Illinois Department of Revenue

2025 Schedule 80/20 Instructions

What's New for 2025?

- Two Safe Harbor exceptions have been removed from the 80/20 company addition modification provisions for interest and intangible expenses.
- Illinois aligns with federal filing guidelines regarding allocations of certain interest expenses for taxpayers subject to the IRC Sec. 163(j) deduction limit.

General Information

Illinois law states that a unitary business group may not include any company that conducts 80 percent or more of its business outside of the United States. Taxpayers have reduced their Illinois income by forming one of these 80/20 companies and claiming deductions for interest, or intangible expenses paid to the affiliated company, which is placed where it cannot be taxed by Illinois on the income from these transactions.

Effective for tax years **ending on or after December 31, 2004**, you may not deduct some interest or "intangible expenses" from transactions with an 80/20 company. All interest and intangible expenses you deducted federally that are in excess of any taxable dividends you received from the 80/20 company must be added back unless an exception applies (see Specific Instructions).

You are allowed to subtract the amount of taxable interest and intangible asset income you received from the 80/20 company, up to the amount of federally deductible interest or intangible asset income you received from that 80/20 company that is added back, unless an exception applies (see Specific Instructions).

What is the purpose of Illinois Schedule 80/20?

Illinois Schedule 80/20 serves the following purposes:

- to figure the amount of deductions the domestic unitary member must add back to its income;
- to allow the taxpayer to figure the correct amount of allowable, valid deductions; and
- to allow any affiliated company with an Illinois filing requirement to take a deduction for the expenses added back on the Schedule 80/20 of the taxpayer who paid the expenses.

Note: If you have more affiliated companies to report than space provided, complete and attach additional Illinois Schedules 80/20. Report the totals in Column D of the last copy only.

Definitions

An **"80/20 company"** means any person who would be a member of a unitary business group with you, if not for the fact that 80 percent or more of its business activities are conducted outside the United States. For more information, see the discussion of the "80/20 rule" in "What is a unitary business group" in the instructions to the Schedule UB, Combined Apportionment for Unitary Business Group.

An **"affiliated company"** means any 80/20 company.

"Intangible expenses" means royalties and fees paid for intangible assets, losses incurred on sales or other dispositions of intangible assets to an 80/20 company, losses on factoring or discounting transactions with an 80/20 company, and deductible expenses incurred in connection with the acquisition, use, management, sale, or other disposition of an intangible asset.

"Intangible assets" include patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets, and similar types of intangible property.

"Related party" means

- a brother, sister, spouse, ancestor or lineal descendant of an individual;
- an individual and a corporation of which more than 50 percent in value of the outstanding stock is owned directly or indirectly by or for such individual;
- two corporations that are united by common ownership, even if the corporations are not members of a unitary business group;
- a grantor and a fiduciary of any trust;
- a corporation and a partnership if the same persons own more than 50 percent in value of the outstanding stock of the corporation and more than 50 percent of the capital interest or the profits interest in the partnership;
- an S corporation and any of its shareholders;
- an S corporation and another S corporation, if the same persons own more than 50 percent in value of the outstanding stock of each corporation;
- an S corporation and a C corporation, if the same persons own more than 50 percent in value of the outstanding stock of each corporation; or
- a partner and its partnership and each of the other partners in that partnership.

Unitary business groups

If you are a member of a unitary business group, one Illinois Schedule 80/20 should be completed for the entire group. Complete Illinois Schedule 80/20 showing in the column for each affiliated company all of the disallowed interest and intangible expense deductions by all members of the unitary business group to the affiliated company or all of the interest, intangible asset income, and dividends received by every member of the unitary business group from the affiliated company. Members of the unitary business group who do not join in a combined return should attach a copy of the unitary Illinois Schedule 80/20 to their separate returns.

Affiliated companies that received interest or intangible asset income from more than one member of a unitary business group should report these amounts as if received from a single person.

Should I round?

You must round the dollar amounts on Schedule 80/20 to whole-dollar amounts. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

What if I need additional assistance or forms?

- For assistance, forms, or schedules, visit our website at tax.illinois.gov or scan the QR code provided.
- Write us at:

  ILLINOIS DEPARTMENT OF REVENUE
  PO BOX 19001
  SPRINGFIELD IL 62794-9001
- Call **1 800 732-8866** or **217 782-3336** (TTY at **1 800 544-5304**).
- Visit a taxpayer assistance office - 8:00 a.m. to 5:00 p.m. (Springfield office) and 8:30 a.m. to 5:00 p.m. (all other offices), Monday through Friday.

Specific Instructions

Step 1: Identify your affiliated companies

Line 1 — Enter the name of each 80/20 company to whom you paid interest or intangible expenses you are required to add back.

Line 2 — Enter the entire FEIN (if applicable) for each affiliated company listed on Line 1. If the affiliated company is a foreign entity and does not have a FEIN, leave Line 2 for that column blank. If you leave this line blank, you may be contacted for further information.

Line 2a — Check this box if the affiliated company has been added to this Schedule 80/20 because:

- you are filing Schedule 80/20 with your original return and this member was not listed on your Schedule 80/20 in the previous tax year; or
- you are filing Schedule 80/20 with an amended return and this member was not listed on the Schedule 80/20 filed with your most recently filed or adjusted return for the tax year.

Step 2: Figure your addition modifications

Columns A, B, and C — For each line item, enter the amounts requested for each affiliated company.

Column D — Follow the instructions below.

- **If you have three or fewer affiliated companies:**

  Enter the total of Columns A, B, and C for the applicable line item.
- **If you have more than three affiliated companies:**

  Complete and attach additional Schedules 80/20 as needed. For each applicable line item, enter the total of Columns A, B, and C from **all** attached Schedules 80/20 **on the last additional Schedule 80/20 only**. Failure to do so may result in a delay in the processing of your return.

Line 3a — Enter all interest you paid to each affiliated company and deducted in computing base income in this tax year.

Note: If your federal deduction for business interest is limited by IRC Section 163(j), the amount of interest you paid to an affiliated company and deducted in computing base income for the taxable year is equal to the amount of business interest paid to that affiliate for the taxable year (including any amount of business interest paid to that affiliate in the preceding taxable year and carried forward from the preceding taxable year under IRC Section 163(j)(2)) times a fraction equal to the deduction allowed under IRC Section 163(j) for business interest paid for that taxable year divided by the total business interest paid for that taxable year (including any amount of business interest paid in the preceding taxable year and carried forward from the preceding taxable year under IRC Section 163(j)(2)).

Example: *In Year 1 Taxpayer paid $100 in business interest to an 80/20 affiliate and $1,000 in total business interest. There is no carryforward under IRC Section 163(j)(2) from the prior year. Under IRC Section 163(j), Taxpayer's federal income tax deduction for interest in Year 1 is limited to $800. For purposes of computing the amount of interest to include on Line 3a for Year 1, the amount of interest Taxpayer is considered to have paid the 80/20 affiliate and deducted in computing base income equals $80 (the $100 actually paid multiplied by 80%). The carryforward of interest paid to the 80/20 affiliate in Year 2 equals $20 (the $100 actually paid multiplied by 20%).*

Line 3b — Enter the amount of interest that is exempt from add-back because

- the affiliated company paid interest during the tax year to an unrelated party, but only if your arrangement with the affiliated company did not have a principal purpose of reducing your Illinois income tax liability and the terms and interest rates of your arrangement with the affiliated company are the same as they would be with an unrelated party;

- you can establish that the add-back is unreasonable; or
- the Illinois Department of Revenue (IDOR) has given you written permission to use an alternative apportionment formula and to deduct this interest. See the instructions for your income tax return for more information.

Line 3c — Follow the instructions on the form.

Line 4 — Enter all dividends received from each affiliated company, plus any amounts included in gross income under Internal Revenue Code (IRC) Section 78 and Sections 951 through 964, but only to the extent these amounts are included in your base income for this tax year.

Line 5 — Follow the instructions on the form for Columns A, B, and C, and enter the total in Column D. If you attached multiple Schedules 80/20, enter the total from all attached Schedules 80/20 in Column D of the last additional Schedule 80/20 only.

Line 6a — Enter all intangible expenses incurred in transactions with each affiliated company that you deducted in computing base income in this tax year.

Line 6b — Enter the amount of intangible expenses from transactions with an affiliated company that is exempt from add-back because

- **Paid to unrelated party** - the affiliated company incurred a similar, related expense during this tax year in a transaction with an unrelated party, but only if your arrangement with the affiliated company did not have a principal purpose of reducing your Illinois income tax liability and the terms and rates of your arrangement with the affiliated company are the same as they would have been with an unrelated party;
- **Add-back unreasonable** - you can establish that the add-back is unreasonable; or
- **Alternative apportionment** - IDOR has given you written permission to use an alternative apportionment formula and to deduct this expense. See the instructions for your income tax return for more information.

If you enter an amount on Line 6b, you must check at least one box on Line 6c.

Line 6c — If you entered an amount on Line 6b, check the boxes that identify the reasons the amount entered on Line 6b is exempt from add-back. You may check multiple boxes.

Line 6d — Subtract Line 6b from Line 6a.

Line 7 — Enter any excess amount of dividends received from each affiliated company on Line 4, over the interest expense addition on Line 3c.

Line 8 — Follow the instructions on the form for Columns A, B, and C, and enter the total in Column D. If you attached multiple Schedules 80/20, enter the total from all attached Schedules 80/20 in Column D of the last additional Schedule 80/20 only.

Line 9 — Follow the instructions on the form for Columns A, B, and C. Add the total in Column D, Lines 5 and 8. If you attached multiple Schedules 80/20, enter the total from all attached Schedules 80/20 in Column D of the last additional Schedule 80/20 only.

Enter the total here and on

- Form IL-1120, Line 6,
- Form IL-1120-ST, Line 18,
- Form IL-1065, Line 18, or
- Form IL-1041, Line 8.

Note: The sum of the amounts you report on Form IL-1041, Line 8, Columns A and B should match the total amount reported on Illinois Schedule 80/20, Step 2, Line 9.

Step 3: Figure your subtraction modifications for affiliated companies

Complete Steps 3 and 4 only if you figured an addition modification on Line 9.

Columns A, B, C, and D — Follow the instructions for these columns as listed in Step 2.

Line 10 — If you received interest from an affiliated company listed on Line 1, enter the amount included in your base income for each affiliated company.

Line 11 — Follow the instructions on the form for Columns A, B, and C, and enter the total in Column D. If you attached multiple Schedules 80/20, enter the total from all attached Schedules 80/20 in Column D of the last additional Schedule 80/20 only.

Line 12 — If you received income from transactions involving intangible assets with an affiliated company listed on Line 1, enter the amount included in your base income for each affiliated company.

Line 13 — Follow the instructions on the form for Columns A, B, and C, and enter the total in Column D. If you attached multiple Schedules 80/20, enter the total from all attached Schedules 80/20 in Column D of the last additional Schedule 80/20 only.

Line 14 — Follow the instructions on the form. If you attached multiple Schedules 80/20 complete this line on the last additional Schedule 80/20 only.

Step 4: Figure your total subtraction modification

Note: If you attach multiple copies of Schedule 80/20 to your return, complete Step 4 once and attach it as the last page of Schedule 80/20. Failure to do so may result in a delay in the processing of your return.

Lines 16 through 22 should only be completed by an affiliated company that is allowed a subtraction modification because the U.S. company with which it is affiliated must add back any portion of interest or intangible expenses it paid to the affiliated company. All taxpayers may complete Line 23.

Line 16 — Enter the name and entire FEIN of the U.S. company or the designated agent of the unitary business group that was disallowed a deduction for the interest or intangible expenses paid to you.

Line 17 — Enter the total amount of interest received from the U.S. company that you included in your base income for this tax year, net of any related expenses.

Line 18 — Enter the amount from Line 5 of the Illinois Schedule 80/20 filed by the U.S. company for this tax year with respect to interest paid to you. If negative, enter "0."

Line 19 — Follow the instructions on the form.

Line 20 — Enter the total amount of intangible asset income received from the U.S. company that you included in your base income for this tax year, net of any related expenses.

Line 21 — Enter the amount from Line 8 of the Illinois Schedule 80/20 filed by the U.S. company for this tax year with respect to intangible expenses paid to you.

Line 22 — Follow the instructions on the form.

All taxpayers complete Line 23.

Line 23 — Add the total amounts in Lines 15, 19, and 22. Enter the total here and on

- Form IL-1120, Line 19,
- Form IL-1120-ST, Line 31,
- Form IL-1065, Line 31, or
- Form IL-1041, Line 21.

Note: The sum of the amounts you report on Form IL-1041, Line 21, columns A and B should match the total amount reported on Illinois Schedule 80/20, Step 4, Line 23.