schedule K-1-T and a copy of **Illinois Schedule K-1-T(2)**, Beneficiary’s Instructions, from that trust or estate.

**Illinois Schedule K-1-P**, Partner’s or Shareholder’s Share of Income, Deductions, Credits, and Recapture, is for partnerships and S corporations to supply each partner or shareholder with income amounts that are taxable to Illinois, the partner’s or shareholder’s share of Illinois credits, and pass-through withholding payments made on the partner’s or shareholder’s behalf. If you are a partner in a partnership or a shareholder in an S corporation, you should receive a completed Illinois Schedule K-1-P and a copy of **Illinois Schedule K-1-P(2)**, Partner’s or Shareholder’s Instructions, from that partnership or S corporation.

## What is pass-through withholding?

A **pass-through entity** is any entity treated as a partnership, subchapter S corporation, or trust for federal income tax purposes.

**Pass-through entity income** is the income that any partnership, subchapter S corporation, or trust passes through to its partners, shareholders, or beneficiaries.

**Pass-through withholding** is the amount required to be reported and paid by the pass-through entity on behalf of its **nonresident** partners, shareholders, and beneficiaries

- who have **not** submitted Form IL-1000-E, Certificate of Exemption for Pass-through Withholding, to the pass-through entity, and
- who receive business and nonbusiness income allocable to Illinois from the pass-through entity.

Corporations can receive pass-through withholding. **Pass-through withholding reported to you** is a credit for pass-through withholding **you receive** on Schedules K-1-P and K-1-T as a partner, shareholder, or beneficiary of a pass-through entity. This amount will be reported on Form IL-1120, Line 61c.

If you are a nonresident and the pass-through withholding reported to you satisfies your Illinois Income Tax liability, you are not required to file an Illinois Income Tax return. If you had Illinois income from other sources and the pass-through withholding made on your behalf does not cover your liability, you must file a return to report the tax on all of your Illinois income and claim a credit for pass-through withholding made on your behalf.

All residents and pass-through entities must file their own annual Illinois Income Tax return to claim a credit for any pass-through withholding reported to them.

See **Publication 129, Pass-through Entity Income**, for more information.

## What if I need additional assistance or forms?

- Visit our website at [tax.illinois.gov](http://tax.illinois.gov) for assistance, forms or schedules.
- Write us at:  
**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19001  
SPRINGFIELD IL 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.

## Where should I file?

If a payment is enclosed with your return, mail your Form IL-1120 to:

**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19038  
SPRINGFIELD IL 62794-9038**

If a payment is **not** enclosed, mail your Form IL-1120 to:

**ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19048  
SPRINGFIELD IL 62794-9048**

# Specific Instructions

Specific instructions for most of the lines are provided on the following pages. If a specific line is not referenced, follow the instructions on the form.

## Step 1 — Identify your corporation

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

**B** — 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 B because you have never filed an Illinois return, you must also check the “first return” box in Line C.

**C** — If this is your first or final return, check the appropriate box and the box on Line 64 if you have a credit carry forward on your final return.

**D** — If you checked final return on Line C, answer the questions on Line D, if applicable.

**E** — If you are filing an Illinois **combined return**, check the box and attach a completed Illinois Schedule UB. For more information, see Illinois Schedule UB instructions.

— If you are a **foreign insurer**, check the box and, if you are entitled to a tax reduction, attach a completed Illinois Schedule INS.

— If you are filing a combined return and one or more members are foreign insurers, check both boxes, and if your unitary group is entitled to a tax reduction, attach a completed Illinois Schedule UB/INS. For more information, see Illinois Schedule INS or Illinois Schedule UB/INS.

**Note** — See the instructions for Lines 51 and 54 in order to claim the tax reduction calculated on Schedule INS or Schedule UB/INS.

**F** — If you are required to disclose reportable transactions and you have completed federal Form 8886 or federal Schedule M-3, Part II, Line 12, check the appropriate box and attach a copy of the federal form or schedule to this return. See “What if I participated in a reportable transaction?” for more information.

**G — Apportionment Formulas** — If you earn income both inside and outside of Illinois, check the appropriate box(es). If you are a unitary business group, check as many boxes as applicable. If more than one box is checked, you must complete a Subgroup Schedule for each checked box that is not a sales company. If you earn income only inside Illinois, leave this line blank. For more information, see the specific instructions for “Apportionment Formulas.”

**H** — If you are a unitary business group and completed Schedule UB, check the box and attach Schedule UB to your return.

**I** — If you are a unitary business group and completed Subgroup Schedule, check this box and attach Subgroup Schedule. See Subgroup Schedule and Schedule UB Instructions for more information.

**J** — If you earned or can carry forward credits on Illinois Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries), you must check the box on Line J and attach Illinois Schedule 1299-D and any other required support listed on 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 are claiming a special depreciation addition or subtraction modifications on Form IL-1120, check the box and attach Form IL-4562, Special Depreciation, to your tax return.

**L** — If you are claiming other addition or subtraction modifications on Form IL-1120, check the box and attach Schedule M, Other Additions and Subtractions (for businesses), to your tax return.

**M** — If you are claiming related-party expenses modifications on your Form IL-1120, check the box and attach Schedule 80/20, Related-Party Expenses, to your tax return.

**N** — Enter your entire federal employer identification number. A partial FEIN will result in the delay of the processing of your return. If you are a unitary business group, enter the entire FEIN of the designated agent.

**O** — If you are a member of a federal consolidated group, enter the entire FEIN of the federal parent. See General Information, “What is base income/taxable income?” and “What attachments do I need?”

**P** — Enter your North American Industry Classification System (NAICS) Code. If you are unsure of your code, you can research the information at [www.census.gov/eos/www/naics](http://www.census.gov/eos/www/naics) or [www.irs.gov](http://www.irs.gov).

**Q** — Enter your Illinois corporate file (charter) number assigned to you by the Illinois Secretary of State. If you are filing a unitary return, enter the corporate file (charter) number of the designated agent.

**R** — If you keep your accounting records in a location different from the address indicated on Line B, enter the city, the two-letter state abbreviation, and the Zip Code for the location the records are kept.

**S** — If you are making the election to treat all of your income other than compensation as business income for this tax year, you must check the box on this line and enter zero on Step 4, Lines 24 and 32. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

**T** — 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.

**U** — Check the box and attach a detailed statement if you must adjust your loss or loss carryover due to Discharge of Indebtedness. For more information, see the instructions for Line 36 and the Loss Reduction Worksheet on Page 10 of these instructions.

**V** — Check the box if you are a cooperative and completed Schedule INL either to make a first-time election for treatment of income or to figure your patronage and nonpatronage income or loss, or if you are REMIC that completed Schedule INL to make an adjustment to Illinois income. **Attach** Schedule INL to your tax return.

**W** — Check the box if you annualized your income on Form IL-2220 and attach Form IL-2220 to your tax return.

**X** — Check this box **only** if you have sales into Illinois **and** you are not required to allocate them because you are protected by Public Law 86-272. Complete Steps 1 through 5 of Form IL-1120.

**Y** — Check this box if you are a 52/53-week filer. A 52/53-week filer is a fiscal filer with a tax year that varies from 52 to 53 weeks because their tax year ends on the same day of the week instead of the last day of the month.

**Note** — **You must complete an IDOR-issued or previously approved Form IL-1120 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

In accordance with IITA, Section 203(e)(2)(E), if you are filing as part of a federal consolidated group, you must compute federal taxable income as though you had filed a separate federal return.

If you are filing as a combined taxpayer, see Illinois Schedule UB, Specific Instructions for Completing Form IL-1120.

**Line 1** — Enter the amount from U.S. Form 1120, Line 30, or equivalent. Attach a copy of your federal return.

**Note** — Under federal law, Paycheck Protection Program (PPP) loan forgiveness is not considered taxable income and the business expenses covered by the PPP loan proceeds are deductible business



expenses. Currently, Illinois tax law has no addition modification to change this; therefore, the same treatment flows through to the Illinois return and is included as part of federal taxable income.

**Line 2** — Enter the amount of net operating loss deduction from U.S. Form 1120, Line 29a, or equivalent.

**Note** Do not enter **negative** amounts on Lines 2 through 8. If you are claiming over-accrued taxes, include them on Schedule M, Line 24.

**Line 3** — Enter the following amounts excluded from the amount on Line 1 that were paid or accrued to you during the taxable year:

- Tax-exempt interest from U.S. Form 1120, Schedule M-1, Line 7 (or equivalent).

**Note** If you are a **life insurance company**, the gross investment income earned from federally tax-exempt sources must be added back.

- All tax-exempt interest distributions received from regulated investment companies.

**Note** Do not include tax-exempt interest distributions received from regulated investment companies that are passed through to you. Instead include these passed-through tax-exempt interest distributions on Line 7.

**Line 4** — You must add back any amount of Illinois Income and Replacement taxes and surcharge that you deducted on your U.S. Form 1120 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.

**Line 5** — Enter the addition amount calculated on Form IL-4562, Line 4. For more information, see Form IL-4562 and instructions.

**Attach Form IL-4562 to your Form IL-1120.**

**Line 6** — 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 6 the total from Illinois Schedule 80/20, Step 2, Line 9. **Attach Illinois Schedule 80/20 to your Form IL-1120.**

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 7** — If you are a partner in a partnership, a shareholder in an S corporation, or a beneficiary of a trust or an estate, include your distributive share of additions received from the partnership, S corporation, trust, or estate on Schedules K-1-P or K-1-T. 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.

**Note** Include tax-exempt interest distributions received from regulated investment companies that are passed through to you. Pass-through tax-exempt interest distributions from regulated investment companies should not be included on Line 3.

**Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.**

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

**Line 8** — Enter the addition amount calculated on the Illinois Schedule M (for businesses), Step 2, Line 11: **Attach a copy of Illinois Schedule M to your Form IL-1120.** The following are examples of items that must be added to taxable income and are included on the Illinois Schedule M.

- If you are a regulated investment company, include the excess of the net long-term capital gain for the tax year, over the amount of capital gain dividends designated as such in accordance with IRC Section 852(b)(3)(C) and any amount designated under IRC Section 852(b)(3)(D), attributable to the tax year.
- 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.
- If you reported income from an asset or activity as business income in prior years, and reported any income from that asset or activity as nonbusiness income on this return, include on this line all deductions you claimed for expenses connected with that income in this year and in your two most recent tax years. See Illinois Schedule NB, Nonbusiness Income, Line 11, and Illinois Schedule NB Instructions for more information.

### Step 3 — Figure your base income or loss

**Note** Do not enter **negative** amounts on Lines 10 through 22. A double deduction is prohibited by IITA, Section 203(g). You cannot deduct the same item more than once when figuring your subtractions.

**Line 10** — 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.

**Note** You must attach Illinois Schedule 1299-B, River Edge Redevelopment Zone or Foreign Trade Zone (or sub-zone) Subtractions, to your Form IL-1120 if you have an amount on Lines 11 through 15.

**Line 11** — Enter the River Edge Redevelopment Zone Dividend subtraction from Illinois Schedule 1299-B, Line 11.

**Line 12** — Enter the River Edge Redevelopment Zone Interest subtraction from Illinois Schedule 1299-B, Line 20.

**Line 13** — Enter the High Impact Business Dividend subtraction from Illinois Schedule 1299-B, Line 14.

**Line 14 — For financial organizations only** — Enter the High Impact Business within a Foreign Trade Zone (or sub-zone) Interest subtraction from Illinois Schedule 1299-B, Line 23.

**Line 15** — Enter the amount of any Contribution subtraction from Illinois Schedule 1299-B, Line 17.

**Line 16** — 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 17** — Enter the amount shown on Illinois Schedule J, Step 1, Line 21, for foreign dividends received. **Attach Illinois Schedule J and U.S. Form 1120, Schedule C (or equivalent) to your Form IL-1120.**

**Note** You must use Illinois Schedule J to figure the “foreign dividend gross-up (IRC Section 78)” included in your taxable income if you are electing a foreign tax credit under the provisions of IRC Section 901. **Do not** include this deduction in other subtractions on Illinois Schedule M or Form IL-1120, Line 21.

**Line 18** — Enter the subtraction allowance from Form IL-4562, Line 10. **Attach Form IL-4562 to your Form IL-1120.**

**Line 19** — Enter the amount from Illinois Schedule 80/20, Step 4, Line 23. **Attach Illinois Schedule 80/20 to your Form IL-1120.**



You should use Illinois Schedule 80/20 if

- you added back interest paid to an affiliated company on Step 2, Line 6. You may subtract any interest received from that 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 6, 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.
- you are an affiliated company, and you received interest or intangible income from someone who had to add back the interest and intangible expense, or insurance premiums on their Illinois Schedule 80/20. You may subtract your interest or intangible income from that person.

**Line 20** — Enter your distributive share of subtractions passed through to you by a partnership, S corporation, trust, or estate on Schedules K-1-P or K-1-T. 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 38a and b, and Lines 44 through 47, from all Illinois Schedules K-1-P you receive and Step 5, Column A, Lines 36a through 38 and Lines 41 through 45, from all Illinois Schedules K-1-T you receive. 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-1120.**

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

**Line 21** — Enter the subtraction amount calculated on Illinois Schedule M (for businesses), Step 3, Line 36. **Attach a copy of Illinois Schedule M (for businesses) to your Form IL-1120.**

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

- any “exempt-interest” dividends, as defined in IRC Section 852(b)(5), paid to shareholders for the tax year, by you, as a regulated investment company.
- 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 amounts disallowed as federal deductions or interest expenses under IRC Sections 45G(e)(3), 171(a)(2), 265, 280C, 291(a)(3), 807(a)(2)(B), 807(b)(1)(B) and 832(b)(5)(B)(i).
- 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.
- any other income included on Step 2, Line 9, 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 23** — This is your base income or loss. Follow the instructions on the form and check a box on Line A or B. You must check one of these boxes and follow the instructions for that line.

**Check the box on Line A if**

- all of your base income or loss is derived inside Illinois; and
- you do not have any income or loss to report on Lines 24, 25, 32, or 33.

**If you check the box on Line A, do not complete Step 4.** All of your base income or loss is allocable to Illinois. Skip Step 4, enter the amount from Step 3, Line 23 on Step 5, Line 35, and complete the remainder of the return.

**Check the box on Line B if any of the following apply**

- your base income or loss is derived inside and outside Illinois;
- all of your base income or loss is derived outside Illinois; or
- you have income or loss to report on Lines 24, 25, 32, or 33.

**If you check the box on Line B, you must complete all lines of Step 4.** Submitting Form IL-1120 with an incomplete Step 4, including Lines 28, 29, and 30 may result in a delay in processing your return, further correspondence, and you may be required to submit further information to support your filing. See the Specific Instructions for Step 4 for more information.

## Step 4 — Figure your income allocable to Illinois

### General Information

#### Who must complete Step 4?

You **must** check the box on Line B and complete **all lines** of Step 4 if any portion of Line 23, base income or loss, is derived outside Illinois, or you have any income or loss to report on Lines 24, 25, 32, or 33.

If you do not complete **all** of Step 4, Lines 24 through 34, we may issue a notice and demand proposing 100 percent of income as being allocated to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

In order to properly allocate your base income or loss, you need to determine what portion of the total base income is business income or loss that is to be apportioned among all the states in which you do business, and what portion is nonbusiness income or loss that is to be allocated to a particular state.

**Note** — **Unitary filers** - You must complete **both** Step 4 of the Schedule UB and Step 4 of the Form IL-1120.

### Definitions

All references to “income” include losses. The following definitions may be helpful in completing Step 4 of Form IL-1120.

**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 corporation 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.

**Commercial domicile** is the principal place where your trade or business is directed or managed.

**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.

**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, franchise tax for the privilege of doing business, and corporate stock tax. 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.

### Line by Line Instructions

**Note** — You must complete all lines of Step 4.

**Line 24** — Enter the amount of all nonbusiness income or loss included in base income, net of any related deductions, plus any recaptured business expenses from Illinois Schedule NB, Column A. Include any nonbusiness income you received from Illinois Schedules

K-1-P or K-1-T in the amounts reported on Schedule NB. **Attach Illinois Schedule NB and all Illinois Schedules K-1-P or K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

**Note** If you are making the election to treat all income other than compensation as business income for this year, you must check the box in Step 1, Line S, and enter zero here and on Line 32. **This election must be made by the extended due date of this return. Once made, the election is irrevocable.**

**Line 25** — Enter the amount of all business income or loss included in base income received from any non-unitary partnership, partnership included on a Schedule UB, S corporation, trust, or estate, of which you are a partner or a beneficiary. See Illinois Schedules K-1-P(2) or K-1-T(2) for more information. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

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

**Special Note** If you are a partner engaged in a unitary business with your partnership, you must include your distributable share of the partnership's business income in your business income. Do not subtract this business income on Line 25.

#### Lines 28 through 30 —

You must complete Lines 28 through 30 if any of the following apply

- your business income or loss is derived inside and outside Illinois;
- all of your business income or loss is derived outside Illinois; or
- you have income or loss to report on Lines 24, 25, 32, or 33.

Follow specific instructions below for Lines 28 through 30.

**Note** If you are an insurance company, financial organization, sales company, transportation company, or federally regulated exchange, check the appropriate box or boxes in Step 1, Line G (insurance company, financial organization, sales, transportation company, or federally regulated exchange) and see **"Apportionment Formulas"** in these instructions.

**Special Note** If you are a partner engaged in a unitary business with your partnership, you must include your distributive share of the "everywhere" and "Illinois" sales factors from the partnership in your "everywhere" and "Illinois" sales factors. For more information, see Illinois Income Tax Regulations, Section 100.3380(d).

**Line 28** — Enter your total sales everywhere.

**Line 29** — Enter your total sales inside Illinois. If you have no sales in Illinois, enter zero.

**Note** Lines 28 and 29 cannot be less than zero. The amount on Line 29 cannot exceed the amount on Line 28.

**Line 30** — Divide Line 29 by Line 28 and enter the result, rounded to six decimal places. The result cannot be greater than one or less than zero.

**Note** If you checked the box on Line 23 B and do not complete Lines 28, 29, and 30 we may issue a notice and demand proposing 100 percent of your income as being allocated to Illinois, or in the case of a loss return, a notice indicating none of your loss as being allocated to Illinois.

**Line 31** — Follow the instructions on the form.

**Line 32** — Enter the amount of nonbusiness income or loss allocable to Illinois from Illinois Schedule NB, Column B. Include any nonbusiness income and recaptured business expenses you received from Illinois Schedules K-1-P or K-1-T in the amounts reported on Schedule NB. **Attach a copy of Schedule NB and all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

**Note** If you checked the box in Step 1, Line S, making the election to treat all of your income other than compensation as business income, then enter zero on Line 32.

**Line 33** — Enter the amount of income or loss reported on Step 4, Line 25 that is apportionable to Illinois as reported by the non-unitary partnership, partnership included on a Schedule UB, S corporation, trust, or estate on Illinois Schedules K-1-P or K-1-T. See Illinois Schedules K-1-P(2) or K-1-T(2) for more information. **Attach a copy of all Illinois Schedules K-1-P and K-1-T you received to your Form IL-1120.** If you do not have an amount to report on this line, enter zero.

#### Step 5 — Figure your net income

**Line 35** — 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 36** — If you were required to reduce the net operating loss reported on your federal Form 1120 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 35. Use the worksheet on Page 10 to figure your loss reduction. **Attach a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, and a detailed statement,**

### Loss Reduction Worksheet

- |  |                |
|--|----------------|
| <b>1</b> Enter the amount of the reduction to your federal net operating losses from federal Form 982. Combined groups see instructions below. | <b>1</b> _____ |
| <b>2</b> Enter your income allocation ratio. See instructions.   | <b>2</b> _____ |
| <b>3</b> Multiply the amount on Line 1 by Line 2. This is your reduction amount. Enter the result here and on Form IL-1120, Line 36.           | <b>3</b> _____ |

**Line 1** — Combined groups must add the amount of federal net operating loss reductions for each group member. All others, 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 the return for the tax year of the debt cancellation.

**Line 3** — Follow the instructions on the form.

If one or more of your combined group members is included on a federal consolidated income tax return, the amount of the reductions to the member's federal net operating loss is the amount of the consolidated net operating loss attributable to that member that is reduced under IRC Section 108(b) and Treasury Regulations Section 1.1502-28.

including the amounts and tax year, of the debt and reason for reduction to your Form IL-1120. For more information, see Illinois Income Tax Regulations, Section 100.2310(c).

If you are a combined group reporting a combined net loss on Line 35, you may be required to reduce this loss if one or more of your group members excluded discharge of indebtedness income and was required to reduce a federal net operating loss incurred for this tax year.

**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 those carryovers. See Appendix D for more information.

**Line 37 — If you have a discharge of indebtedness adjustment** on Line 36, add Lines 35 (a negative number) and 36 (a positive number), and enter the result on this line. This amount cannot be greater than zero.

**If you do not have a discharge of indebtedness adjustment**, enter zero on Line 36 and the amount from Line 35 on Line 37.

**Line 38 —** Enter your Illinois net loss deduction carryforward as determined using your own calculation method or from the Illinois Net Loss Deduction Worksheet in Appendix C or E. The amount of NLD you enter on this year's original return should equal the total amount entered on Appendix C or E, NLD Worksheet, Line 5 or other net loss calculation method.

If you are a cooperative and you separate your patronage and nonpatronage income or loss, complete Schedule INL and follow the instructions for computation of your Illinois net loss deduction.

If any of the loss being claimed on Line 38, originated from a company other than the one filing this return, check the box on Line 38 and **attach** a detailed statement to your return with

- the FEIN of the company from which you acquired the loss,
- the reason (e.g., merger) you are allowed to use that company's losses, and
- the date you acquired the loss.

**Note** → For more information, see the Illinois Net Loss Deduction questions in the General Information section of these instructions and Appendix C or E.

## Step 6 — Figure your replacement tax after credits

**Line 40 —** Follow the instructions on the form.

**Line 41 —** 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 credits 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. For more information, see Schedule 4255 instructions.

**Line 43 —** Enter the amount from Form IL-477, Step 1, Line 13.

**Attach Form IL-477 and any other required support listed on Form IL-477 to your Form IL-1120.**

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 by 1 percent (.01) or more 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 7 — Figure your income tax after credits

**Line 45 —** Multiply Line 39 by 7.00% (.07).

**Line 46 —** Enter the total of your recapture of investment credits from Illinois Schedule 4255, Step 4, Columns A and B, Line 18, and Step 5, Line 21. See Schedule 4255 instructions for more information regarding the recapture of investment credits.

If you claimed an Enterprise Zone Credit, River Edge Redevelopment Zone 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 48 —** Enter the amount from Illinois Schedule 1299-D, Line 18. The total of all credits is limited to the total income tax shown on Form IL-1120, Line 47. **Attach Illinois Schedule 1299-D and any other required support listed on Schedule 1299-D to your Form IL-1120.** For more information, see Illinois Schedule 1299-D, Instructions, and Schedule 1299-I, Income Tax Credits Information and Worksheets.

## Step 8 — Figure your refund or balance due

**If you are a foreign insurer, review the instructions below.**

### For non-unitary foreign insurers

- complete Form IL-1120, Steps 1 through 7, before completing Illinois Schedule INS;
- complete Schedule INS;
- report your foreign insurer replacement tax reduction on Step 8, Line 51; and
- report your foreign insurer income tax reduction on Step 8, Line 54.

### For combined unitary filers with one or more members who are foreign insurers

- complete Form IL-1120, Steps 1 through 7, before completing Illinois Schedule UB/INS;
- complete all steps of your Schedule UB, before completing Illinois Schedule UB/INS;
- complete Schedule UB/INS;
- report your foreign insurer replacement tax reduction on Step 8, Line 51; and
- report your foreign insurer income tax reduction on Step 8, Line 54.

**Line 50 —** Follow the instructions on the form.

**Note** → If you are a foreign insurer do not apply a tax reduction to this line. Follow the instructions above and on Schedule INS or Schedule UB/INS.

**Line 51 —** Enter your foreign insurer replacement tax reduction from Schedule INS, Step 3, Line 17, or Schedule UB/INS, Step 6, Line 59. **Attach Schedule INS or Schedule UB/INS.**

**Line 52 —** Subtract Line 51 from Line 50 and enter the result on this line. If Line 51 is blank, enter the amount from Line 50 on Line 52. This is your net replacement tax.

**Line 53 —** Follow the instructions on the form.

**Note** → If you are a foreign insurer do not apply a tax reduction to this line. Follow the instructions above and on Schedule INS or Schedule UB/INS.

**Line 54 —** Enter your foreign insurer income tax reduction from Schedule INS, Step 3, Line 20, or Schedule UB/INS, Step 6, Line 72. **Attach Schedule INS or Schedule UB/INS.**

**Line 55 —** Subtract Line 54 from Line 53 and enter the result on this line. If Line 54 is blank, enter the amount from Line 53 on Line 55. This is your net income tax.



**Line 56** — Compassionate Use of Medical Cannabis 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 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 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.

**Note** → Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

**How do I figure the surcharge?**

If the surcharge applies to you, complete a Surcharge Worksheet on Page 12.

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

**Line 57** — Sale of Assets by Gaming Licensee surcharge

**Definitions**

**Gaming licensee** is an organization licensee under the Illinois Horse Racing Act of 1975 and/or an organization gaming licensee under the Illinois Gambling Act.

**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 a gaming licensee.

**What is the surcharge?**

For each taxable year 2019 through 2027, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of a gaming licensee.

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 “gaming licensee” that engaged in the transaction.

The surcharge imposed shall not apply if

- the organization gaming license, organization license, or racetrack property is transferred as a result of any of the following:
  - bankruptcy, a receivership, or a debt adjustment initiated by or against the initial licensee or the substantial owners of the initial licensee;
  - cancellation, revocation, or termination of any such license by the Illinois Gaming Board or the Illinois Racing Board;
  - a determination by the Illinois Gaming Board that transfer of the license is in the best interests of Illinois gaming;

**Surcharge Worksheet for IL-1120**

**Instructions:** Complete the appropriate column for the surcharge(s) you are claiming.

	<b>A</b> Compassionate Use of Medical Cannabis Program Act	<b>B</b> Sale of assets by gaming licensee
1 Enter your federal income tax liability for the taxable year.	1 _____	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 in Column A or a gaming licensee in Column B.	2 _____	2 _____
3 Subtract Line 2 from Line 1. Enter the result here. Enter the Column A total on Form IL-1120, Step 8, Line 56 and the Column B total on Form IL-1120, Step 8, Line 57.	3 _____	3 _____

**Line 1** — Members of consolidated groups must enter the consolidated federal income tax liability of the affiliated group for the taxable year.

**Line 2** — Members of consolidated groups must enter the federal income tax liability of the affiliated group for the taxable year computed as if the transactions subject to surcharge for which taxable income or gain was recognized in that taxable year had not been made.

- the death of an owner of the equity interest in a licensee;
- acquisition of a controlling interest in the stock or substantially all of the assets of a publicly traded company;
- a transfer by a parent company to a wholly owned subsidiary;
- the transfer or sale to or by one person to another person where both persons were initial owners of the license when the license was issued; or
- the controlling interest in the organization gaming license, organization license, or racetrack property is transferred in a transaction to lineal descendants in which no gain or loss is recognized or as a result of a transaction in accordance with Section 351 of the Internal Revenue Code in which no gain or loss is recognized; or
- live horse racing was not conducted in 2010 at a racetrack located within 3 miles of the Mississippi River under a license issued pursuant to the Illinois Horse Racing Act of 1975.

The transfer of an organization gaming license, organization license, or racetrack property by a person other than the initial licensee to receive the organization gaming license is not subject to a surcharge.

A line has been included on Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, and Schedule K-1-T, Beneficiary's Share of Income and Deductions, 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.

**Note** Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

#### How do I figure the surcharge?

If the surcharge applies to you, complete a separate Surcharge Worksheet on Page 12.

**Line 58** — Add Lines 52, 55, 56, and 57 and enter the total on this line. This is your total net income and replacement taxes and surcharge.

**Line 59** — Enter the amount of any self-assessed underpayment of estimated tax penalty you figured on Form IL-2220, Computation of Penalties for Businesses, Step 4, Line 22.

If you annualized your income in Step 6 of Form IL-2220, be sure to check the box in Step 1, Line V of this Form IL-1120. **Attach a completed Form IL-2220 to your Form IL-1120.**

**Note** If you do not need to annualize your income and do not wish to complete Form IL-2220, 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 or interest due and notify you.

**Line 61a** — Enter the sum 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 that changed the amount of your credit carryforward from the previous year.

**Line 61b** — Enter the sum of any

- estimated payments made during the tax year,
- extension payments and other voluntary prepayments made before the original due date of the return, and
- other payments made before the date this return is filed.

**Line 61c** — Enter the amount you claim as Illinois pass-through withholding reported to you by partnerships, S corporations, or trusts on Schedule(s) K-1-P or K-1-T. If you received more than one Schedule K-1-P or K-1-T, add the amounts of all the schedules and

enter the total on Line 60c. **Attach copies of the Schedules K-1-P and K-1-T you received from the pass-through entities to your Form IL-1120.** Schedules K-1-P and K-1-T, Step 1, Line 3, must be completed or the pass-through withholding reported on this line may not be credited to your return.

See "What is pass-through withholding?" under "General Information" in these instructions for more information.

**Line 61d** — Enter the amount of any Illinois gambling withholding shown on Form W-2G. **Attach Forms W-2G.**

**Line 64** — Enter the amount of overpayment you elect to be applied against your estimated tax obligation. Check the box on this line if this is your final return and any remaining carryforward is being transferred to another entity. **Attach** a detailed statement to your return listing the FEIN of the entity receiving the credit carryforward, the date the credit was transferred, and the reason for the transfer.

**Note** Step 1, Line C, must also be completed if you are transferring an overpayment to another entity.

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

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

#### To which tax year will my credit apply?

We will apply your credit to the tax year for which estimated payments currently are due as of the date you file this return, unless you elect to apply the credit to a different tax year. The estimated tax payment due dates are the 15th day of the 4th, 6th, 9th, and 12th months of your tax year.

**Note** If you wish to apply the credit to a different tax year, see the section entitled "May I apply my credit to a different tax year?"

**Example 1:** You file your 2020 calendar-year return on September 5, 2021, which is before the third estimated tax due date for 2021 (September 15, 2021, for calendar-year filers). You request your overpayment of \$500 be applied against your estimated tax. We will apply \$500 to your 2021 estimated tax.

**Example 2:** You file your 2020 calendar-year return on December 22, 2021, which is after the last estimated tax due date for 2021 (December 15, 2021, for calendar-year filers), but is timely for the first estimated tax due date for 2022 (April 15, 2022, for calendar-year filers). You request your overpayment of \$500 be applied against your estimated tax. We will apply \$500 to your 2022 estimated tax.

**Note** If you are filing your return after the extended due date, you may only elect to claim an overpayment credit for payments received on or before the date you filed your return. Any payments made after the date you filed that return can only be claimed as an overpayment credit on a subsequent amended return.

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

If your 2020 return was filed

- on or before the extended due date of your return** (October 15, 2021, for calendar-year filers), your credit is considered to be paid on the due date of your first estimated tax installment of your 2021 tax period (April 15, 2021, for calendar-year filers).

**However,** if all or a portion of your overpayment results from payments made after the due date of that first estimated tax installment, that portion of your credit is considered to be paid on the date you made the payment.

**Example 1:** You file your 2020 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, 2021.

**Example 2:** You file your 2020 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, 2021. Your credit of \$400 will be considered to be paid on the original due date of the return. The remaining \$100 credit will be considered to be paid on June 1, 2021.

- after the extended due date of your return**, your credit is considered to be paid on the date you filed the return on which you made the election.

**Example 3:** You file your 2020 calendar-year return on December 1, 2021, requesting \$500 be applied against estimated tax. Your credit of \$500 will be considered to be paid on December 1, 2021, because you filed your return after the extended due date of your 2020 calendar-year return.

### May I apply my credit to a different tax year?

Yes. If you wish to apply your credit to a tax year other than the one described above, 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 year of the return creating the overpayment, and
- the tax year 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 year to which your credit will apply is irrevocable. Requests will be worked in the order we receive them.

**Note** You may only apply your credit to tax years occurring after the year 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.

**Line 65** — 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 66** — 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.

**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

**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.

**Line 67** — 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-1120-V, make your check or money order payable to “**Illinois Department of Revenue**”, and **attach them to the front of the 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-1120.

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 9 — Signature, date, and paid 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 **non-filer penalty**.

If you pay someone to prepare your return, the income tax return preparer must also sign and date the return, enter the preparer tax identification number (PTIN) issued to them by the Internal Revenue Service, and provide their firm’s name, address, and phone number. If you want to allow the paid preparer listed in this step to discuss this return with IDOR, check the box. This authorization will allow your paid 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 next year’s tax return (excluding extensions.) You may revoke the authorization at any time by calling or writing us.



# Apportionment Formulas

Certain businesses that derive their income from inside and outside Illinois require an apportionment formula. The following definitions will help in completing Step 4.

**Direct writing company** — an insurance company whose direct insurance premiums are 50 percent or more of its total insurance premiums.

**Reinsurer** — an insurance company whose reinsurance premiums assumed are more than 50 percent of its total insurance premiums.

**Total insurance premiums** — the sum of both direct insurance premiums and reinsurance premiums assumed without any reduction for reinsurance ceded.

**Annual statement** — the annual statement required to be filed with the Director of Insurance of the State of Illinois.

**Life insurance company** — an insurance company taxable under IRC Section 801, for the tax year.

**Nonlife mutual and nonlife stock insurance companies** — an insurance company taxable under IRC Section 831, for the tax year.

**Business income** — See Step 4 - General Instructions, "Business income" under Definitions.

**Financial organization** — any bank, bank holding company, trust company, savings bank, industrial bank, land bank, safe deposit company, private banker, savings and loan association, building and loan association, credit union, currency exchange, cooperative bank, small loan company, sales finance company, investment company, or any person which is owned by a bank or bank holding company.

**Revenue miles** — A revenue mile is the transportation of one passenger, or one net ton of freight, the distance of one mile.

**Federally regulated exchange** — A federally regulated exchange is:

- a registered entity as defined in 7 U.S.C. Sections 1a(40)(A), 1a(40)(B), or 1a(40)(C);
- an exchange or clearing agency as defined in 15 U.S.C. Sections 78c (a)(1) or 78c (a)(23);
- any entity regulated under any successor regulatory structure to a registered entity, exchange, or clearing agency; or
- any member of the same unitary business group if 50 percent or more of the business receipts of the unitary business group for the taxable year are attributable to the matching, execution, or clearing of transactions conducted by members of the group described in the first three bullet points above.

## What if I am a sales company?

If you checked the box in Step 1, Line G, indicating that you are a sales company and your income is derived from inside and outside Illinois, you must also check the box on Line B of Step 3, Line 23. You must apportion your business income as follows:

Include gross receipts from the license, sale or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property in the numerator and denominator of your sales factor only if these gross receipts are more than 50 percent of the total gross receipts included in gross income for this tax year and each of the two immediately preceding tax years.

Do not include the following items of income in the numerator or denominator of your sales factor:

- dividends;
- amounts included under IRC Section 78;
- IRC Section 965 inclusion;

- Global Intangible Low-Taxed Income (GILTI) income;
- subpart F income as defined in IRC Section 952; and
- any item of income excluded or deducted from base income.

For more information on what should be included in the numerator or denominator of your sales factor, see Illinois Income Tax Regulations, Sections 100.3370 and 100.3380.

Sales of tangible personal property are in Illinois if

- the property is delivered or shipped from anywhere to a purchaser in Illinois, other than the United States government, regardless of the Free on Board (f.o.b.) point or other conditions of the sale;
- the property is shipped from Illinois to any place and the purchaser is the United States government; or
- the property is shipped from Illinois to another state and you are not taxable in the state of the purchaser.
- For radio and television broadcasting (including cable and satellite broadcasting), the following sales are in Illinois:
- advertising revenue received from an advertiser whose headquarters is in Illinois;
- fees received by a broadcaster from its viewers or listeners in Illinois;
- in the case of fees received by a broadcaster from the producer or other owner of the contents of a program, the percentage of the fees equal to the percentage of the broadcast's viewing or listening audience located in Illinois; or
- in the case of a person who owns the contents of a program and who provides the contents to a broadcaster for a fee or other charge, the fees received for that program from a broadcaster located in Illinois.

If the "sales everywhere" amount includes gross receipts from the licensing, sale, or other disposition of patents, copyrights, trademarks, and other similar items of intangible personal property, and the receipts are not covered by the broadcasting rules, then these receipts should be attributed to Illinois to the extent the item is used in Illinois during the year the gross receipts are included in gross income. An item is used in Illinois if

- a patent is employed in production, fabrication, manufacturing, or other processing in Illinois or if the patented product is produced in Illinois;
- copyrighted material is printed or other publications originated in Illinois; or
- the commercial domicile of the licensee or purchaser of a trademark or other item of intangible personal property is in Illinois.

**Note** → If you cannot determine from your books and records in which state an item is used, do not include the gross receipts from that item in the numerator or the denominator of the sales factor.

For sales of telecommunications services, the following sales are in Illinois:

- sales of telecommunications service sold on a call-by-call basis, where the call both originates and terminates in Illinois, or the call either originates or terminates in Illinois and the customer's service address is in Illinois;
- retail sales of postpaid telecommunications service if the point of origination of the signal is in Illinois;
- retail sales of prepaid telecommunications service where the purchaser receives the prepaid card or other means of conveyance at a location in Illinois;
- charges imposed at a channel termination point in Illinois;
- charges for channel mileage between two channel termination points in Illinois;

- charges for channel mileage between one or more channel termination points in Illinois and one or more channel termination points outside Illinois, times the number of channel termination points in Illinois divided by total termination channels;
- charges for services ancillary to sales of services in Illinois. If you provide ancillary services, but cannot determine where the sales of the related services are located, your sales are in Illinois if your customer is in Illinois;
- access fees charged to a reseller of telecommunication for a call that both originates and terminates in Illinois;
- 50 percent of access fees charged to a reseller of telecommunications services for an interstate call that originates or terminates in Illinois; and
- end user access line charges, if the customer's service address is in Illinois.

For more information, see Illinois Income Tax Regulations, Section 100.3371.

Illinois lottery winnings and proceeds from sales or other transfers of rights to lottery winnings are in Illinois.

For taxable years ending on or after December 31, 2019, gross receipts from winnings from pari-mutuel wagering conducted at a wagering facility licensed under the Illinois Horse Racing Act of 1975 or from winnings from gambling games conducted on a riverboat or in a casino or organization gaming facility licensed under the Illinois Gambling Act are Illinois sales and must be included in the numerator of the sales factor.

Sales, other than sales of tangible personal property or telecommunications service, and gross receipts from broadcasting, or the licensing, sale, or other disposition of patents, copyrights, trademarks, and similar items of intangible personal property, or Illinois lottery winnings or sales proceeds, are in Illinois as follows:

- sales or leases of real property in Illinois;
- leases or rentals of tangible personal property, to the extent it is located in Illinois during the rental period;
- interest, net gains, and other items of income from intangible personal property received by a taxpayer who is a dealer in that property from a customer who is a resident of Illinois (for individuals) or who is commercially domiciled in Illinois (for all other customers). A taxpayer without actual knowledge of the residence or commercial domicile of a customer may use the customer's billing address.
- interest, net gains, and other items of income from intangible personal property received by a taxpayer who is not a dealer in that property, if the income-producing activity is performed in Illinois or if the income-producing activity is performed inside and outside Illinois, and a greater proportion of the income-producing activity is performed inside Illinois rather than outside Illinois, based on performance costs; or
- in all other cases, if the services are received in Illinois.

For more information, see Illinois Income Tax Regulations, Section 100.3370.

## What if I am an insurance company?

If you checked the box in Step 1, Line G, indicating that you are an insurance company taxable under IRC Section 801 or 831, and your income is derived from inside and outside Illinois, you must also check the box on Line B of Step 3, Line 23. You must apportion your business income as follows:

**Direct writing companies — Life insurance companies, nonlife mutual, and nonlife stock insurance companies** — On Lines 28 and 29, cross out the word “sales” and write “Insurance premiums.” On Line 28, enter the amount of total direct premiums (gross direct premiums less return premiums) from the annual statement (relating to life insurance premiums, annuity considerations, and accident and health insurance premiums, including policy, membership, and other fees).

On Line 29, enter the amount of direct premiums on property or risk located in Illinois from the annual statement.

Divide Line 29 by Line 28 and enter the result, rounded to six decimal places, on Line 30. Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

**Reinsurance – Life insurance companies, nonlife mutual, and nonlife stock insurance companies** – If more than 50 percent of your premiums are from reinsurance, include your reinsurance premiums from all sources on Line 28 and your reinsurance premiums from Illinois sources on Line 29, along with any direct premiums on those lines.

You may determine your reinsurance premiums from Illinois sources using one of the following methods. You must use the same method for all future years unless you receive written permission from IDOR to change methods.

**Method A** – Determine the reinsurance premiums assumed, relating to property or risk located in Illinois.

**Method B** – For each company from which reinsurance is accepted, determine the ceding insurance company's ratio of direct premiums on property or risk located in Illinois, to its total direct premiums. Apply this ratio to the reinsurance premiums assumed from that company. For example, reinsurer R assumes premiums of \$40,000 and \$50,000 from ceding companies A and B respectively. Company A's ratio of direct premiums on property or risk located in Illinois, to its total direct premiums, is 10 percent and Company B's ratio is 20 percent. Reinsurer R has \$14,000 of reinsurance premiums assumed on property or risk located in Illinois, consisting of \$4,000 from ceding Company A (10 percent of \$40,000) and \$10,000 from ceding Company B (20 percent of \$50,000).

**Method C** – Determine the amount of reinsurance premiums assumed from insurance companies commercially domiciled in Illinois. Include in reinsurance premiums assumed in Illinois, all premiums for reinsurance accepted from insurance companies commercially domiciled in Illinois.

## What if I am a financial organization?

If you checked the box in Step 1, Line G, indicating that you are a financial organization and your income is derived from inside and outside Illinois, you must also check the box on Line B of Step 3, Line 23. You must apportion your business income as follows:

On Line 28, enter the amount of gross receipts from all sources.

On Line 29, enter the amount of gross receipts from:

- sales or leases of real property located in Illinois;
- leases or rentals of tangible personal property, to the extent it is located in Illinois during the rental period;
- interest income, commissions, fees, gains on disposition, and other receipts from:
  - loans secured by real or tangible personal property located in Illinois;
  - unsecured consumer loans to a resident of Illinois;
  - unsecured commercial or installment loans where the proceeds of the loan are applied in Illinois. If the place of application cannot be determined, the gross receipts are in Illinois if the office of the borrower from which the loan was negotiated is in Illinois. **If neither the place of application nor the office of the borrower can be determined, do not include the gross receipts in Line 28 or 29;** and
  - credit card receivables billed to a customer in Illinois.
- sales of travelers checks and money orders at a location in Illinois;
- interest, dividends, net gains, and other income from investment and trading assets and activities, where the majority of your contacts with the asset or activity is in Illinois. The state to which an asset or activity is assigned in your books and records for federal or state regulatory requirements is presumed to be proper unless

a majority of the evidence shows otherwise or you do not have a fixed place of business in that state. If the place with the majority of contacts cannot be determined under these rules, the gross receipts are in Illinois if your commercial domicile is in Illinois.

- any other transaction, if the gross receipts would be included on Line 29 under the general instructions for Line 29.

For more information, see Illinois Income Tax Regulations, Section 100.3405.

Divide Line 29 by Line 28 and enter the result, rounded to six decimal places, on Line 30. Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

### What if I am a transportation company?

If you checked the box in Step 1, Line G, indicating that you are a company that furnishes transportation service both inside and outside Illinois, you must also check the box on Line B of Step 3, Line 23. Cross out the word “sales” on Lines 28 and 29 and write “Transportation.” You must apportion business income as follows:

- A Transportation by airline** — On Line 28, enter the amount of revenue miles everywhere. On Line 29, enter the amount of revenue miles in Illinois. Divide Line 29 by Line 28 and enter the result, rounded to six decimal places, on Line 30.
- B Other modes of transportation** — On Line 28, enter the amount of your gross receipts from providing transportation services. On Line 29, enter the amount of gross receipts from Illinois, as follows:
- all gross receipts from transportation that both originates and terminates in Illinois; and
  - gross receipts from interstate transportation, multiplied by a fraction equal to the miles traveled in Illinois on all interstate trips divided by miles traveled everywhere on all interstate trips.

Divide Line 29 by Line 28 and enter the result, rounded to six decimal places, on Line 30.

- C Transportation of both freight and passengers or transportation by airline and other modes** — Compute separate fractions for freight transportation and passenger transportation by airline and for freight transportation and passenger transportation by all other modes of transportation under A and B, in the list above and enter on Line 30 the average of those fractions, weighted by the gross receipts from freight or passenger transportation by airline or other modes, rounded to six decimal places.

For more information, see Illinois Income Tax Regulations, Section 100.3450.

Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

### What if I am a federally regulated exchange?

If you checked the box in Step 1, Line G, indicating that you are a federally regulated exchange and your income is derived from inside and outside Illinois, cross out the word “sales” on Lines 28 and 29 and write “Exchange.” You may apportion your business income as follows:

On Line 28, enter the amount of business income from all sources.

On Line 29, enter the amount of business income from:

- receipts attributable to transactions executed on a physical trading floor located in Illinois;
- receipts attributable to all other matching, execution, or clearing transactions. This includes, without limitation, receipts from the provision of matching, execution, or clearing services to another entity.
  - Multiply this amount by 27.54 percent (.2754) for tax years ending on or after December 31, 2013; and
- all other receipts for sales in Illinois.

Divide Line 29 by Line 28 and enter the result, rounded to six decimal places, on Line 30. Complete Lines 31 through 34 as indicated in Specific Instructions for Step 4, Figure your income allocable to Illinois.

**Note** For any tax year, the Illinois apportionment percentage computed using this formula may never be less than the Illinois apportionment percentage computed for the first full tax year ending on or after December 31, 2013, for which the taxpayer used this formula.

### What if I have two or more discrete businesses?

If you are a corporation engaged in the conduct of two or more discrete businesses, you are entitled to compute your Illinois tax liability by determining the income attributable to each of those businesses, and apportioning that income by application of a separate apportionment formula determined for each. You must attach the separate computations to Form IL-1120. However, you must report the aggregate as if the business were one taxable entity. For more information, see Illinois Income Tax Regulations, Section 100.3010(b).

### What if I am a member of a unitary business group?

The term “unitary business group” means a group of persons related through common ownership, whose business activities are integrated with, dependent on, and contribute to each other. In the case of a corporation, common ownership is defined as the direct or indirect ownership or control of more than 50 percent of the outstanding voting stock of a corporation.

If you determine that you are a member of a unitary business group, see Illinois Schedule UB and Subgroup Schedule Instructions for more information regarding your Illinois filing requirements and the computation of your Illinois tax liability.

### What if I want to use an alternative apportionment formula?

If the apportionment methods prescribed by IITA, Sections 304(a) through (e), and (h) do not fairly and accurately represent the market for your goods, services, or other sources of business income, or lead to a grossly distorted result, you may want to use a more accurate alternative method. If you want to use an alternative apportionment method, you **must** receive permission from IDOR **prior** to filing your return.

**Note** Your request for an alternative apportionment formula must follow the requirements of the Illinois Income Tax Regulations, Section 100.3390. See the regulations or contact IDOR for more information.

If you receive permission to use an alternative formula, you must attach to your Form IL-1120 a copy of the letter granting permission.

Send your request to:

**ILLINOIS DEPARTMENT OF REVENUE  
LEGAL SERVICES OFFICE  
SENIOR COUNSEL - INCOME TAX, 5-500  
101 WEST JEFFERSON STREET  
SPRINGFIELD IL 62702**



# Appendix A - Extension Payment Worksheet

Use this worksheet if all of the following apply to you:

- you are required to file Form IL-1120,
- you cannot file your annual tax return by the due date, and
- you complete this worksheet and determine you owe a tentative tax.

If Line 9 of the worksheet shows you owe tentative tax, pay the full amount due either by filing and paying with Form IL-1120-V or by making your payment electronically. **An extension of time to file does not extend the amount of time you have to make your payment.**

## Extension Payment Worksheet (for your records)

- 1 Enter the total income and replacement taxes you expect to owe for this tax year (including recapture of investment credits using Schedule 4255 and surcharges from the Compassionate Use of Medical Cannabis Program Act and the sale of assets by gaming licensee). 1 \_\_\_\_\_
- 2 Enter your Illinois estimated income and replacement tax payments and any overpayment you elected to be credited to this tax year. 2 \_\_\_\_\_
- 3 Enter any withholding reported to you or pass-through withholding made on your behalf. 3 \_\_\_\_\_
- 4 Enter any previous tax payment made. 4 \_\_\_\_\_
- 5 Enter the estimated income tax credits you expect this year. 5 \_\_\_\_\_
- 6 Enter the estimated replacement tax investment credits you expect this year. 6 \_\_\_\_\_
- 7 Enter the total of any Foreign Insurer income and replacement tax reduction. 7 \_\_\_\_\_
- 8 Add lines 2 through 7 and enter the result. This is the total of your tax payments and credits. 8 \_\_\_\_\_
- 9 Subtract Line 8 from Line 1 and enter the result. This is your **tentative tax due**. Enter the result here and on Form IL-1120-V. 9 \_\_\_\_\_

## Extension Payment Worksheet Instructions

- Line 1** — Enter the total amount of income and replacement taxes you expect to owe for the tax year (including recapture of investment credits using Schedule 4255 and surcharges from the Compassionate Use of Medical Cannabis Program Act or the sale of assets by gaming licensee).
- Line 2** — Enter the total amount of estimated income and replacement tax paid and any overpayment you elected to be credited for this tax year.
- Line 3** — Enter the total amount of Illinois income tax withheld on Form W-2G, and the amount of pass-through withholding made on your behalf and reported to you on Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, or Schedule K-1-T, Beneficiary's Share of Income and Deductions.
- Line 4** — Enter the amount of Illinois income and replacement tax you previously paid for this tax year.
- Line 5** — Enter the total of any estimated income tax credits (including any credit carryforward) from Schedule 1299-D, Income Tax Credits.
- Line 6** — Enter the amount of any estimated replacement tax investment credits from Form IL-477, Replacement Tax Investment Credit.
- Line 7** — Enter the total of any Foreign Insurer income and replacement tax reduction from Form IL-1120, Step 8, Lines 51 and 54.
- Line 8** — Follow the instructions on the worksheet.
- Line 9** — Subtract Line 8 from Line 1. This is your **tentative tax due**. If Line 9 is \$1 or more, you must pay electronically at [Tax.Illinois.gov](http://Tax.Illinois.gov) or use Form IL-1120-V to pay the amount due. If Line 9 is less than \$1, you do not have to pay.  
**Do not attach your federal Form 7004 to your Form IL-1120-V.**

**Note** → Pay electronically at [Tax.Illinois.gov](http://Tax.Illinois.gov) or use the current tax year's Form IL-1120-V, Payment Voucher for Corporate Income and Replacement Tax, to make your payment.

Failure to use the correct voucher for your payments may result in your payment being misapplied, penalties and interest, a delay in the processing of your return, or a delay in the generation of any overpayment.

## Appendix B - Estimated Payment Worksheets

If you reasonably expect your income and replacement tax liability to exceed \$400 after Illinois tax credits and withholding payments made on your behalf, complete this worksheet to compute your next tax year's estimated tax. Keep this record for your files.

**Note** → If your income changes during the year, complete the amended worksheet on the next page.

- 1 Enter the amount of Illinois net income expected in the next tax year. 1 \_\_\_\_\_
- 2 Multiply Line 1 by 9.5% (.095) and enter the result. 2 \_\_\_\_\_
- 3 Enter the amount of recapture of investment credits expected in the next tax year. 3 \_\_\_\_\_
- 4 Enter the amount of surcharge expected from the Compassionate Use of Medical Cannabis Program Act and the sale of assets by gaming licensee in the next tax year. See the Form IL-1120 Instructions for more information. 4 \_\_\_\_\_
- 5 Add Lines 2 through 4 and enter the result. 5 \_\_\_\_\_
- 6 Enter the amount of Illinois tax credits expected in the next tax year as calculated on the corresponding Form IL-477 and Schedule 1299-D. 6 \_\_\_\_\_
- 7 Enter the amount of pass-through withholding expected to be made on your behalf in the next tax year on any Schedule K-1-P or Schedule K-1-T you receive. 7 \_\_\_\_\_
- 8 Enter the amount of any Illinois gambling withholding shown on any the next tax year Form W-2G you expect to receive. 8 \_\_\_\_\_
- 9 Add Lines 6 through 8 and enter the result. 9 \_\_\_\_\_
- 10 Subtract Line 9 from Line 5 and enter the result. If \$400 or less, **stop**. You do not have to make estimated tax payments. If more than \$400, continue to Line 11. 10 \_\_\_\_\_
- 11 Subtract Line 6 from Line 5 and enter the result. 11 \_\_\_\_\_
- 12 Divide Line 11 by 4. This is the amount of each of your estimated tax payments. 12 \_\_\_\_\_

— You may use pass-through withholding made on your behalf on any Schedule K-1-P or K-1-T you received to reduce the estimated tax payment for the quarter in which the tax year shown on the Schedule K-1-P or K-1-T falls and any subsequent tax payment until the entire credit is used.

— You may use Illinois gambling withholding shown on any Form W-2G you receive to reduce the estimated tax payment for the quarter in which the gambling winnings were received and any subsequent tax payment until the entire credit is used.

— If you made the election to credit a prior year overpayment to the next tax year and

- the election was made **on or before** the extended due date of that prior year return, use the credit to reduce the first estimated tax payment and any subsequent tax payments until the entire credit is used.

**Note** → If all or a portion of the credit results from payments made after the due date of your first estimated tax installment of that prior year return, that portion of your credit is considered to be paid on the date you made the payment. If that payment date is on or before an estimated payment due date, you may use that portion of the credit to reduce that estimated tax payment and any subsequent tax payments until the entire credit is used.

- the election was made **after** the extended due date of that prior year return, the credit will be treated as paid on the date you submitted the election. If that payment date is on or before an estimated payment due date, you may use the credit to reduce that estimated tax payment and any subsequent tax payments until the entire credit is used.

**Note** → Pay electronically at [Tax.Illinois.gov](http://Tax.Illinois.gov) or use next tax year's Form IL-1120-V to mail your payment.

Failure to use the correct voucher for your estimated payments may result in your payment being misapplied, penalties and interest, a delay in the processing of your return, or a delay in the generation of any overpayment.

## Appendix B- continued

### Complete this amended worksheet if a change occurs in your original estimated tax.

- 1 Enter the amount of Illinois net income expected in the next tax year. 1 \_\_\_\_\_
- 2 Multiply Line 1 by 9.5% (.095) and enter the result. 2 \_\_\_\_\_
- 3 Enter the amount of recapture of investment credits expected in the next tax year. 3 \_\_\_\_\_
- 4 Enter the amount of surcharge expected from the Compassionate Use of Medical Cannabis Program Act and the sale of assets by gaming licensee in the next tax year. 4 \_\_\_\_\_
- 5 Add Lines 2 through 4 and enter the result. 5 \_\_\_\_\_
- 6 Enter the amount of Illinois tax credits expected in the next tax year as calculated on the corresponding Form IL-477 or Schedule 1299-D. 6 \_\_\_\_\_
- 7 Enter the amount of pass-through withholding expected to be made on your behalf in the next tax year on any Schedule K-1-P or Schedule K-1-T you receive. 7 \_\_\_\_\_
- 8 Enter the amount of any Illinois gambling withholding shown on the next tax year Form W-2G you expect to receive. 8 \_\_\_\_\_
- 9 Add Lines 6 through 8 and enter the result. 9 \_\_\_\_\_
- 10 Subtract Line 9 from Line 5 and enter the result. If \$400 or less, **stop**. You do not have to make estimated tax payments. If more than \$400, continue to Line 11. 10 \_\_\_\_\_
- 11 Subtract Line 6 from Line 5 and enter the result. 11 \_\_\_\_\_
- 12 Divide Line 11 by 4. 12 \_\_\_\_\_
- 13 Multiply Line 12 by the number of previously due estimated payments. 13 \_\_\_\_\_
- 14 Enter the amount of any estimated tax payments, timely prior year overpayments, timely pass-through withholding made on your behalf, or timely Illinois gambling withholding shown on Form W-2-G you received. See the information under Line 12 on the previous page to determine if your credit for a prior year overpayment or withholding amount is considered timely. 14 \_\_\_\_\_
- 15 Subtract Line 14 from Line 13 and enter the result. This amount may be negative. 15 \_\_\_\_\_
- 16 Add Lines 12 and 15 and enter the result.  
If positive, this is the amount due on your next payment due date.  
If zero or negative, the amount due on your next payment due date is zero.  
If Line 16 is negative, continue to Line 17. Otherwise, stop here. 16 \_\_\_\_\_
- 17 If Line 16 is negative, enter that amount as a positive number. 17 \_\_\_\_\_
- 18 Subtract Line 17 from Line 12 and enter the result.  
This is the amount due on the following due date, if applicable. 18 \_\_\_\_\_



# Appendix C - Illinois Net Loss Deduction Worksheet and Instructions

Read the Illinois Net Loss Deduction questions in the General Information section of the form instructions, Line 38 instructions, and the Worksheet instructions before completing this worksheet.

The purpose of Illinois NLD Worksheet is to calculate

- your total amount of Illinois net loss available,
- the amount deductible for this year, and
- the remaining NLD available for use in other years.

Only use this worksheet if you do not already have a method for determining your net loss deduction.

**Note** → Enter all amounts as positive figures.

## Illinois Net Loss Deduction (NLD) Worksheet

	A Loss year that expires first	B Loss year ending	C Loss year ending
	Month / Year	Month / Year	Month / Year
<b>1</b> Enter your reported Illinois net loss. See instructions.	_____	_____	_____
<b>2a</b> Enter the carry year and the amount of Illinois net loss previously carried back or forward. See instructions. <b>2a</b>	_____/_____ Month Year Loss carried	_____/_____ Month Year Loss carried	_____/_____ Month Year Loss carried
	<b>b</b> _____/_____ Month Year Loss carried	<b>b</b> _____/_____ Month Year Loss carried	<b>b</b> _____/_____ Month Year Loss carried
	<b>c</b> _____/_____ Month Year Loss carried	<b>c</b> _____/_____ Month Year Loss carried	<b>c</b> _____/_____ Month Year Loss carried
<b>2d</b> Add Lines 2a through 2c. This is your total amount of loss previously carried. <b>2d</b>	_____	_____	_____
<b>3</b> Subtract Line 2d from Line 1. This is your remaining Illinois net loss.	_____	_____	_____
<b>4</b> Enter the Illinois base income for this carry year. See instructions.	_____	_____	_____
<b>5</b> Enter the lesser of Line 3 or Line 4. This is your Illinois net loss deduction (NLD).	_____	Enter Line 6 from previous column	Enter Line 6 from previous column
	_____	_____	_____
<b>6</b> Subtract Line 5 from Line 4. This is your remaining income after NLD.	_____	_____	_____
<b>7</b> Subtract Line 5 from Line 3. This is your remaining NLD for subsequent years.	_____	_____	_____

**Line 5 Total**  
Enter the total of Columns A, B, and C, Line 5 in this box.  
**See instructions.**

# Appendix C - continued

## NLD Worksheet Specific Instructions

If a specific line is not referenced, follow the instructions on the Worksheet.

**Column A** — Enter the month and year of the tax year in which you incurred the Illinois net loss that will expire first.

**Line 1** — Enter the amount of reported Illinois net loss for the tax year. Use the following tables to determine the correct line reference for your tax type and tax year.

<b>Corporations —</b>
<i>For tax years ending on or after December 31, 2010</i>
• Forms IL-1120 or IL-1120-X, Line 37
<i>For tax years ending on or after December 31, 2009 and on or before December 30, 2010</i>
• Forms IL-1120 or IL-1120-X, Line 39
<i>For tax years ending on or after December 31, 2005 and ending on or before December 30, 2009</i>
• Forms IL-1120 or IL-1120-X, Line 37
<i>For tax years ending before December 31, 2005</i>
• Form IL-1120 or Form IL-1120-X, Part IV, Line 1

**Schedule INL filers (REMIC owners only)** - A negative amount entered on Step 4, Line 18 of a prior year Schedule INL, Illinois Net Loss Adjustments for Cooperatives and REMIC Owners, is the amount of NLD you have earned in that prior year.

If that NLD is eligible to be carried to this tax year and is the Illinois net loss that will expire first, enter

- the month and year from the prior year Schedule INL in the space provided above the Illinois NLD Worksheet, Line 1, and
- the negative amount from Schedule INL, Step 4, Line 18 as a positive amount on the Illinois NLD Worksheet, Line 1.

**Note** If this NLD is not the Illinois net loss that will expire first, enter it in columns B or C, as applicable.

<b>S corporations —</b>
<i>For tax years ending on or after December 31, 2010</i>
• Forms IL-1120-ST or Form IL-1120-ST-X, Line 49
<i>For tax years ending on or after December 31, 2009, and on or before December 30, 2010</i>
• Forms IL-1120-ST or Form IL-1120-ST-X, Line 50
<i>For tax years ending on or after December 31, 2006, and on or before December 30, 2009</i>
• Forms IL-1120-ST or Form IL-1120-ST-X, Line 48
<i>For tax years ending before December 31, 2006</i>
• Form IL-1120-ST, Part II, Line 1a

<b>Partnerships —</b>
<i>For tax years ending on or after December 31, 2010</i>
• Forms IL-1065 or Form IL-1065-X, Line 47
<i>For tax years ending on or after December 31, 2006, and on or before December 30, 2010</i>
• Forms IL-1065 or Form IL-1065-X, Line 48
<i>For tax years ending before December 31, 2006</i>
• Form IL-1065, Part II, Line 1a

<b>Fiduciaries —</b>
<i>For tax years ending on or after December 31, 2010</i>
• Forms IL-1041 or Form IL-1041-X, Line 29
<i>For tax years ending on or after December 31, 2009, and on or before December 30, 2010</i>
• Forms IL-1041 or Form IL-1041-X, Line 30
<i>For tax years ending on or after December 31, 2007, and on or before December 30, 2009</i>
• Forms IL-1041 or Form IL-1041-X, Line 27
<i>For tax years ending before December 31, 2007</i>
• Forms IL-1041, Part III, Line 1a

**Note** If the loss originated from a company other than the one filing this return, **attach** a statement to your return listing the

- FEIN of the company,
- reason (e.g., merger) you are allowed to use that company's losses, and
- date you acquired the loss.

**Lines 2a through 2c** — Enter the month and year to which the loss has been previously carried and the amount of Illinois net loss previously used to offset base income allocable to Illinois.

<i>For tax years ending on or after December 31, 2010, this amount is shown on that tax year's —</i>
Form IL-1120 or IL-1120-X, Line 38
Form IL-1120-ST or IL-1120-ST-X, Line 50
Form IL-1065 or IL-1065-X, Line 48
Form IL-1041 or IL-1041-X, Line 30

<i>For tax years ending on or after December 31, 2009, and on or before December 30, 2010, this amount is shown on that tax year's —</i>
Form IL-1120 or IL-1120-X, Line 40
Form IL-1120-ST or IL-1120-ST-X, Line 51
Form IL-1065 or IL-1065-X, Line 49
Form IL-1041 or IL-1041-X, Line 31

<i>For tax years ending on or after December 31, 2007, and on or before December 30, 2009, this amount is shown on that tax year's —</i>
Form IL-1120 or IL-1120-X, Line 38
Form IL-1120-ST or IL-1120-ST-X, Line 49
Form IL-1065 or IL-1065-X, Line 49
Form IL-1041 or IL-1041-X, Line 28

<i>For tax years ending on or after December 31, 2006, and on or before December 30, 2007, this amount is shown on that tax year's —</i>
Form IL-1120 or IL-1120-X, Line 38
Form IL-1120-ST or IL-1120-ST-X, Line 49
Form IL-1065 or IL-1065-X, Line 49
Form IL-1041, Part III, Line 1b
revised Illinois return attached to your Form IL-843

## Appendix C - continued

**For tax years ending on or after December 31, 2005, and on or before December 30, 2006, this amount is shown on that tax year's —**

Form IL-1120 or IL-1120-X, Line 38

Form IL-1120-ST, Part II, Line 1b

Form IL-1065, Part II, Line 1b

Form IL-1041, Part III, Line 1b

revised Illinois return attached to your Form IL-843

**For tax years ending before December 31, 2005, this amount is shown on that tax year's —**

Form IL-1120, Part IV, Line 2

Form IL-1120-ST, Part II, Line 1b

Form IL-1065, Part II, Line 1b

Form IL-1041, Part III, Line 1b

Form IL-1120-X, Part IV, Line 2, Column C

revised Illinois return attached to your Form IL-843

**Discharge of Indebtedness Income** — If you excluded discharge of indebtedness income in a prior tax year from your federal gross income, then you are required to reduce your Illinois net operating loss carryovers. The loss is treated as previously used in Illinois. This reduction applies to Illinois loss carryovers to the tax year of the debt cancellation only if a reduction was made under the Internal Revenue Code to any federal net operating loss carryovers you had to that tax year. Use the worksheet in Appendix D to calculate the amount of reduction.

**Attach** the following to your return

- a detailed statement of the month and year to which the loss was previously carried and include the amount of reduction calculated as Illinois net loss previously used **and**
- a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness.

For more information, see Illinois Income Tax Regulations, Section 100.2310(c).

**Line 4** — Enter the amount of base income allocable to Illinois for the carry year.

**Enter the amount shown on —**

Form IL-1120, Line 37, or Form IL-1120-X, Line 37, Column B;

Form IL-1120-ST, Line 49, or Form IL-1120ST-X, Line 49, Column B;

Form IL-1065, Line 47, or Form IL-1065-X, Line 47, Column B;

Form IL-1041, Line 29, or Form IL-1041-X, Line 29, Column B.

If this is a negative amount, you **should not** be using this worksheet.

**Line 7** — Subtract Line 5 from Line 3. **Do not** enter this amount on this year's return. This is your remaining NLD to be carried to subsequent years.

**Note** → If there is an NLD remaining **after** this year (Line 7 is greater than zero), the amount on Line 5 must be included on any subsequent year's NLD Worksheet, Line 2.

**Columns B and C** — Complete all lines of the columns as needed for additional Illinois net loss years. List additional Illinois net loss years in the order in which they will expire first.

**Lines 1 through 3** — Follow the instructions for Column A.

**Line 4** — Enter the amount from Line 6 of the preceding column.

**Lines 6 and 7** — Follow the instructions for Column A.

**Note** → If you have more than three Illinois net loss years, use additional NLD Worksheets as needed.

**Line 5 Total Box** — Add Columns A, B, and C, Line 5, from all NLD Worksheets. This is your total NLD to be used this year. Enter this amount in the box and on the "Illinois net loss deduction" line of this year's original or amended return.



# Appendix D - Discharge of Indebtedness Worksheet and Instructions

## What is the purpose of the Discharge of Indebtedness Worksheet?

Use this worksheet and instructions if you have Illinois net operating loss carryovers to the tax year of the debt cancellation to determine your loss carryover reduction.

## What if I am Unitary Group and I have discharge of indebtedness?

If you are a unitary group and any of the members of your group had discharge of indebtedness income excluded from their federal gross income for any taxable year ending on or after December 31, 2008, and as a result the member was required to reduce a federal net operating loss carryover, you may be required to reduce the Illinois net loss carryovers of that member in calculating your combined net loss deduction. See the note in the instructions for Line 4. Also, if you incurred a combined Illinois net loss for a taxable year in which one or more of your group members had excluded discharge of indebtedness income, you may have been required to reduce the combined Illinois net loss you incurred for that year. This reduction is made on the Illinois income tax return you filed for the loss year.

### Discharge of Indebtedness Worksheet

- |  |                |
|--|----------------|
| <b>1</b> Enter the amount of the reduction to your federal net operating losses that was carried over to the tax year of the discharge (See federal Form 982). | <b>1</b> _____ |
| <b>2</b> Multiply the amount on Line 1 by your income allocation ratio.  | <b>2</b> _____ |
| <b>3</b> Enter the total amount of Illinois net loss carryovers from all loss years available to be carried to the taxable year of the discharge.              | <b>3</b> _____ |
| <b>4</b> Enter the lesser of Line 2 or Line 3. This is the amount of your loss carryover reduction.  | <b>4</b> _____ |

### Discharge of Indebtedness Worksheet Instructions

**Line 1** — Follow the instructions on the Discharge of Indebtedness Worksheet.

**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 your debt cancellation income would have been business income, use the apportionment factor you calculated on the return for the tax year of the debt cancellation.

**Line 3** — This is the amount of any net loss reported on the NLD Worksheet or a taxable year prior to the year of discharge that has not previously been carried back or forward. In determining this amount, if you had positive base income allocable to Illinois in the tax year of the debt cancellation, you may first use any NOL carryovers available to be carried to that year in order to claim an Illinois NLD. Only the remaining unused loss carryovers to such year, if any, should be included on this line. If Line 3 is less than Line 2, all of the net loss carryovers you reported on Line 3 are reduced to zero (\$0).

**Line 4** — If Line 2 is less than Line 3, apply the loss carryover reduction from Line 4 to reduce (but not below \$0) the net operating loss carryover beginning with the earliest loss year, and continue in order until the entire loss carryover reduction has been applied.

# Appendix E - Unitary Illinois Net Loss Deduction Worksheet and Instructions

## What is the purpose of the Unitary Illinois NLD Worksheet?

The purpose of the Unitary Illinois NLD Worksheet is to calculate

- total amount of unitary Illinois net loss available for deduction on a combined return by a unitary business group in a year;
- the amount deducted on the combined return; and
- the amount of any loss allocable to each member of the unitary business group and available to carry over to any separate return filed by that member for a later tax year or to the combined return of any unitary business group that member might join in a later year.

Because earlier versions of the Schedule UB/NLD did not allocate unused losses among members of a unitary business group, whenever a member leaves a unitary business group that has unused Illinois net losses, that member and the combined unitary business group to which that member belonged to may need to complete a pro forma Schedule UB/NLD (revision date R-12/05 or later, but prior to R-12/11 - the revision date is indicated in the bottom corner of the schedule) for earlier years. This determines how much of the unused loss may be carried forward by the departed member and how much remains with the combined group.

## What if the membership of my unitary business group has changed since an Illinois net loss was incurred?

If a member has joined the group, any unused Illinois net loss incurred by that member before joining the group may be used by the group in the year the member joined and in subsequent years, up to the maximum number of years (counting both years prior to joining and years subsequent to joining) to which the loss could be carried. Illinois does not follow IRC Section 382 or have any "separate return limitation year" rules.

If a member has left your group since the group incurred an Illinois net loss, any loss allocable to that member that was not used before the member left may be used only by that member or by any unitary business group that it joined after leaving your group. For tax years ending before December 31, 2005, you may need to complete a pro forma Schedule UB, Step 4 (revision date R-12/06 or later), for the loss year using a version of Schedule UB/NLD (revision date R-12/05 or later, but prior to R-12/11) for each carryover year to determine how much of the loss was used before the member left the group.

If a member has acquired an Illinois net loss of another taxpayer under IRC Section 381 (whether or not the other taxpayer was ever a member of your group), that member is entitled to carry forward any unused loss it acquired to the year of the acquisition and to subsequent years, up to the maximum number of years to which the loss could be carried. **Attach** a statement to your return showing the name and taxpayer identification number of your member that acquired a loss being claimed, the name and taxpayer identification number from whom the loss was acquired, the date of the acquisition, the tax year in which the loss was incurred, and the amount of unused loss acquired.

## Unitary Illinois NLD Worksheet Instructions

Use these instructions and worksheet if you are a unitary filer claiming an Illinois Net Loss Deduction and you do not have an alternative net loss deduction calculation method.

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

### Step 1: Identify your members

**Note** → Do not include any taxpayer that was not a member of your combined group at any time during the current tax year, even if it was a member of your combined group during a loss year.

**Line 1** — In each Column A, B, C, and D, enter the name of each member of your combined group that is carrying a loss into the current tax year.

**Line 2** — In each Column A, B, C, and D, enter the FEIN of each member you entered on Line 1 in the appropriate column. Use additional copies of this worksheet if there are more than four members.

If any of these losses were incurred by another entity that later was acquired by a member of your group, enter the group member's name and FEIN here.

**Note** → Do not include corporations taxed in the current year as S corporations. Each S corporation must claim its losses on its separate Form IL-1120-ST. However, if your combined group includes a member that was an S corporation in prior years but is no longer an S corporation, you may carry unused losses from its S corporation years into this tax year in the same manner as any other corporation's loss.

**Note** → Do not include partnerships. Each partnership must claim its losses on its separate Form IL-1065.

### Step 2: Figure your loss year amounts

**Line 3** — Enter the tax year that you incurred an Illinois net loss that is available for carryforward to this year and is the loss that will expire first.

**Discharge of Indebtedness Income** — If any of the members of your group had discharge of indebtedness income excluded from their federal gross income for any taxable year ending on or after December 31, 2008, and as a result the member was required to reduce a federal net operating loss carryover available to carry into this year, you may be required to reduce that member's Illinois net loss carryovers available to carry into this year. Use the worksheet in Appendix D to calculate the amount of reduction.

**Attach** the following to your return

- a detailed statement of the month and year to which the loss was previously carried and include the amount of reduction calculated as Illinois net loss previously used **and**
- a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness.

For more information, see Illinois Income Tax Regulations, Section 100.2310(c).

**Line 4** — In Column E, Combined Totals, enter the total amount of combined net income of your combined group from Step 4, Line 10, of the **current tax year's** Schedule UB.

If losses for more than four years are carried into this tax year, use additional Unitary NLD Worksheets and enter in Step 2, Column E, Line 4, the amount from Step 2, Column E, Line 24, of the previous worksheet. Repeat this process until all losses are used or until taxable income in Column E is reduced to zero.

**Line 5** — In Columns A through D, enter the amount of any loss that was incurred by the member in the tax year entered on Line 3, and that has not been used in a prior year, and enter the total amount in Column E.

**Line 6** — In Column E, subtract Line 5 from Line 4. If negative, enter the amount in parentheses.

**Line 7** — If the amount in Column E, Line 6 is zero or positive, enter zero here in Columns A through E.

If the amount in Column E, Line 6 is negative, in each Column A through D, enter the amount from that column on Line 5, divided by the amount in Column E, Line 5. Carry to six decimal places. In Column E, enter "one."

**Line 8** — If the amount in Column E, Line 6 is

- **positive**, leave this line blank. If you have more losses to deduct, go to Line 9.

## Appendix E - continued

- **negative**, enter in Columns A through D, the amount in Column E of Line 6, multiplied by the percentage in Line 7 of the same column, and enter zero in Column E, Line 10. The amount shown in each column is the Illinois net loss of the member that is available to carry to that member's Illinois income tax return for the next tax year.
- **zero**, leave this line blank and enter zero in Column E, Line 10.

**Note** If you have **more** losses to deduct, go to Line 9. If you have **no more** losses to deduct, go to Step 3.

**Lines 9 through 14, 15 through 20, and 21 through 26** — Complete an entire set (Lines 9 through 14, 15 through 20, etc.) for each taxable year in which a loss was incurred that has not previously been used. If losses for more than four years are carried into this tax year, use additional Unitary NLD Worksheets and enter in Step 2, Column E, Line 4 the amount from Step 2, Column E, Line 24 of this worksheet. Repeat this process until all losses are used or until taxable income in Column E is reduced to zero or a negative amount.

**Line(s) 9, 15, and 21** — Enter the tax year in which a member incurred an Illinois net loss that is available for carryforward and that is the loss that will expire next.

**Line(s) 10, 16, and 22** — In Column E, enter the total amount of base income of your unitary business group from Column E, Line 6 (12 or 18, as applicable). If the amount is negative, enter zero.

**Line(s) 11, 17, and 23** — Enter the amounts in Columns A through D of any loss that was incurred by the member of your group in the tax year on Line 9 (15 or 21, as applicable) that has not been used, and enter the total amount in Column E.

**Line(s) 12, 18, and 24** — Subtract Column E, Line 11 (17 or 23, as applicable) from Line 10 (16 or 22, as applicable). If the result is negative, enter the amount in parentheses.

**Line(s) 13, 19, and 25** — If the amount in Column E, Line 12 (18 or 24, as applicable) is zero or positive, enter zero. If that amount is negative, divide the amount in Columns A through D, Line 11 (17 or 23, as applicable) by the amount in Column E, Line 11 (17 or 23, as applicable), and enter the results in Column A through D. Round the result to six decimal places.

**Line(s) 14, 20, and 26** — If the amount in Column E of Line 12 (18 or 24, as applicable) is

- **positive**, leave this line blank and go to Line 15 (21 or to a new worksheet, as applicable).
- **Note** If you are completing the last set of lines (Lines 21 through 26), and the amount in Column E, Line 24 is positive, and you have losses that have not been used, enter the amount from Column E, Line 24 on Column E, Line 4 of an additional worksheet, enter the year of the next loss that will expire on Line 3, and continue on that worksheet.
- **negative**, enter in Columns A through D, the amount in Column E of Line 12 (18 or 24, as applicable) multiplied by the percentage in Line 13 (19 or 25, as applicable) of the same column, and enter zero on Line 16 (22 or Line 4 of a new worksheet). The amount shown in each column is the Illinois net loss of the member that is available to carry to that member's Illinois income tax return for the next tax year.
- **zero**, enter zero on Line 16 (22 or Line 4 of a new worksheet, as applicable).

If you have no more losses to deduct, go to Step 3.

### Step 3: Figure your total deduction and taxable income

**Line 27** — Enter the amount from Step 2, Column E, Line 4 here and on your form IL-1120, Step 5, Line 35. If you used more than one worksheet, enter the amount from the first page only. **Do not** add Line 4 of the multiple pages.

**Line 28** — Add the amounts from Step 2, Column E, Lines 5, 11, 17, and 23 and enter the total here. If you used more than one worksheet, add the amounts from each page, enter the total on Line 28 of the first worksheet, and complete Lines 29, 30, and 31 on the **first worksheet only**.

**Line 29** — If there is a negative amount in Column E, Lines 6, 12, 18, or 24 of any worksheet you completed for this return, enter the total of those amounts as a positive number here. Otherwise, enter zero.

**Line 30** — Subtract Line 29 from Line 28, and enter the result here, and on your Form IL-1120, Step 5, Line 38.

**Line 31** — Subtract Line 30 from Line 27, and enter the result here, and on your Form IL-1120, Step 5, Line 39. The amount on this line cannot be negative.

# Appendix E - continued

## Unitary Illinois Net Loss Deduction Worksheet

### Step 1: Identify your members

- 1 Enter the name of each unitary member that is carrying a loss.  
 2 Enter the FEIN of each unitary member.

A

B

C

D

E

Combined Totals

### Step 2: Figure your loss year amounts

3 Enter the year of your loss that expires first. _____					3 _____
4 Enter the combined net income before this Illinois NLD.					4 _____ .00
5 Enter each member's loss for the year.	_____ .00	_____ .00	_____ .00	_____ .00	5 _____ .00
6 Net income after this Illinois NLD. Subtract Col. E, Line 5 from Line 4.					6 _____ .00
7 Enter the percentage of total loss. See instructions.	_____ .	_____ .	_____ .	_____ .	7 _____ .
8 Unused loss. See instructions.	_____ .00	_____ .00	_____ .00	_____ .00	8 _____ .00
9 Enter the year of your loss that expires next. _____					9 _____
10 Enter the amount from Column E, Line 6. If negative, enter zero.					10 _____ .00
11 Enter the loss amount for the year on Line 9.	_____ .00	_____ .00	_____ .00	_____ .00	11 _____ .00
12 Net income after this Illinois NLD. Subtract Col. E, Line 11 from Line 10.					12 _____ .00
13 Enter the percentage of total loss. See instructions.	_____ .	_____ .	_____ .	_____ .	13 _____ .
14 Unused loss. See instructions.	_____ .00	_____ .00	_____ .00	_____ .00	14 _____ .00
15 Enter the year of your loss that expires next. _____					15 _____
16 Enter the amount from Line 12. If negative, enter zero.					16 _____ .00
17 Enter the loss amount for the year on Line 15.	_____ .00	_____ .00	_____ .00	_____ .00	17 _____ .00
18 Net income after this Illinois NLD. Subtract Col. E, Line 17 from Line 16.					18 _____ .00
19 Enter the percentage of total loss. See instructions.	_____ .	_____ .	_____ .	_____ .	19 _____ .
20 Unused loss. See instructions.	_____ .00	_____ .00	_____ .00	_____ .00	20 _____ .00
21 Enter the year of your loss that expires next. _____					21 _____
22 Enter the amount from Line 18. If negative, enter zero.					22 _____ .00
23 Enter the loss amount for the year on Line 21.	_____ .00	_____ .00	_____ .00	_____ .00	23 _____ .00
24 Net income after this Illinois NLD. Subtract Col. E, Line 23 from Line 22.					24 _____ .00
25 Enter the percentage of total loss. See instructions.	_____ .	_____ .	_____ .	_____ .	25 _____ .
26 Unused loss. See instructions.	_____ .00	_____ .00	_____ .00	_____ .00	26 _____ .00

### Step 3: Figure your total deduction and taxable income. (Read the specific instructions before completing this step.)

27 Enter the combined net income from Step 2, Column E, Line 4.					27 _____ .00
28 Enter the Illinois net loss deduction claimed on this worksheet.					28 _____ .00
29 Enter the Illinois net loss deduction claimed, but not used.					29 _____ .00
30 Subtract Line 29 from Line 28. This is your Illinois Net Loss Deduction for this tax year.					30 _____ .00
31 Subtract Line 30 from Line 27. This is your taxable income after NLD.					31 _____ .00