IT-21-0008 10/01/2021 MISCELLANEOUS

This letter responds to an annual survey. (This is a GIL.)

October 1, 2021

Dear XXXX:

This letter is in response to your email dated June 15, 2021, in which you requested information. Department of Revenue ("Department") regulations require that the Department issue only two types of letter rulings, Private Letter Rulings ("PLRs") and General Information Letters ("GILs"). PLRs are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding against the Department, but only as to the taxpayer issued the ruling and only to the extent the facts recited in the PLR are correct and complete. The purpose of GILs is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. GILs do not constitute statements of Department policy that apply, interpret, or prescribe the tax laws, and are not binding on the Department. See 2 Illinois Administrative Code 1200 for more information. You may access our website at www.tax.illinois.gov to review regulations, letter rulings, and other types of information relevant to your inquiry. The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

Instructions:

- Provide answers based on your state's laws in effect on July 1, 2021.
- Please list the state employee(s) to contact if we have a question regarding a response.
- Please email the completed questionnaire to E-MAIL by August 2, 2021.
- If you have any questions, contact NAME at E-MAIL or NAME at PHONE #.

Thank you for your cooperation on this project!

QUESTION TOPICS

New questions marked in red

DEPARTMENT'S RESPONSE:

A. NEXUS

[1.] Nexus. Is an out-of-state corporation subject to your state's income-based tax if its only activity in your state is the activity described below (check each activity that would, by itself, create nexus)?

[1.a.] Ownership or Use of Property in State

☐ Ownership of real estate
☐ Ownership of display racks
☐ Ownership of stock of goods in a public warehouse
☐ Ownership of stock of goods on consignment
☐ Tooling, molds or dies located at in-state manufacturer
☐ Operation of mobile stores
☐ Company-owned trucks regularly used to make deliveries to in-state customers
☐ Company-owned trucks occasionally (1-3 times per year) used to make deliveries to in-state customers
☐ Company-owned cars used by salespersons soliciting sales of tangible personal property
☐ Raw materials or finished goods located at in-state printer and occasional (1-3 times per year) quality control visitations by employees
☐ Temporary presence of inventory for purposes of processing by an unrelated third party
☐ Leasing of tangible personal property used regularly by lessee in state
☐ Leasing of tangible personal property used occasionally (1-3 times per year) by lessee in state
☐ Leasing of mobile assets (e.g., trucks, airplanes) used occasionally (1-3 times per year) by lessee in state
☐ Ownership of limited interest in a limited partnership doing business in state
☐ Ownership of general interest in a partnership doing business in state
☐ Ownership of interest in an LLC doing business in state
☐ Ownership of interest in a board-managed LLC doing business in state (member is not on board)
☐ Holding title to electricity flowing through power lines (transmission does not originate or terminate in state)
- For purposes of P.L. 86-272, is electricity considered tangible personal property? ☐ Yes ☐ No

☐ Holding title to natural gas flowing through pipelines (transport does not originate or terminate in state)
- For purposes of P.L. 86-272, is natural gas considered tangible personal property? ☐ Yes ☐ No

[1.b.] In-State Activities of Employees

☐ Solicit sales of tangible personal property
☐ Solicit sales of real estate
☐ Solicit sales of services (e.g., computer consulting)
☐ Solicit sales of intangibles (e.g., securities)
☐ Inspect customer installations of products (goods)
☐ Inspect customer's inventory
☐ Set up promotional items related to products (goods)
☐ Perform consulting services for customers
☐ Perform non-solicitation activities (i.e., administration) in home offices
☐ Attend trade shows for 14 days or less per year, and products are tangible personal property
☐ Attend trade shows for 14 days or less per year, and products are **not** tangible personal property
☐ Perform repairs and maintenance of the taxpayer's products
☐ Perform engineering or design services related to sales of taxpayer's customized products
☐ Occasionally (1-3 times per year) provide training seminars for customers
☐ Occasionally (1-3 times per year) attend meetings at customer's location
☐ Occasionally (1-3 times per year) attend training seminars sponsored by unrelated parties
☐ Present for 20 days or less solely to purchase goods from in-state vendors

[1.c.] Other In-State Activities

☐ Hire unrelated third party to install products
☐ Hire unrelated third party to repossess property
☐ Hire unrelated third party to collect accounts
☐ Lease employees to in-state company
☐ Maintain telephone answering service
☐ Listing in phone book
☐ Hire unrelated third party to perform warranty repairs (customer is not separately charged for service)
☐ Hire unrelated third party to perform warranty repairs (customer is separately charged for service)
☐ In-state fulfillment company fills orders from taxpayer-owned inventory located at fulfillment company
☐ Occasionally (1-3 times per year) hold board of director meetings
☐ Maintain a web site that is accessible in, but not located on a server in state
☐ Maintain a web site that is accessible and located on a server in state
☐ Maintain a security interest in property sold until contract price has been paid

[1.d.] Financial Institutions

☐ State residents hold credit cards issued by the financial institution
☐ Make mortgage loans to state residents secured by in-state real property
☐ Make unsecured consumer loans to state residents
☐ Make commercial loans to state residents
☐ Make consumer loans to state residents secured by in-state tangible personal property
☐ Purchase, in secondary market, mortgages on in-state real property
☐ Purchase, in secondary market, consumer loans to state residents secured by in-state tangible personal property
☐ Purchase, in secondary market, credit card receivables of state residents
☐ Hire in-state telemarketing firm to market credit cards or loans
☐ Hire in-state unrelated party to service loans
☐ Hire in-state related party to service loans
☐ Hire in-state unrelated party to close mortgages
☐ Foreclose on property in state
☐ Solicit loans or credit cards through the mail
☐ Solicit loans or credit cards via Internet web site

[1.e.] Trucking Companies

▪ Company-owned trucks pass through your state, but do **not** deliver or pick-up goods in state:
☐ More than 6 times per year ☐ More than 12 times per year ☐ Other, explain:
☐ Company-owned trucks are used to deliver or pick-up goods in state
☐ Company-owned trucks are used to backhaul goods originating in state
☐ Taxpayer hires unrelated trucking company to deliver or pick-up goods in state

[2.] De Minimis Presence	Yes	No
▪ Has your state defined occasional or de minimis in-state activity that does not create income tax nexus? ▪ If YES, what is definition?	☐	☐
▪ If a taxpayer establishes nexus during the year, is it taxable for the entire year, i.e., must the taxpayer file a full-year return and include in the sales factor sales that occurred prior to establishing nexus?	☐	☐
▪ Has your state developed an income tax nexus questionnaire that is sent to taxpayers which the state believes may be doing business?	☐	☐

[3.] Franchisers. Is an out-of-state franchiser subject to your state's income-based tax if its only in-state activity is performing this service for the benefit of an in-state franchisee (check each activity that would, by itself, create nexus)?

- ☐ In-state management training courses
- ☐ In-state regional meetings
- ☐ Bookkeeping that is sent out of state for processing
- ☐ Central purchasing
- ☐ Field operations evaluations
- ☐ Field training
- ☐ Frequent visits to advise on business matters
- ☐ Licensing of trademarks or trade names
- ☐ Occasional (1-3 times per year) visits to advise on business matters
- ☐ Occasional (1-3 times per year) "secret shopper" visits by employees for quality control purposes
- ☐ Occasional (1-3 times per year) "secret shopper" visits by unrelated third parties for quality control purposes
- ☐ Providing supplies or equipment for special events (e.g., outside displays), free-of-charge
- ☐ Delivery of products via company-owned vehicles

[4.] Qualified to Do Business. For a corporation that is qualified to do business in your state:	Yes	No
▪ Does the mere holding of a certificate of authority to do business subject the corporation to:		
▪ Income-based tax?	☐	☐
▪ Flat dollar amount minimum tax?	☐	☐
▪ Must the corporation file a tax return, even if it has not yet begun to do business in your state?	☐	☐
▪ Must the corporation file a tax return, even if its activities are protected by P.L. 86-272 (i.e., the corporation must file a return noting that it is protected by P.L. 86-272)?	☐	☐

[5.] Remote Workers	Yes	No
▪ Does the presence in the state of a non-salesperson employee working from home create nexus for an out-of-state employer? Assume the employee has no contact or involvement with in-state customers or suppliers, the employer does not provide the employee with equipment or an office allowance, and the employee's home is not used as a place of business for the employer.	☐	☐
▪ Is an out-of-state corporation subject to your state's income-based tax if the corporation's only activity in your state is the presence of an employee who works from his or her home within the state and whose duties include activities other than solicitation of orders for sales of tangible personal property?	☐	☐

COVID-19 Emergency.

▪ Has your state announced a relief provision which provides that the state will not seek to impose nexus on an out-of-state corporation based solely on a change in an employee's work location that is temporary in nature and attributable to the COVID-19 emergency? ☐ Yes ☐ No

- ▪ If YES, what are the requirements for qualifying for the relief provision?
- ▪ If YES, on what date does the relief provision take effect?
- ▪ If YES, on what date does the relief provision end?
- ▪ If YES, has your state department of revenue issued guidance regarding these relief provisions? ☐ Yes ☐ No
  - ▪ If YES, please provide citation(s):

[6.] Foreign (non-U.S.) Corporations.

▪ If a foreign (non-U.S.) corporation has income tax nexus in your state but is exempt from federal income tax pursuant to an income tax treaty, is the foreign corporation:

- ▪ Required to file an income tax return in your state? ☐ Yes ☐ No
- ▪ Subject to income tax in your state? ☐ Yes ☐ No
  - ▪ If YES, what is the starting point for computing state taxable income?
    - ☐ Federal taxable income computed as if the corporation was subject to federal income tax
    - ☐ Other, explain:

- If employees of a foreign corporation enter your state to solicit sales of tangible personal property which are approved and shipped from outside your state, does P.L. 86-272 protect the foreign corporation from income tax nexus in your state? ☐ Yes ☐ No

[7.] Economic Nexus. Assume an out-of-state corporation does not have any tangible property, employees, representatives or any other type of physical presence in your state. Is that out-of-state corporation subject to your state's income-based tax if its only activity in your state is the activity described below (check each activity that would, by itself, create nexus)?

☐ Licensing of trademarks or trade names to related entities located in state
☐ Licensing of trademarks or trade names to unrelated entities located in state
☐ Licensing of software to entities located in state
☐ Licensing of franchises (e.g., fast-food franchises) to entities located in state
☐ Licensing of other intangibles (e.g., patents or copyrights) to entities located in state
☐ Other, explain:

[8.] Factor Presence Nexus. Under a factor presence nexus standard, an out-of-state corporation has income tax nexus if its in-state sales, payroll, property or some other measure of in-state economic activity exceed a specified threshold level.

- Is an out-of-state corporation subject to your state's income-based tax if its only activity in your state is IN-STATE SALES that exceed a certain threshold amount? ☐ Yes ☐ No
  - If YES, what is the threshold amount of sales?
  - If YES, what amounts are treated as in-state sales (check all that apply)?

    ☐ Sales of real property located in your state
    ☐ Rents or royalties from leasing or licensing real property located in your state
    ☐ Sales of tangible personal property for delivery or shipment to a purchaser in your state
    ☐ Rents from leasing tangible personal property located in your state
    ☐ Sales of services used by a purchaser in your state
    ☐ Sales of intangible property used by a purchaser in your state
    ☐ Royalties from licensing intangible property used by a purchaser in your state
    ☐ Other, explain:

- Is an out-of-state corporation subject to your state's income-based tax if its only activity in your state is IN-STATE PAYROLL that exceeds a certain threshold amount? ☐ Yes ☐ No
  - If YES, what is the threshold amount of payroll?

- Is an out-of-state corporation subject to your state's income-based tax if its only activity in your state is IN-STATE PROPERTY that exceeds a certain threshold amount? ☐ Yes ☐ No
  - If YES, what is the threshold amount of property?

- If the taxpayer is a member of a combined group of corporations engaged in a unitary business, does the taxpayer include the sales, property and payroll of the other group members when determining whether a threshold is met? ☐ Yes ☐ No

- If the taxpayer is a partner in a partnership, does the taxpayer include its distributive share of the sales, property and payroll of the partnership when determining whether a threshold is met? ☐ Yes ☐ No

[9.] Internet Activities. The MTC is updating its statement of practices regarding P.L. 86-272 to provide guidance regarding the application of P.L. 86-272 to business activities conducted via the internet. Assume that an out-of-state corporation operates a website offering for sale only items of tangible personal property and its only activity in your state is the activity described below. Orders are sent outside your state for approval or rejection, and if approved, are shipped from a point outside your state. For each independent scenario, determine if the out-of-state corporation would be subject to your state's income-based tax.	**Yes**	**No**
▪ *Basic website.* The website enables in-state customers to search for items, read product descriptions, select items for purchase, choose among delivery options, and pay for the items.	☐	☐
▪ *Post-sale assistance provided by posting static FAQs.* The business provides post-sale assistance to in-state customers by posting a list of static FAQs with answers on the business's website.	☐	☐

▪ *Post-sale assistance provided via electronic chat or website email*. The business provides post-sale assistance to in-state customers via either electronic chat or email (e.g., information regarding shipments) that customers initiate by clicking on an icon on the business's website.	☐	☐
▪ *Cookies used for purposes ancillary to solicitation*. The business places internet cookies onto the electronic devices of in-state customers. These cookies gather customer information that is only used for purposes entirely ancillary to the solicitation of orders for tangible personal property, such as to store personal information customers have provided to avoid the need for the customers to re-input the information when they return to the seller's website.	☐	☐
▪ *Cookies used for purposes other than solicitation*. The business places internet cookies onto the electronic devices of in-state customers. These cookies gather customer search information that will be used to adjust production schedules and inventory amounts, develop new products, or identify new items to offer for sale.	☐	☐
▪ *Remote repairs and upgrades.* The business remotely upgrades or fixes products previously purchased by its in-state customers by transmitting code or other electronic instructions to those products via the internet.	☐	☐
▪ *Warranty plans.* The business offers and sells extended warranty plans via its website to in-state customers who purchase the business's products.	☐	☐
▪ *Credit cards*. The business solicits and receives online applications for its branded credit card via the business's website. The issued cards will generate interest income and fees for the business.	☐	☐
▪ *Job applications*. The business's website invites in-state viewers to apply for non-sales positions with the business. The website enables viewers to fill out and submit an electronic application, as well as to upload a cover letter and resume.	☐	☐
▪ *Marketplace facilitators.* The business contracts with a marketplace facilitator that facilitates the sale of the business's products on the facilitator's online marketplace. The marketplace facilitator maintains inventory, including some of the business's products, at fulfillment centers in various states where the business's customers are located.	☐	☐

B. TAX BASE AND TAX RATES

Note: SAF means "Same as Federal"

[1.] Limited Liability Companies

▪ Does your state conform to the federal classification of a *multi-member* LLC?	■ Yes ☐ No
▪ Does your state conform to the federal classification of a *single-member* LLC?	■ Yes ☐ No

▪ Does your state impose an entity-level tax on a *multi-member* LLC classified as a partnership (check all that apply)?

☐ Flat-dollar amount minimum tax or filing fee. Amount?

■ Income-based tax. Rate schedule? **1.5%**

☐ Franchise tax based on net worth or capital. Rate schedule?

■ Withholding tax on members ☐ Other, explain:

▪ Does your state impose an entity-level tax on a *single-member* LLC treated as a disregarded entity (check all that apply)?

☐ Flat-dollar amount minimum tax or filing fee. Amount?

☐ Income-based tax. Rate schedule?

☐ Franchise tax based on net worth or capital. Rate schedule?

☐ Withholding tax on member ☐ Other, explain:

▪ If an LLC is treated as a partnership, does your state allow the LLC to file a composite return on behalf of:

▪ Nonresident members who are *individuals*? ☐ Yes ■ No If YES, Form:

▪ Nonresident members who are *corporations*? ☐ Yes ■ No If YES, Form:

NOTE: Composite filings were only permitted for taxable years ending on or after December 31, 1987 and ending prior to December 31, 2014. Partnerships must report all information on Form IL-1065 including the pass-through withholding of nonresident partners.

[2.] Partnerships

- Does your state impose an entity-level tax on a *general partnership* (check all that apply)?
  - ☐ Flat-dollar amount minimum tax or filing fee. Amount??
  - ■ Income-based tax. Rate schedule? **1.5%**
  - ☐ Franchise tax based on net worth or capital. Rate schedule?
  - ■ Withholding tax on partners ☐ Other, explain:
- Does your state impose an entity-level tax on a *limited partnership* (check all that apply)?
  - ☐ Flat-dollar amount minimum tax or filing fee. Amount?
  - ■ Income-based tax. Rate schedule? **1.5%**
  - ☐ Franchise tax based on net worth or capital. Rate schedule?
  - ■ Withholding tax on partners ☐ Other, explain:
- Does your state allow a partnership to file a composite return on behalf of:
  - Nonresident partner who are *individuals*? ☐ Yes ■ No If YES, Form:
  - Nonresident partners who are *corporations*? ☐ Yes ■ No If YES, Form:

NOTE: Composite filings were only permitted for taxable years ending on or after December 31, 1987 and ending prior to December 31, 2014. Partnerships must report all information on Form IL-1065 including the pass-through withholding of nonresident partners.

[3.] Subchapter S Corporations

- Does your state recognize S corporation status, as defined for federal purposes? ■ Yes ☐ No
  - If YES, does your state require the filing of a separate state S corporation election? ☐ Yes ■ No
  - If YES, does your state impose special eligibility requirements? ☐ Yes ■ No
    - If YES, what are the additional state requirements:
    - ☐ Shareholder must agree to pay tax ☐ Shareholder must be state resident ☐ Other, explain:
- Does your state impose an entity-level tax on an S corporation (check all that apply)?
  - ☐ Flat-dollar amount minimum tax or filing fee. Amount?
  - ■ Income-based tax. Rate schedule? **1.5%**
  - ☐ Franchise tax based on net worth or capital. Rate schedule?
  - ☐ Built-in gains tax ☐ Excess net passive income tax ☐ LIFO recapture tax
  - ■ Withholding tax on shareholders ☐ Other, explain:
- Does your state conform to the federal treatment of a qualified Subchapter S subsidiary (QSSS) as a division of its parent S corporation? ■Yes ☐ No
- Does your state require the filing of a separate QSSS election? ☐ YES (Form:) ■ No
- If your state imposes a franchise tax based on net worth or capital, what type of returns do a QSSS and its parent S corporation file? ☐ 2 separate returns ☐ Single combined return ☐ State does not impose such a tax
- Is a shareholder's basis in the stock of an S corporation always the same for state and federal purposes?
  - ■ Yes ☐ No If NO, explain:
- Can a nonresident shareholder carry forward a state (non-federal) net operating loss? ■ Yes ☐ No
- Can a federal S corporation elect **not** to be treated as an S corporation for state purposes? ☐ Yes ■ No
  - If YES, how is the election made?
- Can an S corporation file a composite return on behalf of its nonresident shareholders? ☐ Yes (Form:) ■ No

NOTE: Composite filings were only permitted for taxable years ending on or after December 31, 1987 and ending prior to December 31, 2014. S Corporations must report all information on Form IL-1120-ST including the pass-through withholding of nonresident partners.

SALT Limitation Workarounds. The federal *Tax Cuts and Jobs Act of 2017* imposed a $10,000 limitation on the deduction that an individual can claim for state and local taxes. Many states have enacted workarounds for state residents who are owners of pass-through entities. These laws impose new entity-level taxes while reducing the related owner-level taxes. In its Notice 2020-75, the IRS agreed that pass-through entities may claim entity-level deductions for state income tax paid under state laws that shift the tax burden from the individual owners to the business entity.

- In response to the federal limitation on an individual's ability to deduct state and local taxes, has your state enacted an entity-level tax on pass-through entities? ■ Yes ☐ No
  - If YES, what year does the new entity-level tax take effect? **Tax years ending on or after 12/31/21**
  - If YES, is the entity-level tax mandatory or elective? ☐ Mandatory ■ Elective
  - If YES, what is the entity-level tax rate? **4.95%**
  - If YES, what is the mechanism for reducing the owner-level tax on the pass-through entity's income?
    - ■ Owner-level credit for owner's share of entity-level tax
    - ☐ Owner-level exclusion for owner's share of entity-level income
    - ☐ Other, explain:
  - If YES, what types of pass-through entities are subject to the new entity-level tax?
    ■ S corporations ■ Limited liability companies ■ Partnerships ☐ Other, explain:

[3.a.] IRC §199A QBI Deduction. For purposes of computing an individual's state taxable income, does your state conform to the IRC §199A qualified business income deduction with respect to the following types of pass-through entities?

- Distributive share of partnership income ☐ Yes ■ No
- Pro-rata share of S corporation income ☐ Yes ■ No
- Income of an LLC treated as a disregarded entity ☐ Yes ■ No

[4.] Piggybacking on Federal Tax Base

- Does the computation of your state's corporate taxable income start with an amount from federal Form 1120?
  - ☐ Yes, Line 28 of Form 1120 (taxable income before the NOL deduction and special deductions)
  - ■ Yes, Line 30 of Form 1120 (taxable income)
  - ☐ No, explain:
- If the federal rules for computing gross income and deductions are followed, what is the state's date of adoption of the Internal Revenue Code?

[5.] Tax Rates

- What is your state's corporate income tax rate schedule? **7.0% corporate income tax, 2.5% personal property replacement tax (for corporations); 1.5% personal property replacement tax (for S corporations, partnerships, trusts)**
- Are there any temporary income tax surcharges? ☐ Yes ■ No
  - If YES, applicable tax years and surcharge rate?

[6.] Minimum Taxes. Does your state impose a minimum tax on C corporations (check all that apply)?

☐ Flat-dollar amount minimum tax or filing fee. Amount?

☐ Minimum tax similar to federal alternative minimum tax (AMT)

If applies, rate schedule?

☐ Other minimum tax on income

If applies, rate schedule?

[6a.] State Alternative Minimum Tax. If your state imposes an AMT-type tax, what are the tax preferences and adjustments (check all that apply)?

- ☐ Depreciation
- ☐ Gain or loss on sale of depreciable property
- ☐ Completed contract method
- ☐ Pollution control facility amortization
- ☐ Installment method for dealer sales
- ☐ Tax-exempt private activity bond interest
- ☐ Mining exploration and development costs
- ☐ Adjusted current earnings (ACE)
- ☐ Depletion
- ☐ Bad debt reserves of financial institutions
- ☐ Intangible drilling costs

[6b.] IRC §55 AMT (repealed). The *Tax Cuts and Jobs Act of 2017* repealed the corporate alternative minimum tax (AMT), effective for tax years beginning after 2017.

▪ How did the repeal of the federal AMT affect the determination of your state's minimum tax?
- ☐ Resulted in repeal of state minimum tax
- ☐ Impacted calculation of state minimum tax. Explain:
- ■ No effect

[6c.] IRC §59A Base Erosion Tax

▪ Does your state conform to the IRC §59A tax on base erosion payments? ☐ Yes ■ No
- ▪ If NO, does your state impose a similar type of minimum tax on base erosion payments? ☐ Yes ■ No
- ▪ If YES, explain:

[7.] IRC §179 Asset Expensing. Does your state require an adjustment for the federal asset expensing for tax year:

▪ 2018? ☐ Yes ■No ▪ If YES, explain:
▪ 2019? ☐ Yes ■ No ▪ If YES, explain:
▪ 2020? ☐ Yes ■ No ▪ If YES, explain:
▪ 2021? ☐ Yes ■ No ▪ If YES, explain:

[8.] Depreciation. Does your state conform to the following federal depreciation rules (check all that apply)?

■ MACRS system, post-1986 IRC §168 ▪ Effective date of conformity? ☐ SAF ☐ Other:
■ ADS system, IRC §168[g] ▪ Effective date of conformity? ☐ SAF ☐ Other:
▪ If state does not conform, what depreciation methods are available?

[8a.] IRC §168(k) Bonus Depreciation. Does your state require an adjustment for federal bonus depreciation for tax year:

▪ 2018? ☐ Yes ■ No ▪ If YES, explain:

▪ 2019? ■ Yes ☐ No ▪ If YES, explain: Per 35 ILCS 5/203(a)(2)(D-15), (b)(2)(E-10), (c)(2)(G-10), (d)(2)(D-5), bonus depreciation is added back. A subtraction modification is allowed for 30% and 50% bonus depreciation per 35 ILCS 5/203(a)(2)(Z), (b)(2)(T), (c)(2)(R), (d)(2)(O). All other percentages are adjusted in final year when the property becomes fully depreciated federally, which effectively means Illinois is coupled to 100% bonus depreciation

▪ 2020? ■ Yes ☐ No ▪ If YES, explain: Per 35 ILCS 5/203(a)(2)(D-15), (b)(2)(E-10), (c)(2)(G-10), (d)(2)(D-5), bonus depreciation is added back. A subtraction modification is allowed for 30% and 50% bonus depreciation per 35 ILCS 5/203(a)(2)(Z), (b)(2)(T), (c)(2)(R), (d)(2)(O). All other percentages are adjusted in final year when the property becomes fully depreciated federally, which effectively means Illinois is coupled to 100% bonus depreciation

▪ 2021? ■ Yes ☐ No ▪ If YES, explain: **Per 35 ILCS 5/203(a)(2)(D-15), (b)(2)(E-10), (c)(2)(G-10), (d)(2)(D-5), bonus depreciation is added back. A subtraction modification is allowed for 30% and 50% bonus depreciation for taxable years ending after December 31, 2005; 100% bonus depreciation for taxable years ending on or after December 31, 2021; and for percentages other than 30%, 50%, or 100% bonus depreciation for taxable years on or after December 31, 2021 per 35 ILS 5/203(a)(2)(Z), (b)(2)(T), (c)(2)(R), (d)(2)(O). PA 102-16 decoupled Illinois from 100% bonus depreciation.**

- Does your state require a special adjustment for the 100% federal bonus depreciation for property acquired and placed in service after September 27, 2017, and on or before December 31, 2017? ☐ Yes ■ No
- If YES, explain:

CARES Act Fixes the Retail Glitch. The *Coronavirus Aid, Relief, and Economic Security Act* of 2020 (P.L. 116-136), or *CARES Act,* amended IRC §168 to reduce the MACRS recovery period of "qualified improvement property" from 39 years to 15 years, which makes this property eligible for federal bonus depreciation.

- Does your state conform to the *CARES Act* provision which reduces the MACRS recovery period of qualified improvement property from 39 years to 15 years? ■ Yes ☐ No
  - If YES, does your state apply this provision retroactively to property placed in service after December 31, 2017? ■ Yes ☐ No
  - If YES, does your state allow bonus depreciation on this property? ■ Yes ☐ No

- Does your state have a special form for computing the state depreciation deduction? ■ Yes ☐ No
  - If YES, Form: **IL-4562**

[9.] Net Operating Loss Deductions

- Does your state allow an NOL *carryback* deduction? ☐ Yes ■ No
  - If YES, number of years? ☐ SAF ☐ Other, explain:
  - If YES, does your state impose a percentage limitation on the amount of the carryback deduction?
    ☐ Yes, SAF ☐ Yes, other (Explain:) ☐ No
  - If YES, does your state impose a flat-dollar limitation on the amount of the carryback deduction? ☐ Yes ☐ No
    - If YES, what is the limitation amount?
  - If YES, can a taxpayer elect to forgo a carryback? ☐ Yes ☐ No
    - If YES, if a federal election is made, is a separate state election also required?

- Does your state allow an NOL *carryforward* deduction? ■ Yes ☐ No
  - If YES, number of years? ☐ SAF ■ Other, explain: **12 years**
  - If YES, does your state impose a percentage limitation on the amount of the carryforward deduction?
    ☐ Yes, SAF ☐ Yes, other (Explain:) ■ No
  - If YES, does your state impose a flat-dollar limitation on the amount of the ~~carryback~~ carryforward deduction? ■ Yes ☐ No
    - If YES, what is the limitation amount?

      Section 207(d) of the IITA provides that in the case of a corporation (other than a Subchapter S corporation), no carryover deduction shall exceed $100,000 for any taxable year ending on or after December 31, 2012 and prior to December 31, 2014, and for any taxable year ending on or after December 31, 2021 and prior to December 31, 2024.

- Does your state allow an NOL carryover deduction for an NOL that was generated in a tax year that the corporation was not doing business in the state? ■ Yes ☐ No
- Does your state conform to IRC §381, which permits NOLs carryovers in reorganizations? ■ Yes ☐ No
- Does your state conform to IRC §382, which restricts the use of NOLs carryovers in reorganizations? ☐ Yes ■ No
  - If YES, does the state limitation amount match the IRC §382 limitation amount? ☐ Yes ☐ No
- Is the amount of the NOL carryover deduction determined by the apportionment percentage in the year of the loss, or the apportionment percentage in the carryover year? ■ Loss year apportionment % ☐ Carryover year apportionment %

Assume Q, a corporation with NOL carryforwards, is merged into R, a profitable corporation that currently is doing business in your state. In each of the following independent fact patterns, indicate whether your state allows the surviving entity (R) to deduct the NOL carryforwards of the merged entity (Q).

Case 1: Q was doing business in your state prior to the merger ▪ If YES, what limitations apply? ☐ SAF ☐ Other, explain:	■ Yes ☐ No
Case 2: Q was **not** doing business in your state prior to the merger ▪ If YES, what limitations apply? ☐ SAF ☐ Other, explain:	☐ Yes ■ No
Case 3: R was doing business in your state prior to the merger ▪ If YES, what limitations apply? ☐ SAF ☐ Other, explain:	■ Yes ☐ No
Case 4: R was **not** doing business in your state prior to the merger ▪ If YES, what limitations apply? ☐ SAF ☐ Other, explain:	■Yes ☐ No

CARES Act NOL Reforms. The *CARES Act of 2020* retroactively restored NOL carrybacks and extended the carryback period to five years for NOLs arising in tax years beginning in 2018, 2019 and 2020. The *CARES Act* also postponed the imposition of the 80% limitation until 2021 for NOLs arising in tax years beginning in 2018, 2019 and 2020.

▪ Does your state conform to the *CARES Act* provision which temporarily provides for a five-year carryback for NOLs arising in tax years beginning in 2018, 2019 and 2020?	☐ Yes ■ No
▪ Prior to the *CARES Act*, did your state conform to the federal 80% of taxable income limitation on deductions for NOLs arising in tax years beginning after 2017?	☐ Yes ■ No
▪ If YES, does your state conform to the *CARES Act* provision that postpones the 80% limitation until 2021 for NOLs arising in tax years beginning in 2018, 2019 and 2020?	☐ Yes ☐ No

[10.] Addition Modifications. For corporate taxpayers, what addition modifications are required to convert federal taxable income into state taxable income (check all that apply)?

Income	■ Interest income from state or local bonds issued by your state ■ Interest income from state or local bonds issued by other states ■ Gain or loss difference (due to lower state basis) on sale of depreciable property ☐ Refund of federal income tax previously deducted on state return
Taxes	☐ Foreign country income taxes deducted for federal purposes ☐ State income taxes ☐ Local income taxes (e.g., city or county) ☐ State or local corporate franchise taxes based on income ☐ State or local corporate franchise taxes based on capital or net worth
Depreciation	☐ Federal MACRS depreciation in excess of state allowed depreciation ■ Federal first-year bonus depreciation ☐ IRC §179 asset expensing ☐ Federal depletion in excess of state allowed depletion ☐ Federal amortization in excess of state allowed amortization
Carryovers	■ Federal NOL carryover deduction ☐ Federal net capital loss carryover deduction ☐ Federal contribution carryover deduction

Other	☐ IRC §199 domestic production activities deduction (pre-2018 tax years) ■ IRC §250 deduction for foreign-derived intangible income (FDII) ■ IRC §250 deduction for global intangible low-taxed income (GILTI) ■ Certain royalties and intangible expenses paid to related parties ■ Certain interest expenses paid to related parties ☐ Expenses related to state tax credits (e.g., jobs credit) ■ Federal dividends-received deduction ☐ Expenses related to federal income amounts excluded from state income ☐ Other, explain:

[11.] Subtraction Modifications. For corporate taxpayers, what subtraction modifications are required to convert federal taxable income into state taxable income (check all that apply)?

Income	■ Interest income from Federal debt obligations ■ Gain or loss difference (due to higher state basis) on sale of depreciable property ■ Capital gain exclusion or deduction allowed by state ■ State income tax refunds included in federal return
Depreciation	☐ Subtraction for prior year addback of federal first-year bonus depreciation ☐ Subtraction for prior year addback of IRC §179 asset expensing
Foreign	■ IRC §951 Subpart F income ☐ IRC §951A inclusion for global intangible low-taxed income (GILTI) ■ IRC §965 one-time Subpart F inclusion for deferred foreign income (last tax year that begins before 2018) ☐ IRC §78 gross up income ☐ Other foreign-source income, explain: ☐ Foreign income taxes for which a credit was taken for federal purposes
Other	☐ Expenses related to federal tax credits (e.g., research credit) ☐ State dividends-received deduction ☐ State NOL carryover deduction ☐ Federal income taxes ☐ Business interest expense deductions denied by IRC §163(j) (post-2017 tax years) ☐ Other, explain:

[12.] Dividends. For corporate taxpayers:

▪ Is an addition modification required for the federal dividends-received deduction? ■ Yes ☐ No **PA 102-16 amends Section 203(b) of the IITA to require an addback for taxable years ending on or after June 30, 2021 for an amount equal to the deductions allowed under IRC Sections 243(e) and 245(a).**
▪ What type of adjustment does your state allow for dividends received from other U.S. corporations? ☐ Dividends-received deduction ☐ Other subtraction modification ■No adjustment ☐ Other, explain: ▪ What is the schedule for computing your state's dividends-received deduction or subtraction modification? ☐ SAF ☐ Other, explain:

- Are dividends from foreign (non-U.S.) corporations treated differently than dividends from U.S. corporations?
  ☐ Yes ■ No
  - If YES, explain difference:

- What type of adjustment does your state allow for IRC §951 Subpart F income?
  ☐ Dividends-received deduction ■ Other subtraction modification ☐ No adjustment ☐ Other, explain:

- What type of adjustment does your state allow for IRC §78 gross up income?
  ☐ Dividends-received deduction ■ Other subtraction modification ☐ No adjustment ☐ Other, explain:

[13.] Income from Foreign Subsidiaries. For corporate taxpayers, what type of adjustment does your state require for:

▪ Dividend from foreign (non-U.S.) corporation?	■ Dividends-received deduction ☐ Other subtraction modification ☐ No adjustment ☐ Other, explain:
▪ IRC §951 Subpart F income?	■ Dividends-received deduction ☐ Other subtraction modification ☐ No adjustment ☐ Other, explain:
▪ IRC §78 gross up income?	☐ Dividends-received deduction ☐ Other subtraction modification ■ No adjustment ☐ Other, explain:

- Foreign source income of a "check-the-box" foreign branch (i.e., a 100%-owned foreign country corporation that is treated as a disregarded entity for U.S. tax purposes) included in the taxpayer's federal taxable income?
  ☐ Dividends-received deduction ☐ Other subtraction modification ■ No adjustment ☐ Other, explain:

- Does your state provide a subtraction modification for the following types of foreign source income derived from a foreign (non-U.S.) subsidiary corporation (check all that apply)?
  ☐ Interest income ☐ Royalty income ☐ Technical fees ■ None ☐ Other, explain:

- Does your state conform to the IRC §245A 100% dividends-received deduction for the foreign-source portion of dividends received from a 10%-or-more-owned foreign corporation? ☐ Yes ■ No

[13.a.] GILTI Inclusions

- What type of adjustment does your state provide for an IRC §951A GILTI inclusion?
  ■ Dividends-received deduction ☐ Other subtraction modification ☐ No adjustment ☐ Other, explain:

- After any state adjustment, what portion of the taxpayer's federal GILTI income is included in state taxable income (pre-apportionment)? ■ None ☐ _____ % ☐ Other, explain:

- At what level does a taxpayer determine the amount of its GILTI income for state tax purposes?
  ☐ Separate company basis ☐ State consolidated group ■ State combined unitary group
  ☐ Federal consolidated group ☐ Other, explain:

- Has your state provided any legislative or administrative guidance regarding how federal GILTI income impacts the calculation of state taxable income? ☐ Yes ■ No
  - If YES, please provide citation(s):

[13.b.] IRC §965 Transition Tax

- What type of adjustment does your state provide for the one-time income inclusion for deferred foreign earnings under IRC §965?
  ■ Dividends-received deduction ☐ Other subtraction modification ☐ No adjustment ☐ Other, explain:

- After any state adjustment, what portion of the taxpayer's IRC §965 income inclusion is included in state taxable income (pre-apportionment)? ■ None ☐ _____ % ☐ Other, explain:

- If your state taxes all or a portion of an IRC §965 deferred foreign income inclusion, can the taxpayer elect to pay the tax in annual installments over multiple years? ☐ Yes ■ No
  - If YES, how many years?

- Has your state provided any legislative or administrative guidance regarding how an IRC §965 income inclusion impacts the calculation of state taxable income? ■ Yes ☐ No
  - If YES, please provide citation(s): **Informational Bulletin FY 2018-23**

[14.] Foreign Income Taxes. For corporate taxpayers, does your state allow:

	Yes	No
▪ A credit for foreign income taxes?	☐	■
▪ A deduction for foreign income taxes, assuming a *deduction* is taken for federal tax purposes?	☐	■
▪ A deduction for foreign income taxes, assuming a *credit* is taken for federal tax purposes?	☐	■

[15.] State and Local Taxes. For corporate taxpayers, does your state allow a *deduction* for the following state and local taxes (check all that apply)?

☐ State income taxes – Other states
☐ State income taxes – Your state
☐ Local income taxes – Other states
☐ Local income taxes – Your state
☐ Franchise taxes on net worth or capital – Other states
☐ Ohio commercial activity tax
☐ Washington business and occupation tax
☐ Franchise taxes on net worth or capital – Your state
☐ Texas franchise tax on margin
☐ Kentucky limited liability entity tax
☐ New Hampshire business enterprise tax
☐ Pennsylvania capital stock tax

[16.] Municipal Bonds. For corporate taxpayers, does your state tax the following (check all that apply)?

- Interest income from state or local bonds issued by: ☐ Your state ☐ Other states
  - If exemption is available, must a municipal bond be registered in order to be tax exempt? ☐ Yes ☐ No
- How is a premium or discount on municipal bonds amortized? ☐ SAF ☐ Other, explain:
- Gain or loss on the sale of state or local bonds issued by: ☐ Your state ☐ Other states

[17.] Federal Bonds. For corporate taxpayers, does your state tax interest income received on debt obligations issued by the following federal departments or agencies (check all that apply)?

☐ U.S. Treasury Department
☐ Federal National Mortgage Assn. (Fannie Mae)
☐ Government National Mortgage Assn. (Ginnie Mae)
☐ Federal Agricultural Mortgage Corp. (Farmer Mac)
☐ Federal Farm Credit Bank System
☐ Federal Home Loan Bank System (FHLBS)
☐ Student Loan Marketing Assn. (Sallie Mae)
☐ Federal Home Loan Mortgage Corp. (Freddie Mac)
☐ Dividends from mutual fund which invests *solely* in U.S. Treasury obligations
☐ Dividends from mutual fund to the extent the income is related to U.S. Treasury obligations

- How is a premium or discount on a federal debt obligation amortized? ■ SAF ☐ Other, explain:
- Does your state tax a gain or loss on the sale of a debt obligation issued by a U.S. federal department or agency? ☐ Yes ■ No

[18.] Capital Gains

- For corporate taxpayers, does your state provide a lower tax rate for long-term capital gains? ☐ Yes ■ No
  - If YES, rate:
- For corporate taxpayers, does your state provide an exclusion or deduction for long-term capital gains? ☐ Yes ■ No
  - If YES, explain:
- What is requisite holding period for “long-term” status? ■ SAF ☐ Other, explain:

[19.] Capital Losses

▪ Does your state allow corporate taxpayers to deduct a net capital loss against ordinary income?	☐ Yes ■ No
▪ If YES, is there a dollar limitation?	
▪ Does your state provide corporate taxpayers with a net capital loss *carryback* deduction?	☐ Yes ■ No
▪ If YES, number of years? ☐ SAF ☐ Other, explain:	
▪ Does your state provide corporate taxpayers with a net capital loss *carryforward* deduction?	☐ Yes ■ No
▪ If YES, number of years? ☐ SAF ☐ Other, explain:	
▪ Can a capital loss carryforward deduction be claimed for a net capital loss that was generated in a tax year that the corporation was not doing business in the state? ■ Yes ☐ No	

[20.] IRC §338 Election

▪ Does your state conform to the federal treatment of an IRC §338 transaction?	■ Yes ☐ No
▪ Does your state require the filing of a one-day return to report the gain from the deemed asset sale?	☐ Yes ■ No
▪ How does your state apportion the gain from the deemed asset sale? ■ Standard short-period apportionment formula ☐ Prior-year apportionment percentages ☐ Other, explain:	

[21.] IRC §338(h)(10) Election

▪ Does your state generally conform to the federal treatment of an IRC §338(h)(10) transaction?	■ Yes ☐ No
▪ Specifically, if an IRC §338(h)(10) election is made, how does your state: ▪ Tax the selling parent corporation on the gain from the sale of the Target corporation's stock? ■ SAF ☐ Other, explain: ▪ Tax the Target corporation on the gain from the deemed asset sale? ■ SAF ☐ Other, explain: ▪ Treat the tax attributes (e.g., NOL carryforwards) of the Target corporation? ■ SAF ☐ Other, explain:	
▪ Does your state conform to the federal treatment of an IRC §338(h)(10) election if the sellers are shareholders of an S corporation (rather than a selling consolidated group)?	■ Yes ☐ No
▪ How does your state treat the gain from the deemed asset sale? ■ Apportionable income ☐ Allocable nonbusiness income ☐ Other, explain:	
▪ What amount from the deemed asset sale is included in the sales factor? ☐ Gross proceeds ☐ Net gain ■ None ($0) ☐ Other, explain:	
▪ How does your state apportion the gain from the deemed asset sale? ■ Standard short-period apportionment formula ☐ Prior-year apportionment percentages ☐ Other, explain:	
▪ Do the Target corporation's state filing periods conform to the federal filing periods?	■ Yes ☐ No
▪ Can a corporation that makes an IRC §338(h)(10) election choose not to so elect for state purposes? ▪ If YES, explain:	☐ Yes ■ No
▪ Does your state require a separate IRC §338(h)(10) election for state tax purposes?	☐ Yes ■ No

[23.] Nontaxable Exchanges

	Yes	No
▪ Does your state conform to the IRC §1031 like-kind exchange rules?	■	☐
▪ If YES, is gain deferral allowed only if both properties are located in your state?	☐	■
▪ Does your state conform to the IRC §1033 involuntary conversion rules?	■	☐
▪ If YES, is gain deferral allowed only if both properties are located in your state?	☐	■
▪ The *TCJA of 2017* amended IRC §1031 to limit the transactions that qualify for nontaxable treatment to exchanges of real property. Does your state conform to this change in the like-kind exchange rules?	☐	■

[24.] Passive Loss Limitations. For corporate taxpayers, does your state:

	Yes	No
▪ Conform to the IRC §469 limitations on passive activity *losses*?	■	☐
▪ Conform to the IRC §469 limitations on passive activity *credits*?	■	☐
▪ If YES, which types of corporations are subject to the limitations? ■ SAF ☐ Other, explain:		
▪ Conform to the federal carryforward rules for suspended passive losses or credits?	■	☐

[25.] Depletion. Does your state conform to the IRC §§611-613 rules for computing depletion on the following types of property (check all that apply)?

■ Cost depletion on in-state property	■ Cost depletion on out-of-state property
■ Percentage depletion on in-state property	■ Percentage depletion on out-of-state property

▪ Does your state allow the use of other methods of computing depletion? ☐ Yes ■ No
▪ If YES, explain:

[26.] Cancellation of Debt Income

	Yes	No
▪ Does your state conform to the IRC §108(a) exclusion for cancellation of debt (COD) income when the taxpayer is bankrupt or insolvent?	■	☐
▪ If NO, explain:		
▪ If YES, is the exclusion available only if the taxpayer reduces its NOLs and other tax attributes by the excluded amount, as required by IRC §108(b)?	■	☐
▪ If NO, explain:		
▪ If YES, can the taxpayer elect to reduce the basis of its depreciable property, rather than its tax attributes, as provided by IRC §108(b)(5)?	■	☐
▪ If NO, explain:		
▪ Does your state conform to IRC §108(i), which permits a debtor to defer COD income arising in 2009 or 2010 from the purchase, exchange, or forgiveness of its debt instruments?	☐	■

[27.] IRC §199 Deduction (repealed). The *Tax Cuts and Jobs Act of 2017* repealed the domestic production activities deduction, effective for tax years beginning after 2017.

▪ Did your state conform to the domestic production activities deduction for tax years beginning before 2018? ■ Yes ☐ No

▪ If YES, does your state continue to offer a deduction similar to the pre-2018 IRC §199 deduction for tax years beginning after 2017? ☐ Yes ■ No

▪ If YES, explain computation:

[27.a.] IRC §163(j) Limitation. The *CARES ACT of 2020* retroactively loosened the limitation by increasing the ATI threshold from 30% to 50% for tax years beginning in 2019 and 2020. Taxpayers may elect to use the lower 30% limitation threshold. Taxpayers may also elect to base the 2020 limitation on 2019 ATI.

	Yes	No
▪ Does your state conform to the IRC §163(j) limitation on business interest expense deductions?	■ Yes	☐ No
▪ If YES, does your state permit any disallowed interest to be carried forward indefinitely?	☐ Yes	■ No
▪ If YES, does your state provide an exception for small businesses?	☐ Yes	■ No
▪ If YES, at what level is the limitation applied? ☐ Separate company basis ☐ State consolidated group ☐ State combined unitary group ☐ Federal consolidated group ☐ Other, explain:		
▪ If YES, does your state conform to the *CARES Act* provision that temporarily increases the adjusted taxable income percentage from 30% to 50% for tax years beginning in 2019 and 2020?	■ Yes	☐ No
▪ If YES, can taxpayers elect to use the lower 30% limitation threshold?	☐ Yes	■ No
▪ If YES, can taxpayers elect to base the 2020 limitation on 2019 adjusted taxable income?	☐ Yes	■ No

- If the state consolidated or combined group differs from the federal group, how is the §163(j) limitation recalculated for, or the allowable deduction allocated to, the members included in the state filing group?

- Has your state provided any legislative or administrative guidance regarding how the §163(j) limitation impacts the calculation of state taxable income? ■ Yes ☐ No
  - If YES, please provide citation(s): **Informational Bulletin 2021-14-A**

[27.b.] IRC §250 FDII Deduction

- Does your state conform to the IRC §250, which allows a corporation to claim a deduction equal to 37.5% of its foreign-derived intangible income (FDII)? ☐ Yes ■ No
  - If YES, what is the deduction percentage? ☐ SAF ☐ Other, explain:

- At what level does a taxpayer compute the federal FDII deduction?
  ☐ Separate company basis ☐ State consolidated group ■ State combined unitary group
  ☐ Federal consolidated group ☐ Other, explain:

- Does your state conform to the federal consolidated group rule for allocating the federal FDII deduction to specific members of the group? ■ Yes ☐ No

- If a taxpayer is not eligible to claim a federal FDII deduction because the taxpayer is a member of a federal consolidated group that is in a consolidated loss position, can the taxpayer claim a state FDII deduction if that taxpayer has both qualified FDII and taxable income on a separate company basis? ■ Yes ☐ No

- Has your state provided any legislative or administrative guidance regarding how the federal FDII deduction impacts the calculation of state taxable income? ■ Yes ☐ No
  - If YES, please provide citation(s): **35 ILCS 5/203(b)(E-18)**

[27.c.] IRC §250 GILTI Deduction

- Does your state conform to the IRC §250, which allows a corporation to claim a deduction equal to 50% of its global intangible low-taxed income (GILTI)? ☐ Yes ■ No

  PA 102-16 amends Section 203(b)(2) of the IITA to add (E-19) that provides for taxable years ending on or after June 30, 2021, an amount equal to the deduction allowed under Section 250(a)(1)(B)(i) of the Internal Revenue Code for the taxable year must be added back to taxable income (35 ILCS 5/203(b)(2)(E-19)).
  - If YES, what is the deduction percentage? ☐ SAF ☐ Other, explain:

- At what level does a taxpayer compute the IRC §250 deduction for GILTI?
  ☐ Separate company basis ☐ State consolidated group ■ State combined unitary group
  ☐ Federal consolidated group ☐ Other, explain:

- Does your state provide a dividends-received deduction or other subtraction modification for any federal Section 78 gross-up income related to the GILTI income? ■ Yes ☐ No
  - If YES, does your state require an adjustment to the IRC §250 deduction for GILTI to prevent a 150% deduction of the federal Section 78 gross-up amount? ■ Yes ☐ No

- Has your state provided any legislative or administrative guidance regarding how the IRC §250 deduction for GILTI impacts the calculation of state taxable income? ■ Yes ☐ No
  - If YES, please provide citation(s): **Informational Bulletin FY 2021-27**

[28.] Investment Tax Credit

- Does your state allow an investment tax credit? ■ Yes ☐ No
  - If YES, what is rate? **0.5%**
  - If YES, what property qualifies (check all that apply)?
    ☐ Manufacturing equipment ☐ Buildings and fixtures ☐ Pollution control equipment ■ Other, explain:
    Qualified property used in manufacturing, retailing, mining of coal or fluorite

[29.] Jobs, Research & Energy Credits

▪ Does your state allow a jobs credit?	■ Yes	☐ No	▪ If YES, how is it computed? **Various**
▪ Does your state allow a research credit?	■ Yes	☐ No	▪ If YES, how is it computed? **Similar to Federal**
▪ Does your state allow an energy credit for businesses?	☐ Yes	■ No	▪ If YES, how is it computed?

[30.] Enterprise Zones

▪ Does your state offer incentives for *enterprise zones*? ■ Yes ☐ No

- ▪ If YES, what is the form of the incentives (check all that apply)? ■ Credit ☐ Deduction ☐ Exemption ☐ Other, explain:
- ▪ If YES, what types of incentives are available (check all that apply)? ■ Income tax ☐ Franchise tax ■ Sales tax ☐ Property tax ☐ Unemployment tax ☐ Other, explain:
- ▪ If YES, what areas constitute your enterprise zones? **See website**

[31.] Other Tax Incentives

▪ Does your state offer tax incentives to businesses (other than those in Enterprise Zones) for relocating to or expanding existing facilities within your state? ■ Yes ☐ No

- ▪ If YES, what is the form of the incentives (check all that apply)? ■ Credit ☐ Deduction ☐ Exemption ☐ Other, explain:
- ▪ If YES, what types of incentives are available (check all that apply)? ■ Income tax ☐ Franchise tax ☐ Sales tax ☐ Property tax ☐ Unemployment tax ☐ Other, explain:

▪ What requirements must be met to qualify for these tax incentives (check all that apply)?

☐ Increase productive output	■ Qualify project before undertaking expansion or relocation
■ Increase employment	☐ Other, explain:

[32.] Unused Credits or Incentives

▪ Does your state provide a mechanism whereby one taxpayer may sell, transfer or assign unused credits or incentives to another taxpayer? ■ Yes ☐ No ▪ If YES, how does the mechanism work? **IITA provides for transferability of certain credits.**

[33.] IRC §45S **Family/Medical Leave Credit**

▪ Does your state conform to the IRC §45S employer credit for paid family and medical leave?	■ Yes ☐ No
▪ Does your state provide some other type of employer credit for paid family and medical leave?	☐ Yes ■ No
▪ If YES, what are the eligibility requirements?	
▪ If YES, how is the credit computed?	

[34.] Contributions to Capital. The *Tax Cuts and Jobs Act of 2017* revised IRC §118(b)(2) to provide that nontaxable contributions to capital do not include "any contribution by any governmental entity or civic group (other than a contribution made by a shareholder as such)."

▪ For purposes of computing corporate taxable income, does your state conform to the *Tax Cuts and Jobs Act of 2017* revisions to IRC §118(b)(2)? ■ Yes ☐ No

[35.] PPP Loans. The *CARES Act of 2020* included the Paycheck Protection Program (PPP) under which SBA loans were made to employers and the loans were forgiven if the employer documented certain payroll, rent, utility and other eligible expenses. For federal tax purposes, forgiveness of a PPP loan is excluded from gross income and the related covered expenses paid with PPP funds are deductible.

▪ Does your state conform to the *CARES Act* exclusion from gross income for forgiveness of a PPP loan? ■ Yes ☐ No

- ▪ If NO, explain:

▪ How does your state treat the funds received and expenses incurred with respect to forgiven PPP loans? ☐ SAF – Exclude forgiven PPP loans from taxable income and allow deductions for the related business expenses ☐ Exclude forgiven PPP loans from taxable income but deny deductions for the related business expenses ☐ Treat forgiven PPP loans as taxable income and allow deductions for the related business expenses ■ Other, explain: **Under Federal law, 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.**
▪ Was your state's tax treatment of the funds received or expenses incurred with respect to forgiven PPP loans different in prior years? ☐ Yes ■ No ▪ If YES, explain:
▪ Does your state conform to Rev. Proc. 2021-20, which provides that PPP loan recipients who relied on prior IRS guidance and did not deduct eligible business expenses may deduct these eligible business expenses in a subsequent tax year instead of filing an amended return? ■ Yes ☐ No ▪ If NO, explain:

C. APPORTIONMENT

[1.] Conformity to UDITPA. Does your state conform to UDITPA? ☐ Yes ☐ No ■ Partly, explain: **IITA modeled after UDIPTA**

UDITPA was promulgated in 1957. Consequently, many of its provisions are outdated. In July 2014, the MTC voted to amend five provisions of UDITPA, including the definitions of *business income* and *sales*, factor weighting, sales factor sourcing rules, and equitable apportionment.

Does your state conform to the following amendments to UDITPA?	YES	NO
▪ Definition of *business income* (Section 1(a))	☐	■
▪ Definition of *sales* (Section 1(g))	☐	■
▪ Factor weighting in apportionment formula (Section 9)	☐	■
▪ Sales factor sourcing rules for sales other than sales of tangible personal property (Section 17)	☐	■
▪ Equitable apportionment provision (Section 18)	■	☐

[2.] Apportionment Formula

▪ What amount of weight (0-100%) does your state's general-purpose apportionment formula place on each of the factors? ▪ Sales factor **100%** ▪ Property factor _____% ▪ Payroll factor _____% ▪ Other, explain:		
▪ If your state's general-purpose apportionment formula is not a single-factor sales formula:		
▪ Are companies in certain industries allowed to use a single-factor sales formula?	☐ Yes	☐ No
▪ If YES, which industries:		
▪ Are there any other circumstances in which a taxpayer may use a single-factor sales formula?	☐ Yes	☐ No
▪ If YES, explain:		
▪ If a corporation establishes nexus during the tax year, are the taxpayer's in-state sales made prior to establishing nexus included in the numerator of the sales factor?	■ Yes	☐ No

[3.] Alternative Method Relief. If your state's standard apportionment formula does not fairly represent the extent of the taxpayer's business activity in the state, is there a procedure by which the TAXPAYER may request the use of an alternative apportionment method? ■ Yes ☐ No

▪ If YES, what are the requirements for obtaining an alternative apportionment (check all that apply)?

■ Prove that standard formula does not fairly represent the taxpayer's in-state activity
☐ Prove that alternative method fairly represents the taxpayer's in-state activity
☐ Other, explain:

▪ If YES, what types of alternative apportionment methods are permissible (check all that apply)?

■ Separate accounting
■ Exclusion of one or more of the factors
■ Inclusion of one or more additional factors that fairly represent the taxpayer's in-state activity
☐ Other, explain:

▪ If YES, is the taxpayer required to obtain approval for the use of the alternative method in advance of its use? ■ Yes ☐ No

[4.] State Use of Alternative Methods. If your state's standard apportionment formula does not fairly represent the extent of the taxpayer's business activity in the state, can the STATE TAX AUTHORITIES require the use of an alternative apportionment method? ■ Yes ☐ No

▪ If YES, what are the requirements for mandating an alternative apportionment (check all that apply)?

■ Prove that standard formula does not fairly represent the taxpayer's in-state activity
☐ Prove that alternative method fairly represents the taxpayer's in-state activity
☐ Other, explain:

▪ If YES, what types of alternative apportionment methods are permissible (check all that apply)?

■ Separate accounting
■ Exclusion of one or more of the factors
■ Inclusion of one or more additional factors that fairly represent the taxpayer's in-state activity
☐ Other, explain:

[5.] Zero Numerator or Denominator

▪ If the numerator of an apportionment factor is zero, is the factor eliminated from the computation? ☐ Yes ■ No

▪ If the denominator of an apportionment factor is zero, is the factor eliminated from the computation? ☐ Yes ■ No
If the denominator is zero, then no business income to apportion to IL.

[6.] There is no question 6

[7.] There is no question 7

[8.] Ownership Interest in PTE. Assume "A" (an out-of-state corporation) is subject to your state's income-based tax solely as a result of its ownership interest in "X" (a pass-through entity), which is doing business in your state. How does "A" treat its distributive share of X's income, assuming "A" owns:

▪ Limited interest in an operating partnership?

☐ Separate accounting ■ Treat as allocable income ☐ Combine with X's income
☐ Other, explain:

▪ Limited interest in an investment partnership?

☐ Separate accounting ■ Treat as allocable income ☐ Combine with X's income
☐ Other, explain:

▪ General partnership interest?

☐ Separate accounting ■ Treat as allocable income ☐ Combine with X's income
☐ Other, explain:

▪ Limited liability company interest? ☐ Separate accounting ■ Treat as allocable income ☐ Combine with X's income ☐ Other, explain:

If separate accounting is not allowed and X's income is not treated as allocable income, how does "A" compute its apportionment percentage, assuming it owns:

▪ Limited interest in an operating partnership? ■ Based only on A's apportionment factors ☐ Based on A's factors and its share of X's factors ☐ Based on A's factors, plus the inclusion in the sales factor of the K-1 income from X ☐ Other, explain:
▪ Limited interest in an investment partnership? ■ Based only on A's apportionment factors ☐ Based on A's factors and its share of X's factors ☐ Based on A's factors, plus the inclusion in the sales factor of the K-1 income from X ☐ Other, explain:
▪ General partnership interest? ■ Based only on A's apportionment factors ☐ Based on A's factors and its share of X's factors ☐ Based on A's factors, plus the inclusion in the sales factor of the K-1 income from X ☐ Other, explain:
▪ Limited liability company interest? ■ Based only on A's apportionment factors ☐ Based on A's factors and its share of X's factors ☐ Based on A's factors, plus the inclusion in the sales factor of the K-1 income from X ☐ Other, explain:

Property Factor. If your state does not include a property factor in either its general apportionment formula or its specialized industry formulas, check this box and skip to Payroll Factor? ■ State does not use a property factor

[9.] Property Factor: Valuation
▪ What method is used to value real and tangible personal property? ☐ Cost ☐ Net book value ☐ Federal adjusted basis ☐ State adjusted basis ☐ Other, explain: ▪ What method is used to value depletable assets? ☐ Cost ☐ Net book value ☐ Federal adjusted basis ☐ State adjusted basis ☐ Other, explain:

[10.] Property Factor: Average Value
▪ What averaging method is used to determine the annual value of property? ☐ Beginning and end of year ☐ Monthly ☐ Quarterly ☐ Other, explain:

[11.] Property Factor: Exclusions
▪ Which types of property are specifically excluded (check all that apply)? ☐ Intangible assets ☐ Property used to produce nonbusiness income ☐ Construction in progress ☐ Custom software ☐ Canned software ☐ Other, explain:

[12.] Property Factor: Leased Assets
▪ If rented or leased assets are included in the property factor, how is the amount of the inclusion determined? ☐ N/A, rental assets are excluded ☐ 8 times annual rental ☐ Other, explain:
▪ If rental property is subleased, what is the property factor inclusion based on, assuming the sub-rents are: ▪ Business income? ☐ Gross rents ☐ Net rents (gross less sub-rents) ☐ Other, explain: ▪ Nonbusiness income? ☐ Gross rents ☐ Net rents (gross less sub-rents) ☐ Other, explain:

[13.] Property Factor: Inventory

▪ What valuation method is used for inventory? ☐ Same as Book ☐ Same as Tax
▪ Can the LIFO method be used in determining the value of inventory? ☐ Yes ☐ No
▪ Must the IRC §263A uniform capitalization method be used in determining the value of inventory? ☐ Yes ☐ No

[14.] Property Factor: Other Assets

▪ Which taxpayer includes construction-in-progress in the property factor?
☐ Construction contractor ☐ Owner of constructed property ☐ Neither – Excluded from property factor

▪ Is property that was previously used by the taxpayer, but is now idle, included in the property factor?
☐ Yes, if retained for later use (Remains in property factor for ___ years)
☐ Yes, if held for disposition (Remains in property factor for ___ years)
☐ Other, explain:

▪ Which types of property are included in the property factor (check all that apply)?
☐ Leasehold improvements ☐ Mobile property ☐ Property in transit between taxpayer and customer
☐ Property in transit between two of taxpayer's facilities

▪ If leasehold improvements are included in the property factor, how are they valued?
☐ Average cost ☐ Capitalization of amortization expense ☐ Other, explain:

▪ How is the value of the following types of mobile property attributed to the numerator of the property factor (e.g., time, mileage, departures, ton miles, port days, where titled, etc.)?

▪ Airplanes:	▪ Autos and trucks:
▪ Ships:	▪ Autos used by sales reps:

Payroll Factor. If your state does not include a payroll factor in either its general apportionment formula or its specialized industry formulas, check this box and skip to Sales Factor? ■ State does not use a payroll factor

[15.] Payroll Factor. For purposes of computing your state's payroll factor:

	YES	NO
▪ Does your state apply a throwback rule to payroll?	☐	☐
▪ If an employee, who is a resident of your state, performs services in another state, is the employee's salary prorated between the states in determining the payroll factor numerator?	☐	☐
▪ Does your state recognize a "common paymaster" procedure for purposes of computing the payroll factor? ▪ If YES, explain:	☐	☐
▪ The compensation of a leased employee is included in the payroll factor of which entity? ☐ Common law employer ☐ Entity at which the employee provides services ☐ Entity which provides a paycheck to employee ☐ Other, explain:		
▪ Must a specific form be used to compute the payroll factor? ☐ YES (Form:) ☐ No		
▪ Are amounts from federal Form 940 acceptable for computing the payroll factor?	☐	☐
▪ Are amounts from state unemployment tax returns acceptable for computing the payroll factor?	☐	☐

[16.] Payroll Factor: Inclusions. Which amounts are included in the payroll factor (check all that apply)?
☐ Officers' salaries ☐ Sick pay ☐ Contributions to IRC §401(k) plan ☐ Payments to independent contractors
☐ Income from fringe benefits, imputed under IRC §79 ☐ Fees paid to affiliated corporation for personal services

[17.] Sales Factor: Meaning of Sales. For purposes of computing the sales factor, what is your state's statutory definition of *sales*?
■ All gross receipts of the taxpayer not allocated as nonbusiness income
☐ Other, explain:

[18.] Sales Factor: Inclusions. Which types of business receipts are included in the sales factor (check all that apply)?

■ Sales of tangible personal property
- Does "sales" mean gross sales less returns and allowances? ■ Yes ☐ No
- Does "sales" include federal and state excise taxes (e.g., sales taxes) that are passed on to the buyer or included as part of the selling price of the product? ■ Yes ☐ No

■ Sales of real property

■ Sales of fixed assets (e.g., machinery and equipment)
- What amount is included? ■ Gross receipts ☐ Net gain ☐ Other, explain:
- Are substantial amounts from incidental or occasional sales of fixed assets (e.g., sale of a factory) excluded from the sales factor? ■ Yes ☐ No
- Are insubstantial amounts from incidental or occasional sales (e.g., sale of automobile) excluded from the sales factor? ■ Yes ☐ No

■ Rents from leasing tangible personal property

■ Rents from leasing real property

■ Royalties from licensing the use of real property

■ Sales of services (e.g., fees or commissions)
- In the case of a cost-plus fixed fee contract (e.g., operation of a government-owned plant for a fee), does "sales" include the entire reimbursed cost plus the fee? ■ Yes ☐ No

■ Franchise fees

■ Income from intangible property
- Is income from intangible property which cannot readily be attributed to any particular income producing activity of the taxpayer excluded from the sales factor? ■ Yes ☐ No

■ Royalties from intangible property (e.g., patents or trademarks) **must meet 50% test**

■ Sales of intangible property (e.g., patents or trademarks)
- What amount is included? ■ Gross receipts ☐ Net gain ☐ Other, explain:

■ Sales of short-term investments in marketable securities and other liquid assets held in connection with the cash management activities of a corporate treasury department
- What amount is included? ☐ Gross receipts ■ Net gain ☐ Other, explain:

☐ Dividends from U.S. corporations
- What amount is included? ☐ Gross receipts ☐ Net amount after dividends received deduction

☐ Dividends from foreign (non-U.S.) corporations
- What amount is included? ☐ Gross receipts ☐ Net amount after dividends received deduction

☐ IRC Section 951 Subpart F income

☐ IRC Section 78 gross-up income

☐ IRC §951A global intangible low-taxed income (GILTI)

☐ IRC §965 one-time Subpart F inclusion for deferred foreign income (last tax year that begins before 2018)

■ Interest related to product sales (e.g., trade receivables)

■ Interest derived from short-term-investments (other than federal, state or local debt obligations)

☐ Interest derived from federal debt obligations

■ Interest derived from state or local debt obligations (your own state)

■ Interest derived from state or local debt obligations (other states)

☐ Reimbursements from related corporations for shared costs

☐ Reimbursements from customers for expenses paid on their behalf

[19.] Sales of Electricity. Is the sale of electricity considered the sale of:

☐ Service ☐ Intangible property ■ Tangible personal property ☐ Other, explain:

[20.] Post-Filing Adjustments. If another state successfully asserts nexus, does your state permit amended returns reflecting an adjustment to the sales factor? ■ Yes ☐ No

[21a.] Sourcing Sales of Tangible Personal Property

▪ Ignoring the application of your state's throwback rule (if any), how are sales of tangible personal property attributed to the numerator of the sales factor (check all that apply)?

■ State in which the goods are delivered or shipped to a purchaser (destination state)

■ If the purchaser is the U.S. government, State from which the goods were shipped (state of origin)

■ State in which the shipment terminates, even though the purchaser subsequently transfers the goods to another state

☐ State in which a sales office negotiated the sale

☐ State in which the sales activity occurred

▪ If an out-of-state customer picks up goods at the taxpayer's in-state manufacturing facility (a "dock sale"), in which state's sales factor numerator is the sale included? ■ State in which goods are picked up ☐ Destination state

[21b.] Sourcing Rental Income

▪ How are rents from leasing tangible personal property attributed to the numerator of the sales factor?

☐ Entire amount is attributed to state in which the greater proportion of the time or use of the property takes place (all-or-nothing)

■ Pro-rated among states, based on percentage of the time or use of property in each state

☐ Other, explain:

▪ How are rents from leasing real property attributed to the numerator of the sales factor?

■ Based solely on the location of the real property

☐ Other, explain:

[21c.] Sourcing Sales of Services. Does your state attribute sales of services to the numerator of the sales factor based on where the income-producing activity is performed? ☐ Yes ■ No

▪ If YES, how is the amount attributed to your state determined when the income-producing activity is performed in more than one state?

☐ Traditional UDITPA greater costs of performance standard (all-or-nothing approach)

☐ Percentage of total costs of performance incurred in your state

☐ Ratio of time spent performing the service in your state to the total time spent performing the service

☐ Other, explain:

▪ If your state sources sales of services based on costs of performance, which amounts are included in the taxpayer's costs of performance (check all that apply)?

☐ Direct costs based on GAAP

☐ Direct costs based on industry standards

☐ Costs associated with obtaining and retaining clients, including contract negotiations

☐ Charges from unrelated subcontractors performing some or all of the services

☐ Charges from related entities performing some or all of the services

☐ Other, explain:

▪ Does your state use a market-based sourcing rule for attributing sales of services to the numerator of the sales factor?
■ Yes ☐ No

▪ If YES, please answer the following questions.

▪ How is the location of the market for the service determined?

☐ Where benefit of service is received

■ Where service is received

☐ Where customer is located

☐ Where service is delivered

☐ Other, explain:

▪ Does your state provide (check all that apply)?

☐ Different attribution rules, depending on whether customer is an individual or business entity

☐ Throw-back rule if taxpayer is not taxable in state in which service is received

■ Throw-out rule if state in which service is received cannot be determined

☐ Ability to prorate a sale among two or more states

☐ Fallback rules if market state cannot be determined under general rule

▪ If applicable, which fallback rules does your state provide (check all that apply)?

■ Customer's billing address

■ Location from which customer ordered the service

☐ Reasonable approximation

☐ Other, explain:

▪ What factors are considered in determining the market state (check all that apply)?

■ Service relates to real property that is located in state

■ Service relates to tangible personal property that is located in state at time service is received

■ Service relates to intangible property that is used in state at time service is received

■ Service is provided to purchaser who is an individual physically present in state at time service is received

☐ Service is provided to person engaged in trade or business in state and service relates to that person's business in state

☐ Service is received in state and is a personal service that is performed on a direct, one-to-one basis

☐ Service is professional in nature, and is provided to a purchaser who is an individual domiciled in state, or to a purchaser with business operations in state

▪ If the customer is an individual, does your state make the presumption that the market for the sale is in your state if the customer's billing address is in the state? ☐ Yes ■ No

▪ Does your state attribute sales of services to the numerator of the sales factor based on a criteria *other than* where the income-producing activity is performed or where the benefit of the service is received by the purchaser? ☐ Yes ■ No

▪ If YES, explain:

[21d.] Sourcing Intangible Income. How are the following types of gross receipts attributed to the numerator of the sales factor (check all that apply)?

▪ Royalty income

☐ Costs of performance rule

■ Where intangible property is used (market-based rule)

☐ Based solely on taxpayer's commercial domicile

☐ Based solely on location of payer

☐ Other, explain:

☐ Special rule for computer software, explain:

☐ N/A, royalty income is not included in the sales factor

▪ Interest income

■ Costs of performance rule **(non-dealer)**

☐ Based solely on taxpayer's commercial domicile

■ Based solely on location of payer **(dealer in intangibles)**

☐ Other, explain:

☐ N/A, interest income is not included in the sales factor

▪ Dividend income

☐ Costs of performance rule

☐ Based solely on taxpayer's commercial domicile
☐ Based solely on location of payer
☐ Other, explain:
■ N/A, dividend income is not included in the sales factor

▪ Capital gain income from dispositions of intangible property
■ Costs of performance rule **(non-dealer)**
☐ Based solely on taxpayer's commercial domicile
■ Other, explain: **based on location of payer if dealer in intangibles**
☐ N/A, capital gain income is not included in the sales factor

[22.] There is no question 22

[23.] Throwback Rule. Does your state apply a throwback rule to sales of tangible personal property? ■ Yes ☐ No
▪ If YES, sale is thrown back to: ■ State from which goods were shipped ☐ State where order was processed

▪ Does your state apply a double-throwback rule to "drop shipment" sales? ☐ Yes ■ No

▪ To avoid the throwback of domestic sales, what must the taxpayer demonstrate (check all that apply)?
■ Proof of a taxable presence ■ Filing of a tax return ■ Proof of a tax payment
☐ N/A, no throwback rule ☐ Other, explain:

[24.] Throwback for Foreign Sales

Does your state apply a throwback rule to sales to purchasers in a foreign country? ■ Yes ☐ No
▪ If YES, how is nexus with the foreign country determined for purposes of applying the throwback rule?
☐ State nexus standards, ignoring P.L. 86-272 ☐ Foreign country's nexus standards
☐ State nexus standards, considering P.L. 86-272 ☐ Other, explain:

▪ To avoid the throwback of foreign sales, what must the taxpayer demonstrate (check all that apply)?
■ Proof of a taxable presence ☐ Filing of a tax return ☐ Proof of a tax payment
☐ N/A, no throwback rule ■ Other, explain: **not exempt by treaty**

[25.] Throw-out Rule. If your state does not have a throwback rule, does it have a "throw-out" rule, whereby sales to purchasers in states in which the corporation is not taxable are excluded from both the numerator and the denominator of the sales factor? ☐ Yes ☐ No ■ N/A, state has throwback rule

[26.] Contested Sales. If another state properly includes (under its statutes) a sale in the numerator of its sales factor, would your state contest its right to tax that sale and throw the sale back to your state? ■ Yes ☐ No ☐ N/A, no throwback rule

[27.] U.S. Government Sales. Does your state apply a throwback rule to sales to the U.S. government? ■ Yes ☐ No

[28.] *Joyce* versus *Finnegan*. If your state has a throwback rule and requires combined reporting, which rule is used?
■ *Joyce* ☐ *Finnigan* ☐ N/A, state does not have throwback rule or combined reporting

[29.] Jurisdictional Standards

What jurisdictional standards does your state consider adequate in order for a taxpayer to establish that it is taxable in another state and therefore does not need to throwback sales from that state (check all that apply)?
■ Taxpayer meets other state's filing requirement and files
■ Taxpayer has nexus in other state based on your state's nexus standards
■ Taxpayer engages in unprotected activity in other state (i.e., activity which exceeds protections of Public Law 86-272)

- If taxpayer's employees engage in unprotected activity in other states, what level of activity is considered *de minimis* and therefore does not create nexus in other state?
  - ☐ Less than 5 days
  - ☐ Less than 14 days
  - ☐ Less than 30 days
  - ☐ Other standard. Explain:
- Do the same standards apply with respect to in-bound nexus with your state? ☐ Yes ☐ No

[30.] Specialized Industry Formulas

- Does your state require an AIRLINE to use a special apportionment formula? ■ Yes ☐ No
  - If YES, what is the formula? **Revenue miles per 35 ILCS 5/304(d)(4)**
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a CONSTRUCTION CONTRACTOR to use a special apportionment formula? ☐ Yes ■ No
  - If YES, what is the formula?
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a FINANCIAL INSTITUTION to use a special apportionment formula? ■ Yes ☐ No
  - If YES, what is the formula? **Business income multiplied by fraction per 35 ILCS 5/304(c)(1)**
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a PIPELINE COMPANY to use a special apportionment formula? ■ Yes ☐ No
  - If YES, what is the formula? **Receipts from miles traveled in Illinois per 35 ILCS 5/304(d)(3)**
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a PROFESSIONAL SPORTS TEAM to use a special apportionment formula? ☐ Yes ■ No
  - If YES, what is the formula?
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a PUBLISHER to use a special apportionment formula? ☐ Yes ■ No
  - If YES, what is the formula?
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a RAILROAD to use a special apportionment formula? ■ Yes ☐ No
  - If YES, what is the formula? **Receipts from miles traveled in Illinois per 35 ILCS 5/304(d)(3)**
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a SHIP TRANSPORTATION COMPANY to use a special apportionment formula? ■ Yes ☐ No
  - If YES, what is the formula? **Receipts from miles traveled in Illinois per 35 ILCS 5/304(d)(3)**
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?
- Does your state require a TELECOMMUNICATIONS COMPANY to use a special apportionment formula? ■ Yes ☐ No
  - If YES, what is the formula? **Service address per 35 ILCS 5/304(a)(3)(B-5)**
  - If YES, how are any specialized factors computed?
  - If YES, what is the definition of a company in this industry?

▪ Does your state require a TRUCKING COMPANY to use a special apportionment formula? ■ Yes ☐ No ▪ If YES, what is the formula? **Receipts from miles traveled in Illinois per 35 ILCS 5/304(d)(3)** ▪ If YES, how are any specialized factors computed? ▪ If YES, what is the definition of a company in this industry?
▪ Does your state require a TV AND RADIO BROADCASTER to use a special apportionment formula? ■ Yes ☐ No ▪ If YES, what is the formula? **Programming revenue by audience share, advertising revenue by commerical domicile of advertiser per 35 ILCS 5/304(a)(3)(B-7)** ▪ If YES, how are any specialized factors computed? ▪ If YES, what is the definition of a company in this industry?
▪ Are there any other industries for which the use of a special apportionment formula is required? ☐ Yes ■ No ▪ If YES, what industries? ▪ If YES, what formula(s) are required?

[31.] Combined Reporting

▪ In regard to your state's tax reporting requirements, which filing options are available to a group of corporations engaged in a unitary business (check all that apply)? ■ Combined unitary reporting is mandatory ☐ Combined unitary reporting is not allowed under any circumstances ☐ State may require combined unitary reporting if certain conditions are met ☐ State may grant permission to file a combined unitary report if certain conditions are met ☐ Taxpayer may elect combined unitary reporting if certain conditions are met ☐ Other, explain:

[32.] Combined Reporting Group. If combined unitary reporting is required or permitted:

▪ How does your state define a "unitary business"? **A group of persons related through common ownership whose business activities are integrate with, dependent upon, and contribute to each other. 35 ILCS 5/1501(a)(27)**	
▪ What factors are considered in determining whether companies are engaged in a unitary business (check all that apply)?	
■ Functional integration	■ Economies of scale
■ Centralized executive force	■ Centralized administrative services
■ Same type or line of business	■ Steps in a vertical enterprise or process
■ Operations are dependent upon or contribute to one another	
☐ Other, explain:	
▪ Are taxpayers required to complete a questionnaire to determine whether a unitary relationship exists? ■ Yes ☐ No	
▪ What is the stock ownership percentage for inclusion in the combined reporting group? ☐ 50% or more ■ More than 50% ☐ 80% or more ☐ Other, explain:	
▪ If unitary, are the following types of companies included in the combined reporting group (check all that apply)? ■ Transportation companies ■ Insurance companies ■ Financial services companies	
▪ What is your state's policy regarding worldwide versus water's-edge combined reporting? ■ Water's-edge is mandatory ☐ Worldwide is required, unless taxpayer makes a water's-edge election ☐ Worldwide is mandatory ☐ Water's-edge is required, unless taxpayer makes a worldwide election ☐ Other, explain:	
▪ If water's-edge combined reporting is used, which corporations are excluded from the combined reporting group? ☐ Corporations organized in a foreign country ■ 80/20 companies, defined as: **Business activity outside the United States is 80% or more of total business activity. 35 ILCS 5/1501(a)(27)** ☐ Other, explain:	

▪ Is a unitary "check-the-box" foreign branch (i.e., a 100%-owned foreign country corporation that is treated as a disregarded entity for U.S. tax purposes) included in the combined reporting group? ☐ Yes ■ No
▪ If a member of the combined reporting group is a partner in a partnership that is unitary with the partner, is the distributive share of the partnership's income included in the combined report? ■ Yes ☐ No

[33.] There is no question 33

[34.] Combined Income. If combined unitary reporting is required or permitted:

▪ When apportioning the income of a combined reporting group, the income of the group members is combined: ■ *Before* applying the state's apportionment percentage ☐ *After* each member individually apportions its income
▪ What adjustments are made for income derived from transactions between members of the combined reporting group? ☐ No adjustments are made for intercompany transactions ■ Same as those required by Treas. Reg. §1.1502-13 for federal consolidated return purposes ☐ Same as Treas. Reg. §1.1502-13, with exceptions. Explain: ☐ Other, explain:
▪ Are gross receipts arising from transactions between members of the combined reporting group eliminated for purposes of computing the sales factor? ■ Yes ☐ No
▪ Are dividends paid by one group member to another group member eliminated from the income of the recipient? ■ Yes ☐ No ☐ Only if paid from E&P of unitary business included in combined report
▪ Can a tax credit earned by one group member be used to reduce the tax liability of another group member? ■ Yes ☐ No
▪ Is each group member with nexus in your state separately responsible for the tax on its income apportioned to the state? ☐ Yes ■ No
▪ If a combined reporting group has a taxable loss, is the resulting NOL carried forward at the group-level or the member-level? ■ NOL carryforward of group ☐ NOL carryforward attributed to specific members
▪ If NOL carryforwards are attributed to specific members, can an NOL carryforward attributable to one group member offset the income of other group members? ■ Yes ☐ No
▪ When a combined reporting group acquires a new member that has NOL carryforwards in your state, can those carryforwards offset the income of other group members? ■ Yes ☐ No
▪ If YES, are there SRLY-type restrictions on the use of the new member's NOL carryforwards? ☐ Yes ■ No
▪ If YES, explain:

[34a.] Elective Combination or Consolidation. The purpose of these new questions is to determine whether there are any circumstances under which a corporation doing business in your state has the option to elect to file either a combined unitary report or a consolidated return with other related corporations.

▪ Does your state permit a corporation doing business in the state to elect to file a combined unitary report with other related corporations? ☐ Yes ■ No **NOTE: Section 502(e) of the IITA provides for an election only for taxable years ending on or after December 31, 1985 and before December 31, 1993. For taxable years ending on or after December 31, 1993, taxpayers that are corporations (other than Subchapter S corporations) and that are members of the same unitary business group shall be treated as one taxpayer and are required to file combined returns**
▪ If YES, what are the eligibility requirements for making the election?
▪ If YES, what corporations are included in an elective combined unitary report?
▪ If YES, is the election binding on subsequent tax years? ☐ Yes ☐ No
▪ If YES, how many years is the election binding?
▪ Does your state permit a corporation doing business in the state to elect to file a consolidated return with other related corporations? ☐ Yes ■ No
▪ If YES, what are the eligibility requirements for making the election?
▪ If YES, what corporations are included in an elective consolidated return?
▪ If YES, is the election binding on subsequent tax years? ☐ Yes ☐ No
▪ If YES, how many years is the election binding?

[34b.] Tax Haven Operations

▪ Does your state require that a water's-edge combined unitary report include the income of a member of the unitary group that is incorporated or doing business in a tax haven country?	☐ Yes ■ No
▪ If YES, are the apportionment factors of the tax haven member also included in the water's-edge combined unitary report?	☐ Yes ☐ No
▪ If YES, how does your state define a "tax haven" country?	
▪ If YES, is it possible to exclude the tax haven member from the combined unitary report if certain requirements are met?	☐ Yes ☐ No
▪ If YES, what are the requirements for excluding the tax haven member from the combined unitary report?	

[35.] Consolidated Returns. In regard to your state's tax reporting requirements:

▪ What filing options are available to a group of commonly controlled corporations (check all that apply)?

■ Consolidated return is mandatory
☐ Consolidated return is not allowed under any circumstances
☐ State may require consolidated return if certain conditions are met
☐ State may grant permission to file consolidated return if certain conditions are met
☐ Taxpayer may elect to file a consolidated return if certain conditions are met
☐ Other, explain:

[36.] Consolidated Group. If consolidated returns are required or permitted:

▪ What is the stock ownership percentage for inclusion in the consolidated return? ☐ 50% or more ■ More than 50% ☐ 80% or more ☐ Other, explain:	
▪ In addition to stock ownership, what other requirements must an affiliate satisfy to be included in a consolidated return (check all that apply)? ☐ Must be included in federal consolidated return ☐ Must have nexus in state ☐ Must derive all of its income from sources within state ☐ Other, explain:	
▪ Must the affiliated group file a federal consolidated return to be eligible to file a state consolidated return?	☐ Yes ■ No
▪ If YES, must the state consolidated return include all the affiliates included in the federal return?	☐ Yes ☐ No
▪ Are the following types of companies includible in a state consolidated return (check all that apply)? ■ Transportation companies ■ Insurance companies ■ Financial services companies	
▪ Can a foreign (non-U.S.) corporation be included in a state consolidated return?	■ Yes ☐ No
▪ Can a "check-the-box" foreign branch (i.e., a 100%-owned foreign country corporation that is treated as a disregarded entity for U.S. tax purposes) be included in a state consolidated return?	■ Yes ☐ No
▪ Must the year-end used for the state consolidated return be the same as that used for the federal consolidated return? ■ Yes ☐ No	
▪ Must an affiliated group continue to file a consolidated state return, once it has elected to do so? ☐ Yes ☐ No ☐ Other, explain:	

[36a.] Consolidated Income

▪ When apportioning the income of a consolidated group, the income of the group members is consolidated: ■ *Before* applying the state's apportionment percentage ☐ *After* each member individually apportions its income
▪ What adjustments are made for income derived from transactions between members of the consolidated group?
☐ No adjustments are made for intercompany transactions
■ Same as those required by Treas. Reg. §1.1502-13 for federal consolidated return purposes
☐ Same as Treas. Reg. §1.1502-13, with exceptions. Explain:
☐ Other, explain:

▪ Are gross receipts arising from transactions between members of the consolidated group eliminated for purposes of computing the sales factor? ■ Yes ☐ No
▪ Are dividends paid by one group member to another group member eliminated from the income of the recipient? ■ Yes ☐ No
▪ Can a tax credit earned by one group member be used to reduce the tax liability of another group member? ■ Yes ☐ No
▪ Is each group member with nexus in your state separately responsible for the tax on its income apportioned to the state? ☐ Yes ■ No
▪ If a consolidated group has a taxable loss, is the resulting NOL carried forward at the group-level or the member-level? ■ NOL carryforward of group ☐ NOL carryforward attributed to specific members
▪ If NOL carryforwards are attributed to specific members, can an NOL carryforward attributable to one group member offset the income of other group members? ■ Yes ☐ No
▪ When a consolidated group acquires a new member that has NOL carryforwards in your state, can those carryforwards offset the income of other group members? ■ Yes ☐ No
▪ If YES, are there SRLY-type restrictions on the use of the new member's NOL carryforwards? ☐ Yes ■ No
▪ If YES, explain:

[37.] Business/Nonbusiness Income.

▪ How does your state define *business income?* **All income that may be treated as apportionable business income under the US Constitution. 35 ILCS 5/1501(a)(1)**
▪ How does your state define *nonbusiness income?* **All income other than business income or compensation. 35 ILCS 5/1501(a)(13)**
▪ Which of the following factors are taken into account in determining whether an item of income is treated as *business income* (check all that apply)? ☐ Transactional test ☐ Functional test ■ Whether income is apportionable under the U.S. Constitution ☐ Other, explain:
▪ What terminology does your state use to refer to an item of income that is apportioned? ■ Business income ☐ Apportionable income ☐ Other, explain:
▪ What terminology does your state use to refer to an item of income that is allocated? ■ Nonbusiness income ☐ Non-apportionable income ☐ Other, explain:

[38.] There is no question 38

[39.] Allocating Nonbusiness Income

Indicate how your state allocates items of nonbusiness income, using the following codes. For example, enter "C" if the item is allocated based on the corporation's commercial domicile.
L–Physical location of income-producing property C–Commercial domicile of taxpayer
U–Where income-producing property is used S–Situs of income-producing property O–Other, explain:

Item of Nonbusiness Income	Allocation Method
▪ Gain or loss from sale of real property	**S**
▪ Gain or loss from sale of tangible personal property	**S**
▪ Gain or loss from sale of stocks, bonds, and other securities	**C**
▪ Gain or loss from sale of intangible property	**C**
▪ Rents and royalties from leasing or licensing real property	**L**
▪ Rents from leasing tangible personal property	**U**
▪ Royalties from licensing intangible property	**U**
▪ Dividends	**C**
▪ Interest	**C**

[40.] Intercorporate Transactions. Briefly describe the circumstances under which your state uses the following methods in dealing with related party transactions (e.g., a licensing arrangement between an in-state operating company and a related out-of-state intangible property holding company).

▪ Forced combination of the related entities:
▪ Reallocation of income among the related entities (e.g., IRC Section 482-type provision):
▪ Denial of deductions for intercorporate payments:
▪ Assert that the out-of-state entity has income tax nexus (e.g., economic or attributional nexus):
▪ Disregard the existence of the related party transactions (e.g., economic substance/business purpose doctrines):
▪ Require alternative apportionment method (e.g., UDITPA Section 18-type equitable relief provision):
▪ Other, explain:

[41.] Related Party Interest Expense

▪ Does your state require an addition modification for interest expenses paid to a related member? ■ Yes ☐ No

- ▪ If YES, how does your state define a "related member" (check all that apply)?
  - ☐ Component member of a controlled group under IRC §1563
  - ☐ Shareholder that owns 50% or more of the taxpayer
  - ■ Corporation that is 50% or more owned by the taxpayer
  - ☐ Other, explain:
- ▪ If YES, under what circumstances is an addback not required (check all that apply)?
  - ■ Recipient's income is taxed by a foreign country
    Specific requirements:
  - ☐ Recipient's income is taxed by a U.S. state
    Specific requirements:
  - ☐ Recipient pays the amount to an unrelated person in same tax year
    Specific requirements:
  - ☐ Adjustment is unreasonable
  - ☐ Agree to alternative adjustment
  - ☐ Other, explain:
- ▪ If YES, is an addback required only if the interest expense is related to intangible property? ☐ Yes ☐ No
  - ▪ If YES, explain:

▪ If a portion of a taxpayer's interest expense deduction is disallowed for federal tax purposes due to the IRC §163(j) limitation, how does your state determine the portion of the federal interest expense deduction that is related-party interest as opposed to third-party interest?
■ Pro-rata based on the percentage of the taxpayer's total interest expense (before applying the §163(j) limitation) that is related-party interest expense versus third-party interest expense ☐ Other, explain:

[42.] Related Party Intangibles Expense

▪ Does your state require an addition modification for intangible expenses paid to a related member? ■Yes ☐ No

- ▪ If YES, how does your state define "intangible expenses"?
- ▪ If YES, how does your state define a "related member" (check all that apply)?
  - ☐ Component member of a controlled group under IRC §1563
  - ☐ Shareholder that owns 50% or more of the taxpayer
  - ■ Corporation that is 50% or more owned by the taxpayer
  - ☐ Other, explain:

▪ If YES, under what circumstances is an addback not required (check all that apply)?

■ Recipient's income is taxed by a foreign country
Specific requirements:

☐ Recipient's income is taxed by a U.S. state
Specific requirements:

■ Recipient pays the amount to an unrelated person in same tax year
Specific requirements:

■ Adjustment is unreasonable

■ Agree to alternative adjustment

☐ Other, explain:

[43.] Other Related Party Expenses

▪ Does your state require an addition modification for related party expenses other than interest expenses or intangible expenses? ■ Yes ☐ No

▪ If YES, explain: **insurance premiums, REIT dividends**

D. ADMINISTRATIVE ISSUES

[1.] Due Dates for Filing Returns

What is the due date of the annual income tax return for a calendar year *C corporation*?
■ March 15 ☐ April 15 ☐ Other, explain:

▪ What is the due date of the annual income tax return for a calendar year S corporation?
■ Same as C corporation ☐ Other, explain:

▪ If the due date falls on a weekend or a holiday, is the due date extended to the next succeeding day which is not a weekend day or a holiday? ■ Yes ☐ No

▪ Are any corporations required to file their income tax returns electronically? ■ Yes ☐ No

▪ If YES, what types of corporations?
Beginning with returns required to be filed for taxable years ending on or after December 31, 2011, any taxpayer required to file its federal income tax return by electronic means is required to file its equivalent Illinois income tax return for the same taxable year by electronic means. Regulations do not require electronic filing of amended returns, or of returns of individuals or estates, or to any return the Department has announced cannot be filed by electronic means.

▪ Does your state participate in the Federal-State 1120 electronic filing program? ■ Yes ☐ No

[2.] Filing Extensions. Under what circumstances does your state allow an extension to file a return?

■ Automatic with federal extension ☐ Only with showing of a valid business reason

■ Automatic state extension ☐ Other, explain:

▪ If no tax is due and a federal extension is not filed, must a state extension form be filed? ☐ Yes ■ No

COVID-19 Emergency. In response to the COVID-19 emergency, the IRS extended the due date for filing corporate income tax returns otherwise due on April 15, 2020, to July 15, 2020 (IRS Notice 2020-18, Mar. 23, 2020).

▪ Did your state extend the due date for corporate income tax returns in response to COVID-19? ■ Yes ☐ No

▪ If YES, does your state extension conform to the federal extension? ■ Yes ☐ No

▪ If NO, explain your state-specific extension:

▪ If YES, has your state department of revenue issued guidance regarding the extension? ■ Yes ☐ No

▪ If YES, please provide citation(s): **Informational Bulletin FY 2020-24**

[3.] Maximum Extension

▪ What is the maximum extension period? ■ 6 months ■ Other, explain: **The Department will grant an automatic extension of 6 months to taxpayers whose returns are due on the fifteenth day of the fourth month after the end of the taxable year and 7 months for all other taxpayers to file any Illinois income tax return except returns due under Article 7 of the IITA.**
▪ Must the federal extension form be filed with the state extension form? ☐ Yes ■ No

[4.] Extension Form

▪ What state form is used to file for a state extension? Form:
▪ Can the taxpayer obtain a state extension without a federal extension? ☐ Yes ☐ No
▪ If a state extension is not required because it is automatic with a federal extension, must a state extension be filed if additional tax is due? ☐ Yes ☐ No
▪ Must a payment of tax accompany the extension? ■ Yes ☐ No ▪ If YES, what percentage of the tax due must be paid with the extension? **100%**

[5.] U.S. Mail

▪ If mailed using the U.S. postal service, what date determines whether a return is timely filed (check one)? ☐ Date received by state agency ■ Postmark date (Is Certificate of Mailing accepted as proof? ■ Yes ☐ No)
▪ If mailed using the U.S. postal service, what date determines whether estimated tax is timely paid (check one)? ☐ Date received by state agency ■ Postmark date (Is Certificate of Mailing accepted as proof? ■Yes ☐ No)
▪ If mailed using an express mail carrier, what date determines whether a return is timely filed (check one)? ☐ Date received by state agency ■ Date given to carrier
▪ If mailed using an express mail carrier, what date determines whether estimated tax is timely paid (check one)? ☐ Date received by state agency ■ Date given to carrier

[6.] Payment of Tax. For purposes of your state's corporate income tax:

▪ Are estimated tax payments required? ■ Yes ☐ No					
▪ Is there a de minimis amount of tax below which estimates are not required? ■ Yes ☐ No					
▪ If Yes, amount? **$400**					
▪ Must the estimated payments include any applicable (alternative) minimum tax? ☐ Yes ☐ No					
▪ Are some corporations required to make tax payments via electronic funds transfer? ■ Yes ☐ No ▪ If YES, what types of corporations? **When annual tax liability exceeds $20,000**					
▪ Describe the estimated payment requirements for a calendar year corporation by completing the following table:					
	Date Due	Amount Due (%)		Date Due	Amount Due (%)
First payment	**April 15**	**25%**	Third payment	**September 15**	**25%**
Second payment	**June 15**	**25%**	Fourth payment	**December 15**	**25%**
▪ What interest rate is charged on the underpayment of estimated taxes? **Underpayment rate per IRC § 6621**					
▪ What penalty is imposed on the underpayment of estimated taxes? **2% up to 30 days late, 10% after 30 days**					

COVID-19 Emergency. In response to the COVID-19 emergency, the IRS extended the due date for corporate income tax payments otherwise due on April 15, 2020, to July 15, 2020 (IRS Notice 2020-18, Mar. 23, 2020).

▪ Did your state extend the due date for corporate income tax payments in response to COVID-19? ■ Yes ☐ No ▪ If YES, does your state extension conform to the federal extension? ■ Yes ☐ No ▪ If NO, explain your state-specific extension:
▪ If YES, has your state department of revenue issued guidance regarding the extension? ■ Yes ☐ No
▪ If YES, please provide citation(s): **Informational Bulletin FY 2020-24**

[7.] Credit Cards. Does your state allow taxpayers to pay tax using a credit card? ■ Yes ☐ No

- If YES, which cards are eligible (check all that apply)?
  - ■ VISA ■ MasterCard ■ American Express ■ Discover ☐ Other, explain:
- If YES, which taxes are eligible for payment via credit card (check all that apply)?
  - ☐ Corporate Income/Franchise ☐ Sales/Use ☐ Payroll ■ Individual income ☐ Other, explain:
- If YES, are current and delinquent taxes eligible for payment via credit card?
  - ☐ Current tax only ☐ Delinquent tax only ■ Both current and delinquent tax

[8.] Underpayment Penalty Exceptions

- Does your state provide exceptions to the underpayment penalties for corporate estimated taxes? ■ Yes ☐ No
  - If YES, what are your state's exceptions? ☐ SAF ■ Other, check all that apply:
    - ■ No penalty if estimated taxes paid equal the tax liability shown on preceding year's 12-month return
    - ■ No penalty if estimated taxes paid equal a specified percentage of current year tax liability **(Percentage: 90%)**
      - For this purpose, can taxpayer use? ■ Annualized income ☐ Adjusted seasonal income
    - ☐ Other, explain:
- Do special rules apply to "large" corporations? ☐ Yes ■ No
  - If YES, what special rules apply? ☐ SAF ☐ Other, explain:

[9.] Interest and Penalties

- What is the penalty for:
  - Late filing of a corporate income tax return? ☐ SAF ■ Other, explain: **2% up to maximum of $250**
  - Late payment of corporate income tax? ☐ SAF ■ Other, explain: **2% up to 30 days late, 10% after 30 days**

▪ Describe how interest is computed on:	**Underpayments**	**Refunds**
▪ Applicable interest rate	**Calculated under IRC § 6621**	**Calculated under IRC § 6621**
▪ Begins as of due date of return (Yes/No)?	**Yes**	**Yes**
▪ Begins __ days after claim for refund (Yes/No)?		
▪ How many days?		
▪ Other, explain:		**No interest if refund paid within 90 days of due date of return**

- How are these interest rates determined? ☐ SAF ☐ Other, explain:
- Is interest compounded? ☐ Yes ☐ No ▪ If so, how often? ☐ Daily ☐ Quarterly ☐ Other, explain:
- If your state receives a partial or delinquent payment from a taxpayer, how is the payment applied (check all that apply)?
  - ■ Tax first, then penalty, then interest
  - ☐ As indicated by the taxpayer
  - ☐ Penalty first, then interest, then tax
  - ☐ Subject to negotiation between the parties
  - ☐ Other, explain:

[10.] Change in Accounting Method. For purposes of your state's corporate income tax:

- How does a taxpayer obtain permission to change an accounting method?
  - ■ Automatic with federal permission ☐ State permission is required ☐ N/A, permission is not required
  - If state permission is required, what is Form number?
- Can the effects of an accounting method change be spread over future years?
  - ☐ SAF ☐ Other, explain:
- If an accounting method is changed for federal purposes, must it also be changed for state purposes? ■ Yes ☐ No

[11.] Conformity to Federal Tax Years. For purposes of your state's corporate income tax:

▪ Must the tax year for state purposes be the same as the federal tax year? ■ Yes ☐ No

▪ How does a taxpayer obtain permission to change a corporation's tax year?

■ Automatic with federal permission ☐ State permission is required ☐ N/A, permission is not required

▪ If state permission is required, what is Form number?

▪ Must a partnership or S corporation make a state *required payment* of estimated taxes (similar to IRC §7519) if it does not use a required tax year? ■ Yes ☐ No

▪ Does your state deny its graduated rates to *personal service corporations* and tax them at the maximum corporate rate, as under federal law? ☐ Yes ☐ No ■ N/A – State has flat-rate corporate income tax

[12.] Conformity to Federal Methods. For purposes of computing corporate taxable income, does your state conform to the following federal accounting methods (check all that apply)?

☐ Installment method	☐ Amortization of R&D costs (IRC §174)
☐ Completed contract method	☐ Amortization of start-up costs (IRC §195)
☐ Percentage of completion method	☐ Amortization of organizational costs (IRC §248)
☐ LIFO inventory method	☐ Uniform capitalization rules (IRC §263A)
☐ Simplified dollar-value LIFO (IRC §474)	☐ Bad debts - Reserve method for small banks (IRC §585)

▪ If NO to any item, what method is available?

▪ Does your state conform to the federal $25 million gross receipts test found in IRC §448(c) for purposes of determining whether a C corporation can use or is not required to use the following methods of accounting? (check all that apply)

■ Can use the cash method of accounting

☐ Not required to maintain inventories

☐ Not required to apply the IRC §263A UNICAP rules

☐ Not required to use the percentage of completion method for a small construction contract

[13.] Audits. Does your state:

▪ Use statistical sampling in arriving at an audit assessment for corporate income taxes?	☐ Yes	■ No
▪ Audit both income taxes and sales and use taxes during the same audit?	☐ Yes	■ No
▪ Assess the taxpayer for costs incurred in conducting an out-of-state audit?	☐ Yes	■ No

[14.] Reporting Federal Adjustments

▪ Is a corporation required to report a federal audit adjustment to your state? ■ Yes ☐ No

▪ Is YES, please provide statute, regulation or other administrative pronouncement that requires federal adjustments to be reported to your state? **35 ILCS 5/506(b); 86 Ill. Adm. Code §100.5030, §100.9320(d)**

▪ What event(s) trigger a reporting obligation with respect to a federal audit (check all that apply)?

■ When the IRS initiates an audit

■ When there is a final determination (Definition of "final determination": **35 ILCS 5/506(b): "amount of tax…altered by amendment of the return or by any other recomputation or redetermination that is agreed to or finally determined….."**)

☐ Taxpayer's execution of federal Form 870

☐ Other, explain:

▪ Is there a minimum threshold in terms of the effect of the change on the corporation's tax liability before the filing of an amended return is required? ☐ Yes ■ No

▪ Is YES, what is the minimum threshold amount?

▪ How should a corporation report a finalized federal audit adjustment to your state (check all that apply)? ■ Amended return and copy of revenue agent report (RAR) ☐ Copy of RAR only ☐ Other, explain: ▪ Is a "paper" filing permitted or is there an electronic filing requirement?
▪ What is the deadline for reporting a federal revenue agent's final adjustment? ☐ 90 days ■ Other, explain: **120 days** ▪ If a corporation reports a federal adjustment to your state in a timely manner, does the reporting extend the due date for filing an amended state tax return? ■ Yes ☐ No ▪ Is YES, what is the length of the extension? **2 years from due date of amended return** ▪ If a federal adjustment extends the statute of limitations, are the issues open for adjustment limited to those items that are altered as a direct result of the federal adjustment? ■ Yes ☐ No
▪ Does your state allow taxpayers to offset state tax liability changes resulting from federal audit adjustments against adjustments to other state items unrelated to the federal audit? ■Yes ☐ No
▪ If a federal RAR adjustment requires amended state returns for years otherwise closed by statute: ▪ Is the amended return limited to the federal adjustments? ■ Yes ☐ No ▪ Can a state tax refund be received? ■ Yes ☐ No
▪ To prevent the imposition of interest, does your state allow taxpayers to make advanced payments before there is a final federal determination that triggers the filing responsibility for an amended state return? ☐ Yes ■ No

▪ What is the deadline for filing a response to a determination letter from your state? ☐ 90 days ■ Other, explain: **60 days**
▪ What is the deadline for filing a valid claim for refund? ■ 3 years from date return was filed ☐ Other, explain:

[15.] Statute of Limitations

▪ What is your state's statute of limitations for assessing taxes? ■ 3 years from due date or filing date, whichever is later ☐ Other, explain:
▪ What is your state's statute of limitations if gross income is understated by a stated percentage? ■ 6 years if 25% ☐ Other, explain:
▪ What is your state's statute of limitations if the taxpayer fails to file a return? ■ No limit ☐ Other, explain:
▪ What is your state's statute of limitations in cases of fraud? ■ No limit ☐ Other, explain:
▪ Can a jeopardy assessment be made for income taxes? ■ Yes ☐ No

[16.] Notification to Represent Client

▪ Must your state be notified that a person will be acting on behalf of a corporation in an audit situation? ■Yes ☐ No
▪ What about a non-audit situation? ■ Yes ☐ No
▪ If notification is required, what is the form name and number? ■ Power of Attorney (Form: **IL-2848**) ☐ Other, explain:

[17.] Required Federal Attachments

▪ Is a corporation required to attach federal Form 1120, pages 1 to 5, to its state income tax return? ■ Yes ☐ No
▪ In addition to Form 1120, pages 1 to 5, what additional federal forms and schedules are required to be attached to the state income tax return (check all that apply)? ☐ Any and all federal forms and schedules that the IRS requires to be attached to Form 1120 ☐ Schedule M-3 ☐ Form 851 ■ Other, explain: **Schedules L, M-1, M-2, M-3**

▪ How does your state treat a federal consolidated return if the composition of the consolidated or combined group differs for state purposes?

☐ Attach the federal consolidated return filed with the IRS

☐ Attach a pro-forma federal return, including federal data for only those members included in the state consolidated or combined group

■ Other, explain: **Attach Schedule UB**

☐ N/A – State does not permit consolidated returns or combined reporting

[18.] Short Year Due to Acquisition. Assume that E (an existing calendar year consolidated group) acquires 100% of T (a non-calendar year corporation), forming N (a new consolidated group). In each independent fact pattern, indicate how your state treats the short tax years arising from the acquisition?

Case 1: N files using a calendar year, and T is not part of a unitary group with E or N

▪ Must two short period tax returns be filed for T? ■ Yes ☐ No

▪ If YES, what is due date for first short period return? ■ SAF ☐ SAF + 1 month ☐ Other, explain:

Case 2: N files using a calendar year, and T is part of a unitary group with E or N

▪ Must two short period tax returns be filed for T? ☐ Yes ■ No

▪ If YES, what is due date for first short period return? ☐ SAF ☐ SAF + 1 month ☐ Other, explain:

Case 3: N adopts a different tax year than E

▪ Must two short period tax returns be filed for T? ☐ Yes ■ No

▪ If YES, what is due date for first short period return? ☐ SAF ☐ SAF + 1 month ☐ Other, explain:

[19.] Amended Returns

▪ In your state, what "form" does a *C corporation* use to amend a tax return (check all that apply)?

■ Freestanding amended return form (Form: **IL-1120-X**) ☐ Same as original return, but check "Amended" box

☐ Same as original return, but write "Amended" on top ☐ Other, explain:

▪ In your state, what "form" does an *S corporation* use to amend a tax return (check all that apply)?

■Special amended return form (Form: **IL-1120-ST**) ☐ Same as original return, but check "Amended" box

☐ Same as original return, but write "Amended" on top ☐ Other, explain:

[20.] Private Contractors

▪ Does your state hire private contractors (e.g., collection agencies) to assist in tax administration? ■ Yes ☐ No

▪ If YES, how are these private contractors compensated? ☐ Hourly fee ■ Fixed fee

☐ Contingent fee (Range of fee authorized?) ☐ Other, explain:

▪ In what activities do the private contractors engage (check all that apply)?

☐ Nexus reviews ■ Collection of outstanding delinquent tax receivables

☐ Assessment of tax via audit ☐ Other, explain:

[21.] Offers in Compromise

▪ Is your state's department of revenue/taxation authorized to accept offers in compromise? ■ Yes ☐ No

▪ If YES, what are the taxes for which an offer in compromise can be made (check all that apply)?

■ Income tax ☐ Franchise tax ■ Uncollected sales/use tax ☐ Collected, but unremitted sales/use tax

☐ Unemployment taxes ■ Income tax withhold from payroll ☐ Other, explain:

▪ If YES, what are the conditions required for an offer in compromise to be made (check all that apply)?

■ Tax liability has finally been fixed ☐ Taxpayer has been discharged in bankruptcy

☐ Taxpayer has exhausted its protest rights ☐ Taxpayer has shown by proof to be insolvent

☐ Other, explain:

▪ If YES, is there a special form or application that must be filed to initiate the offer in compromise process? ■ Yes (Form: **BOA-1, BOA-5**) ☐ No
▪ If your state's department of revenue/taxation is not authorized to accept offers in compromise, is there another way to obtain an offer in compromise? ☐ Yes (Process?) ☐ No

[22.] Voluntary Disclosure Programs

▪ Does your state offer a voluntary disclosure program for corporate taxpayers? ■ Yes ☐ No

- If YES, what are the *qualification requirements* for participating in the program? **Have not been contacted by the Department**
- If YES, what are the *benefits* of participating in the program? **Limit collection to 4 years, waiver of penalty**
- If YES, what is the *process* for participating in the program? **Submit Form BOA-2**
- If YES, does your state take a look-back approach (i.e., taxpayers are required to file for prior years) or a forward-looking approach? ■ Look-back (How many prior years? **4**) ☐ Forward-looking
- If YES, are penalties abated if taxpayer comes forward with prior liabilities? ■ Yes ☐ No ☐ Occasionally
- If NO, if a non-filer comes forward with prior liabilities, are penalties generally required? ☐ Yes ☐ No

[23.] Form 1099 Requirements

▪ Does your state require corporations to file a separate "state" version of Form 1099 for payments to individuals? ☐ Yes ■ No

- If YES, what is the due date for filing the state version of Form 1099?
- If YES, what form is required? ☐ Copy of federal Form 1099 ☐ Other, explain:
- If YES, what payment amount triggers a filing requirement? ☐ SAF ☐ Other, explain:

[24.] Multistate Tax Commission

▪ What type of membership does your state have in the MTC? ☐ Compact ☐ Sovereignty ■ Associate ☐ None

▪ Does your state participate in the following MTC joint audit programs? ☐ Income tax audits ☐ Sales tax audits

▪ Has your state adopted the following MTC model apportionment regulations?

	Yes	No	Partly		Yes	No	Partly
▪ General apportionment	☐	■	☐	▪ Trucking Companies	☐	■	☐
▪ Construction Contractors	☐	■	☐	▪ TV and Radio Broadcasting	☐	■	☐
▪ Railroads	☐	■	☐	▪ Publishing	☐	■	☐
▪ Airlines	☐	■	☐	▪ Telecommunications	☐	☐	■

▪ Has your state adopted the following MTC model statutes?

	Yes	No	Partly
▪ Factor Presence Nexus Standard for BAT	☐	■	☐
▪ Intangible and Interest Expense Add-back	☐	■	☐
▪ Combined Reporting	☐	■	☐
▪ Compilation of State Tax Return Data	☐	■	☐
▪ Disclosure of Reportable Transactions	☐	■	☐
▪ Tax Avoidance Transaction Voluntary Compliance	☐	■	☐
▪ Apportionment of Income of Financial Institutions	☐	■	☐
▪ Mobile Workforce Withholding	☐	■	☐
▪ Reporting for Nonresident Members of PTE	☐	■	☐

▪ Has your state adopted the Statement of Information Concerning Practices of MTC and Signatory States under Public Law 86-272? ☐ Yes ■ No ☐ Partly

[25.] Nonresident Employees

- Does your state impose a personal income tax? ■ Yes ☐ No
  - If YES, does your state have a de minimis rule, based on the number of days worked or the amount of income earned, which exempts the wages of a nonresident employee who is temporarily working in your state (assume the employee is not an athlete or entertainer, and that no reciprocity agreement applies)? ☐ Yes ■ No
    - If YES, describe exemption:
    - If YES, what is the minimum threshold based on? Days worked: ________ Income earned: $________
    - If YES, does the exemption depend on whether the nonresident employee's state of residence meets certain requirements (check all that apply)?
      - ☐ Provides a substantially similar exclusion
      - ☐ Does not impose a personal income tax
      - ☐ Other, explain:
  - If YES, has your state entered into a reciprocity agreement with another state, under which each state agrees not to tax a resident of the other state on compensation the nonresident receives for working as an employee in your state (assume the employee is not an athlete or an entertainer)? ■ Yes ☐ No
    - If YES, which state(s): Iowa, Kentucky, Michigan, or Wisconsin
- If the assigned or primary office of a nonresident employee is in your state but the employee is working in another state for his or her convenience rather than the employer's necessity, does your state source the wages to your state based on the location of the primary office ("convenience of employer rule"). ☐ Yes ■ No

COVID-19 Emergency. Mandatory stay-at-home orders forced many businesses to require their employees to work from home or other remote locations. In response, some states have announced relief provisions regarding the income tax withholding issues raised by the presence of employees of out-of-state corporations working in a state.

- Has your state announced a relief provision which provides that the state will not impose an income tax withholding requirement on an employer based solely on changes in an employee's work location that are temporary in nature and attributable to the COVID-19 emergency? ☐ Yes ■ No
  - If YES, what are the requirements for qualifying for the relief provision?
  - If YES, on what date does the relief provision take effect?
  - If YES, on what date does the relief provision end?
  - If YES, has your state department of revenue issued guidance regarding these relief provisions? ☐ Yes ☐ No
    - If YES, please provide citation(s):

[26.] Federal Schedule UTP

- Does your state require that Schedule UTP be attached to the state corporate income tax return? ☐ Yes ■ No

[27.] Partnership Audit Rules. The federal *Bipartisan Budget Act of 2015* included a new centralized audit regime for partnerships. Under the new regime (IRC §§ 6221 to 6241), also referred to as the BBA or PBBA, all IRS audits, adjustments and collections are generally made at the partnership level rather than the partner level.

- Does your state generally conform to the federal partnership audit regime found in IRC §§~~6621~~ 6221 to 6241?
☐ Yes ■ No
  - If NO, explain nature of nonconformity: **Upon finalization of any federal changes, partnerships must file IL-1065-X to report changes made for each tax year under audit.**

[28.] Common Mistakes

- What are the most common mistakes that corporations make in filing income tax returns and paying income taxes? For ease of presentation in a chart, please organize your response as a bullet point list, as follows:

1. **Duplicate or missing FEIN on Schedule UB**
2. **Including receipts from an occasional sale in the sales factor**
3. **Bonus depreciation addition and subtraction modifications**

and so on

I hope this information is helpful. If you require additional information, please visit our website at www.tax.illinois.gov or contact the Department's Taxpayer Assistance Division at (800) 732-8866 or (217) 782-3336.

Sincerely,

Jennifer Uhles
Associate Counsel (Income Tax)