Illinois Department of Revenue

2025 Schedule M Instructions (for businesses)

What's New?

The form has been modified to include a new addition line for any amount that was deducted from a taxpayer's federal taxable income and which is attributable to an endowment gift for which the taxpayer receives a credit under the Illinois Gives Tax Credit Act.

The Illinois Income Tax Act was amended to remove the expiration date of the subtraction modification for excess business loss disallowed by IRC Section 461(l)(1)(B) (Line 33).

General Information

What is the purpose of Schedule M?

Schedule M, Other Additions and Subtractions, allows you to figure the total amount of "other additions and subtractions" you must include on

- Form IL-1120, Corporation Income and Replacement Tax Return, Line 8 and Line 21,
- Form IL-1120-ST, Small Business Corporation Replacement Tax Return, Line 21 and Line 33,
- Form IL-1065, Partnership Replacement Tax Return, Line 22 and Line 33, or
- Form IL-1041, Fiduciary Income and Replacement Tax Return, Line 10 and Line 24.

What must I attach?

If you claim an amount on the "other additions" or "other subtractions" lines of your tax return, you **must** attach a completed Schedule M to that return.

Should I round?

You must round the dollar amounts on Schedule M 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

Do not use negative figures on this schedule.

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

Step 1: Provide the following information

Enter your name and entire FEIN as shown on your tax return.

Note: A partial FEIN will delay the processing of your return.

Step 2: Figure your additions

Line 1 — Capital gain taxed under IRC Section 852(b)(3) — (Regulated investment companies only) Enter the amount of any capital gain that you were allowed to deduct federally under IRC Section 852(b)(3). 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 as reported on federal Schedule D (Form 1120), Line 17.

Line 2 — Notes, bonds, debentures, or obligations issued by the Governments of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands — Enter the amount of interest from any of these governmental obligations that you own directly that is not included on Form IL-1120 or Form IL-1041, Line 1, or Form IL-1120-ST or Form IL-1065, Line 13.

Line 3 — Lloyd's plan of operation loss — Add back any loss that you included in your federal taxable income from a Lloyd's plan of operation if that loss was reported on your behalf on Form IL-1065, Partnership Replacement Tax Return.

Line 4 — Business expense recapture — 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 Illinois Schedule NB, Nonbusiness Income, or Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, for this year, include on this line all deductions you claimed for expenses connected with that income in this year and in your two most recent years.

Line 5 — Any other state's income tax deducted from federal taxable income (Form IL-1041 filers only) — If you are claiming a credit for tax paid to other states on Illinois Schedule CR (Form IL-1041), Credit for Tax Paid to Other States, you must add back the entire amount of that state's income tax deducted from federal taxable income. **If you are not claiming a credit on Illinois Schedule CR for a particular state, do not include that state's tax amounts on this line.**

Line 6 — Capital loss to be carried forward (Form IL-1041 filers only) — Add back the smaller of

- any capital loss on your federal Form 1041, Line 4 that you may carry forward; or
- any negative amount on your federal Form 1041, Line 23.

Line 7a — Student-Assistance Contribution Credit — If you claimed a credit on Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations), or Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries), for contributions you made to a college savings plan on behalf of an employee, enter the amount of the Student-Assistance Contribution Credit (Credit Code 5420) earned in the current year from Schedule 1299-A, Step 3, Column E or Schedule 1299-D, Step 3, Column F, here.

Note: Do not include any carryover amount on this line.

Line 7b — Illinois Gives Tax Credit — Enter the amount that is claimed as a federal deduction when computing your federal taxable income for the current year and that is attributable to an endowment gift for which you received a credit under the Illinois Gives Tax Credit Act.

Line 7 — Additions Related to Income Tax Credits — Add Lines 7a and 7b.

Line 8 — Dividends paid by a captive REIT — If you are a captive real estate investment trust (REIT), enter the amount of the deduction for dividends paid that you claimed on your federal Form 1120-REIT, Line 22b. You are a captive REIT if more than 50 percent of the value or voting power of your shares was owned directly or indirectly by a single corporation, unless that corporation is:

- a REIT that is not a captive REIT,
- exempt from tax under IRC Section 501 and is not required to treat the dividends it receives from you as unrelated business taxable income,
- a listed Australian property trust that is not a captive REIT under these rules, or
- a foreign corporation or entity that would be treated as a REIT if it were incorporated in and doing business in the U.S. and that would not be treated as a captive REIT under these rules.

Line 9 — Deduction allowed under IRC Section 250(a)(1)(A) (Form IL-1120 filers only.) — Add back the deduction allowed under IRC Section 250(a)(1)(A) as reported on federal Form 8993, Line 28.

Line 10 — Other additions — Include any other amounts that you are required to add to your federal taxable income to arrive at your Illinois base income. For tax years ending on or after June 30, 2021, Form IL-1120 filers must add back amounts deducted federally under

- IRC Section 250(a)(1)(B)(i),
- IRC Section 245A(a), and
- IRC Section 243(e).

Note: These amounts qualify for the foreign dividend subtraction modification on Schedule J, Foreign Dividends.

Please include a detailed description of each addition on the line provided or on an attached statement.

Note: To avoid common errors when completing this schedule **do not include** any special depreciation calculated on Form IL-4562, Special Depreciation; or any distributive share of income shown on Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture; or Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions. These amounts are reported directly on your Illinois tax return.

Line 11 — Total additions — Add Lines 1 through 10. Enter the amount here and on your Form IL-1120, Line 8, Form IL-1120-ST, Line 21, Form IL-1065, Line 22 or Form IL-1041, Line 10.

Note: The sum of the amounts you report on Form IL-1041, Line 10, columns A and B should match the total amount reported on Illinois Schedule M, Line 11.

Step 3: Figure your subtractions

Line 12 — Exempt interest dividends paid by regulated investment companies — Enter the amount of exempt interest dividends you paid under IRC Section 852(b)(5) (regulated investment companies only).

Line 13 — Notes, bonds, debentures, or obligations issued by the Governments of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands — You may subtract these items only to the extent that you were required to add them to federal taxable income on this Illinois Schedule M, Line 2.

Line 14 — Lloyd's plan of operation income if reported on your behalf on Form IL-1065 — Enter the income included in your taxable income from a Lloyd's plan of operation if that amount was reported on your behalf on Form IL-1065, Partnership Replacement Tax Return.

Line 15 — Restoration of amounts held under claim of right — Enter 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.

Lines 16a through 16g — Expenses of federally tax-exempt income and federal credits —

Enter the amount

- of any expenses that were disallowed as federal deductions because the income was exempt from federal tax or because a credit was allowed under IRC Sections 45G(e)(3), 171(a)(2), 265, 280C, 291(a)(3), 807(a)(2)(B), 807(b)(1)(B), or 832(b)(5)(B)(i).
- included in your adjusted gross income under IRC Section 87.

Lines 20a through 20y — Securities exempt from Illinois tax — Enter the amount of interest on obligations of Illinois state and local governments only if included in your Illinois income, Form IL-1120, Line 9; Form IL-1120-ST, Line 22; Form IL-1065, Line 23; or Form IL-1041, Line 11. This amount is the amount net of any related bond premium amortization.

Interest from state and local government obligations is not exempt from Illinois Income Tax unless legislation has been specifically adopted to provide for an exemption. Income from these obligations may be subtracted only if you own the securities directly and not through mutual funds.

Note: Attach a copy of the statement that identifies the payer and the amount of interest for each obligation.

Use the correct line to identify your amounts for the following securities.

- Illinois Housing Development Authority bonds and notes (except housing-related commercial facilities bonds and notes)
- Illinois Development Finance Authority bonds, notes, and other evidence of obligations (only venture fund and infrastructure bonds)
- Illinois Sports Facilities Authority bonds
- Illinois Development Finance Authority bonds issued under the Illinois Development Finance Authority Act, Sections 7.80 - 7.87
- Illinois Development Finance Authority bonds or Illinois Finance Authority bonds issued under the Asbestos Abatement Finance Act
- Bonds issued by the Illinois Finance Authority under the Illinois Finance Authority Act
- Southwestern Illinois Development Authority bonds
- Illinois Power Agency bonds issued by the Illinois Finance Authority under Other Powers Article in the Illinois Finance Authority Act
- Central Illinois Economic Development Authority bonds issued under the Central Illinois Economic Development Authority Act
- Eastern Illinois Economic Development Authority bonds issued under the Eastern Illinois Economic Development Authority Act
- Southeastern Illinois Economic Development Authority bonds issued under the Southeastern Illinois Economic Development Authority Act
- Southern Illinois Economic Development Authority bonds issued under the Southern Illinois Economic Development Authority Act
- Illinois Urban Development Authority bonds issued under the Illinois Urban Development Authority Act
- Downstate Illinois Sports Facilities Authority bonds issued under the Downstate Illinois Sports Facilities Authority Act

- Western Illinois Economic Development Authority bonds issued under the Western Illinois Economic Development Authority Bonds Act
- Upper Illinois River Valley Development Authority bonds issued under the Upper Illinois River Valley Development Authority Act
- Will-Kankakee Regional Development Authority bonds issued under the Will-Kankakee Regional Development Authority Law
- Tri-County River Valley Development Authority bonds issued under the Tri-County River Valley Development Authority Law
- Quad Cities Regional Economic Development Authority bonds and notes (if declared to be exempt from taxation by the Authority)
- Quad Cities Interstate Metropolitan Authority bonds
- Rural Bond Bank Act bonds and notes
- Bonds issued under the Export Development Act of 1983
- College savings bonds issued under the General Obligation Bond Act in accordance with the Baccalaureate Savings Act
- Bonds issued by the New Harmony Bridge Authority - **Note:** For tax years beginning on or after August 19, 2023, the bonds issued by the New Harmony Bridge Authority are no longer eligible for income exemption.
- Bonds issued by the New Harmony Bridge Bi-State Commission - **Note:** For tax years beginning on or after August 19, 2023, the bonds issued by the New Harmony Bridge Bi-State Commission are no longer eligible for income exemption.

Line 24 — Federally taxed Illinois state refund from prior years — Enter the amount of refund of Illinois income and replacement tax that you received for a prior year, to the extent that it is included in your federal ordinary income. If you reported a negative expense for Illinois income and replacement tax this year because of an over-accrued liability at the beginning of the year, enter the amount on this line.

Line 25 — Dividends received, including IRC Section 78 Foreign Dividend Gross-up and subpart F income (Form IL-1120-ST filers only) — Complete a pro forma federal Form 1120, Schedule C, and Illinois Schedule J, Foreign Dividends, to figure the amount of dividends received from a foreign corporation, foreign dividend gross-up and subpart F income, that you are entitled to subtract.

S corporations do not pass-through the foreign dividend subtraction to their shareholders, therefore, do not include an amount reported on this line on Schedule K-1-P, Line 47.

Line 26 — Contributions made to a job training project

- **Form IL-1120-ST and IL-1065 filers —** Enter the amount of contributions you made under the Tax Increment Allocation Redevelopment Act to a job training project.
- **Form IL-1120 and IL-1041 filers —** Do not enter anything on this line. These amounts are reported directly on your Illinois tax return.

Line 27 — Reparations or other amounts received as a victim of persecution by Nazi Germany (Form IL-1041 filers only) — Enter the amount of reparations or other amounts received as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime that are included in your federal taxable income. Also include any reparations or other amounts received as an heir of such victim that are included in your federal taxable income.

Line 28 — Income eligible for a deduction by an attorney-in-fact under IRC Section 835 — If you are the attorney-in-fact for an inter-insurer or reciprocal insurer that has elected under IRC Section 835 to include profits made from business in its federal taxable income, you may subtract the amount of your federal taxable income that is being taxed to the inter-insurer or reciprocal insurer.

Line 29 — Income from Illinois pre-need funeral, burial, and cemetery trusts — Enter the amount of income earned by trust accounts established under the Illinois Pre-Need Cemetery Sales Act or the Illinois Funeral or Burial Funds Act, to the extent that it is included in your federal taxable income.

Line 30 — Nuclear decommissioning trusts established under Section 8-508.1 of the Public Utilities Act — Enter the amount of income included in your federal taxable income from a fiduciary account, separate from all other accounts and assets of the public utility establishing the trust, in a bank or other financial institution established to hold the decommissioning funds provided by the Public Utilities Act for the eventual purpose of paying decommissioning costs.

Line 31 — Recovery of items by a decedent (Form IL-1041 estate filers only) — If you are an estate, enter the amount of any recovery included in your federal taxable income of an itemized deduction claimed by a decedent on his or her federal Form 1040, Schedule A, in a prior year. Include refunds of state income taxes other than Illinois income tax refunds subtracted on Schedule M, Line 24.

Line 32 — Recovery of other state refunds (Form IL-1041 filers only) — If you are a trust or an estate, enter the amount included in your federal taxable income for any state income tax refunds from tax years in which you claimed a credit for other states' income taxes on Illinois Schedule CR (Form IL-1041), Credit for Tax Paid to Other States, and added back the federal deductions for those taxes on Schedule M, Line 5.

Line 33 — Excess business loss disallowed by IRC Section 461(l)(1)(B)(Form IL-1041 filers only) — For taxable years beginning after December 31, 2018, enter the amount of excess business loss of the taxpayer disallowed as a deduction by IRC Section 461(l)(1)(B) as reported on federal Form 461, Line 16.

Line 34 — Unused patronage or nonpatronage loss amounts from Schedule INL (Form IL-1120 filers only) —

If you have

- "unused patronage loss" on federal Form 1120-C, U.S. Income Tax Return for Cooperative Associations, Schedule G, Line 12, or
- "unused nonpatronage loss" on federal Form 1120-C, Schedule G, Line 13, for this taxable year or for any succeeding tax year,

and you marked the Box 1a election on your Schedule INL, enter the total loss amount as a positive amount on Schedule M, Line 34. You must identify the year in which you first made the Box 1a election on your Schedule INL. For example, if you first made the Box 1a election on your 2010 Schedule INL, identify that amount as "2010" on your Schedule M, Line 34.

Line 35 — Disallowed deductions under IRC Section 280E for cannabis establishments, cannabis cultivation centers, or medical cannabis dispensing organizations — Enter the amount of deductions disallowed federally under Section 280E of the Internal Revenue Code for this taxable year and not added back under IITA Section 203. You may claim this amount if you are a cannabis establishment operating in Illinois and licensed under the Cannabis Regulation and Tax Act or a cannabis cultivation center or medical cannabis dispensing organization operating in Illinois and licensed under the Compassionate Use of Medical Cannabis Program Act. Attach a pro-forma federal tax return that reflects the recalculated federal income as if the disallowed federal exemptions and deductions were allowed. Also include any supporting financial statements and a detailed explanation of the deductions claimed on this line.

Line 36 — Do not use this line. This line is reserved for future use.

Line 37 — Do not use this line. This line is reserved for future use.

Line 38 — Do not use this line. This line is reserved for future use.

Line 39 — Eligible subtractions from Publication 101 — Enter any other amounts not subtracted elsewhere, that you are entitled to subtract from your income to arrive at your Illinois base income. You may not subtract anything on this line unless instructed to do so by the Illinois Department of Revenue. Please include a detailed description of each subtraction on the line provided or on an attached statement.

Note: To avoid common errors when completing this schedule **do not include** any special depreciation calculated on Illinois Schedule 4562, any distributive share of income shown on Illinois Schedule K-1-P or Illinois Schedule K-1-T, or any amount calculated on Schedule 80/20, Related Party Expenses, or Schedule 1299-B, River Edge Redevelopment Zone or Foreign Trade Zone (or sub-zone) Subtractions. Form IL-1120 filers may not include amounts from Illinois Schedule J. These amounts are reported directly on your Illinois tax return.

Unitary filers only — If

- you attached a Schedule UB, Combined Apportionment for Unitary Business Group, to your return which includes a partnership, or
- you are a unitary partnership required to file a Schedule UB,

the subtraction modifications for August 1, 1969, valuation limitation amounts on Form IL-1065, Line 25, and personal service income or reasonable allowance for compensation of partners on Form IL-1065, Line 26, should be zero. These subtraction modifications for all partnerships included on the Schedule UB are included in the "other subtractions" on Schedule UB, Step 3, Column E, Line 21, and so included in Line 39 of the Schedule M. If you claim either modification on Schedule M, Line 39, identify them as "August 1, 1969, valuation limitation amounts from a partnership included on Schedule UB," or "personal service income or reasonable allowance for compensation of partners from a partnership included on Schedule UB," as applicable.

Line 40 — Total subtractions — Add Lines 23 through 39. Enter the amount here and on Form IL-1120, Line 21, Form IL-1120-ST, Line 33, Form IL-1065, Line 33, or Form IL-1041, Line 24.

Note: The sum of the amounts you report on Form IL-1041, Line 24, columns A and B should match the total amount reported on Illinois Schedule M, Line 40.