



informational

Bulletin

Constance Beard, Director

What's New for Illinois Income Tax

This bulletin summarizes changes for individual and business income tax for the 2016 filing season and withholding income tax for the 2017 filing season.

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

For information or forms

Visit our website at:
tax.illinois.gov

Call us at:
1 800 732-8866 or
217 782-3336

Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304

The 2016 Filing Season

- Our enhanced efforts to protect Illinois taxpayers from identity theft and tax fraud have proven to be highly successful. We will continue to combat the criminals attempting to steal taxpayer identities to file fraudulent tax returns while making every effort to get tax refunds issued as quickly as possible.
- Due dates which fall on April 15, 2017, have been extended to April 18, 2017. We are following the Internal Revenue Service in extending the due date because of the Emancipation Day holiday being observed on April 17 in the District of Columbia.
- All updates for the tax filing season will be posted to our website at tax.illinois.gov. We encourage taxpayers to check back for the most up-to-date information.
- MyTax Illinois, our **free** online account management program, provides a centralized location on our website where taxpayers may electronically file tax returns and supporting schedules, make payments, register a new business, or manage their tax accounts. Taxpayers are not required to create a MyTax Illinois account to file their **Form IL-1040**. First-time Illinois filers must have a state of Illinois-issued driver's license or identification card and use the non-login filing process to file their return.
- MyTax Illinois will begin accepting 2016 Individual and Business Income Tax returns on January 23, 2017.
- Filing electronically through MyTax Illinois or the modernized e-file system (MeF) is the best filing option. There is NO advantage to sending us a paper return by mail.
- Several changes have been made to the withholding income tax filing process. For more information, see Informational Bulletin FY 2017-07.

Individual Income Tax

Changes on the 2016 Form IL-1040, Illinois Individual Income Tax Return

- The Illinois Individual Income Tax rate for calendar year 2016 is 3.75 percent (.0375).
- Taxpayers and their dependents will receive an increased standard exemption allowance this year. The standard exemption allowance has increased from \$2,150 to \$2,175 for the 2016 tax year.
- The check box to receive a paper 1099-G has been removed from the 2016 Form IL-1040. If you checked the box on your 2015 Form IL-1040, you will receive a paper 1099-G for tax year 2016 if you meet the criteria requiring a 1099-G. However, for tax years 2017 and after, you should obtain your 1099-G information from our website at tax.illinois.gov.
- The due date for filing your 2016 Form IL-1040 and paying any tax you owe is extended to April 18, 2017.
- Any tax preparer who is paid to prepare or assist in preparing an Illinois Individual Income Tax return must sign and date the return, provide a phone number, and enter their preparer tax identification number (PTIN) issued by the Internal Revenue Service.

Their original filing and payment due date will remain unchanged as September 15th until the year 2026 when it will change to October 15th.

- **Cooperatives who file Form IL-1120** will retain an original filing and payment due date of the 15th day of the 9th month following the close of the tax year regardless of when their tax year ends.

The changes to calendar year and fiscal year C corporation filers are consistent with federal filing due date changes enacted in June 2015. 2016 C corporation original filing and payment due dates can be found at the end of this bulletin.

- There are **no** changes to original filing or payment due dates for S corporations, partnerships, trust/estates, or exempt organizations in Illinois. See the instructions for your tax return for more information.
- In order to accommodate the federal filing due date changes, the regulations regarding Illinois Income Tax extended due dates, 86 Ill. Admin. Code section 100.5020, also have changed. The new regulations state that the Department will grant an automatic extension of 6 months to taxpayers whose returns are due on the 15th day of the 4th month following the end of the tax year and 7 months for all other taxpayers. For most taxpayers this means that there will be no change to their extended due date which will remain the 15th day of the 10th month following the close of the tax year. There are four exceptions:

- **Cooperatives who file Form IL-1120** will continue to receive a 7 month extension to file. Their extended due date will remain the 15th day of the 16th month following the close of the tax year.
- **Exempt organizations who are classified federally as corporations** will continue to receive a 7 month extension to file. Their extended due date will remain the 15th day of the 12th month following the close of the tax year.
- **Exempt organizations who are classified federally as 501(c) trusts** will now receive a 7 month extension to file. Their extended due date will be changed to the 15th day of the 12th month following the close of the tax year.
- **Lloyd's plan of operation filers** will continue to receive an Illinois extension which will be the same length of time as their federal filing extension.

Business Income Tax

Changes on the 2016 Illinois Business Income Tax returns and schedules

- If you are a C corporation required to file **Form IL-1120**, and your tax year begins on or after January 1, 2016, the original filing and payment due dates for your 2016 tax return **may** have changed.
 - **Calendar year C corporations** will receive an extra month to file their return and pay their tax. The original filing and payment due date will change from March 15, 2017 to April 18, 2017.
 - **Fiscal year C corporation filers whose tax year ends on a date other than June 30** also will receive an extra month to file their return and pay their tax. Their original filing and payment due date will be changed to the 15th day of the 4th month following the close of the tax year.
 - **Fiscal year C corporation filers whose tax year ends on June 30** will retain an original filing and payment due date of the 15th day of the 3rd month following the close of the tax year.

2016 extended due dates can be found at the end of this bulletin on Page 6.

- IRC Section 807 amounts have been included on Line 15e of the **Schedule M (for businesses)**. In addition, two subtractions have been added to Line 19 of the **Schedule M (for businesses)**. See the **Schedule M** Instructions for more information.
- The calculations to determine the amount of required estimated tax payments on **Form IL-1120-ES** and **Form IL-2220** have been updated to more accurately determine if estimated payments are required, the amount of required estimated payments, and how Illinois gambling withholding should be applied against the required payments. See **Form IL-1120-ES** and **Form IL-2220** for more information.
- The total amounts for nonresident individual and nonresident estate members have been split into separate lines on Section A of the 2016 **Schedule B** and **Schedule D**.
- August 1, 1969, appreciation amounts have been included in the **Schedule K-1-P(3)** and **Schedule K-1-T(3)** calculations of pass-through withholding payments you owe on behalf of your nonresident members. See **Schedule K-1-P(1)** or **Schedule K-1-T(1)** for more information.
- Recapture of investment credit and Illinois gambling withholding have been included in the calculation of your own voluntary prepayment amount calculated in Step 6 of the **Form IL-516-I and IL-516-B workbook**.
- **Short-year and fiscal-year filers** - The River Edge Redevelopment Zone Investment Credit expired for tax years **beginning** on or after July 12, 2016. If your tax year **begins** on or after July 12, 2016, you cannot claim this credit on **Schedule 1299-A**, Lines 20a through 20c, or **Schedule 1299-D**, Lines 15a through 15c. You still may claim any distributive share of this credit passed through to you on **Schedule K-1-P** by reporting it on **Schedule 1299-A**, Line 21, or **Schedule 1299-D**, Line 16. The Enterprise Zone Investment Credit is still allowed.
- **Short-year and fiscal-year filers** - The River Edge Redevelopment Zone Remediation Credit expired for tax years **beginning** on or after July 12, 2016. If your tax year **begins** on or after July 12, 2016, you cannot claim this credit on **Schedule 1299-D**, Lines 26a through 28.
- **Fiscal-year filers** - The Veterans Jobs Credit expired for tax years **ending** after December 31, 2016. If your tax year **ends** after December 31, 2016, you cannot claim this credit on **Schedule 1299-A**, Lines 32a through 32c, or **Schedule 1299-D**, Lines 34a through 34c. You still may claim any distributive share of this credit passed through to you on **Schedule K-1-P** by reporting it on **Schedule 1299-A**, Line 33, or **Schedule 1299-D**, Line 35.
- **Fiscal-year filers** - The Angel Investment Credit expired for tax years **ending** after December 31, 2016. If your tax year **ends** after December 31, 2016, you cannot claim this credit on **Schedule 1299-A**, Line 38, or **Schedule 1299-D**, Line 40. You still may claim any distributive share of this credit passed through to you on **Schedule K-1-P** by reporting it on **Schedule 1299-A**, Line 39, or **Schedule 1299-D**, Line 41.
- The River Edge Historic Preservation Credit was incorrectly identified in last year's **Schedule 1299-A**, **Schedule 1299-D**, and instructions as expiring for tax years **beginning** on or after July 28, 2016. If you were a short-year filer using the 2015 return and did not claim the River Edge Historic Preservation Credit because your tax year **began** on or after July 28, 2016, you may amend that return to claim the credit. In addition, the sunset date of the River Edge Historic Preservation Credit was extended by P.A. 99-0914 and may be claimed on the 2016 Schedule 1299-A or Schedule 1299-D, if applicable.
- **Short-year filers** - The Live Theater Production Tax Credit expired for tax years **beginning** on or after June 1, 2017. If your tax year **begins** on or after June 1, 2017, you cannot claim this credit on **Schedule 1299-A**, Line 47, or **Schedule 1299-D**, Line 51. You still may claim any distributive share of this credit passed through to you on **Schedule K-1-P** by reporting it on **Schedule 1299-A**, Line 48, or **Schedule 1299-D**, Line 52.
- **Short-year filers** - The Hospital Credit expired for tax years **beginning** on or after June 14, 2017. If your tax year **begins** on or after June 14, 2017, you cannot claim this credit on **Schedule 1299-A**, Lines 50 through 54, or **Schedule 1299-D**, Lines 54 through 58. You still may claim any distributive share of this credit passed through to you on **Schedule K-1-P** by reporting it on **Schedule 1299-A**, Line 55, or **Schedule 1299-D**, Line 59. However, you may not claim any amount sold or donated to you on **Schedule 1299-A**, Line 55, or **Schedule 1299-D**, Line 59.

Individual and Business Income Tax

Changes that affect both individual and business income tax for the 2016 tax year

- The Research and Development Credit expired for tax years **ending** after December 31, 2015. You may not claim this credit on your 2016 **Schedule 1299-A**, **Schedule 1299-C**, or **Schedule 1299-D**.
- The Historic Preservation Credit expired for tax years **ending** after December 31, 2015. You may not claim this credit on your 2016 **Schedule 1299-A**, **Schedule 1299-C**, or **Schedule 1299-D**.
- Schedule 1299-S has been eliminated. See the Department of Commerce and Economic Opportunity (DCEO) website at illinois.gov/dceo for a list of enterprise zones, river edge redevelopment zones, and the DCEO contact information.
- Step 4 has been updated to include a section for entering required withholding information for each month of the quarter. Step 4 has entry lines for the amount of income tax withheld based upon the day the compensation was paid (payroll dates). This information will be used to enforce the late payment penalty for Withholding income tax payments explained in Publication 103.
- Step 7 includes a line for preparers to enter their IRS-issued preparer tax identification number (PTIN). This is required per the State Tax Preparer Oversight Act (35 ILCS 5/503).
- The Illinois Income Tax rate for individuals remains at 3.75 percent (.0375).
- The Illinois Individual Income Tax exemption amount remains at \$2,175. For more detailed information, and for assistance with calculating the amount to withhold, see the updated **Booklet IL-700-T**.
- All electronically submitted **W-2** forms are due by February 15, 2017. Electronically filing **W-2** forms helps combat tax return fraud and identity theft. When filing electronically, make sure the data fields in the file are complete with the Illinois-specific information. Penalties apply for late filing. **Important:** This is a separate transaction from your electronic **W-2** submission to the federal government. See the **Electronic W-2 Transmittal Program** page on our website for more information.
- Reminders:
 - If you have 250 or more W-2's or you are required to submit your W-2s electronically to the federal government, then you are required to submit your W-2s electronically with Illinois.
 - If you have been assigned to the monthly payment schedule and you withhold more than \$12,000 during a quarter, you must begin paying semi-weekly in the following quarter, the remainder of the year, and the subsequent year.

Withholding Income Tax

Changes that affect Illinois Withholding Income Tax for the 2017 tax year

- **Effective January 1, 2017, all Illinois Withholding Income Tax filers will be required to file their IL-941 returns quarterly and make their payments on either a monthly or a semi-weekly payment schedule.**
Illinois withholding income tax payment and filing schedules can be found at the end of this bulletin on Page 6.
- **Form IL-941** and Instructions and **Form IL-941-X** and Instructions have been updated.
 - Line C has been added to Step 2 to verify compliance with the Illinois Secure Choice Savings Program Act (820 ILCS 80/1, et seq.). For more information go to illinoisretirement.gov.

Important information for tax preparers and software vendors regarding 2017 tax forms

- As a result of P.A. 99-0641, for taxable years beginning on or after January 1, 2017, any tax preparer who is paid to prepare Illinois Individual, Business, or Withholding Income Tax returns must enter the preparer tax identification number (PTIN) issued to them by the Internal Revenue Service. The Individual, Business, and Withholding Income Tax forms have been revised to enable paid preparers to provide this information. See the instructions for your return for more information.
- Substitute or reproduced paper forms must be submitted and approved through our Forms Approval Program prior to use. See the **Guidelines for Substitute Tax Forms** under the Tax Professionals / Developers Section on our website.
- All payment vouchers (and some forms) require a scan line at the bottom that is specific to the taxpayer and filing period. Documents with a scan line **should not be duplicated** for other taxpayers or filing periods. This could delay processing for the taxpayer.
- If you are a tax preparer, make sure your tax preparation software is up-to-date. Using the most recently updated version of your tax preparation software helps reduce the time it takes us to process your clients' returns, and helps ensure the security of your clients' tax information.
- All electronically submitted **W-2** forms are due by February 15, 2017. Electronically filing **W-2** forms helps combat tax return fraud and identity theft. When filing electronically, make sure the data fields in the file are complete with the Illinois-specific information. Penalties apply for late filing. **Important:** This is a separate transaction from your electronic **W-2** submission to the federal government. See the **Electronic W-2 Transmittal Program** page on our website for more information.
- If you are a tax professional, see the **Tax Professionals** page on our website for up-to-date news and resources.

What to watch for in 2017

- The personal exemption allowed for individuals will remain \$2,175 per person for tax year ending on December 31, 2017.

Coming Soon! Changes affecting Illinois Unemployment Insurance Tax for the 2017 tax year

- Starting September 2017, employers will be able to use MyTax Illinois for their unemployment insurance monthly wage reporting, quarterly unemployment insurance report filing, and the contribution payment process. More information will be posted soon.
- Some of the benefits you can expect to see include the ability to:
 - Register your new business with IDES and IDOR in one secure location.
 - Eliminate the time you now spend completing and mailing paper reports by filing your wage reports and paying your unemployment contributions electronically.
 - Make changes to your account information quickly and easily.
 - Get immediate online confirmation that reports and payments have been received and processed timely.
 - View IDES and IDOR correspondence, account balances and other documents through a secure message center.
- See the announcement message from IDES Director Jeff Mays at www.ides.illinois.gov/.

Business Income Tax Due Dates

2016 Illinois Business Income Tax Original Filing and Payment Due Dates

C corporation type	Illinois original filing and payment due date
Calendar year C corporations	15th day of the 4th month following the close of the tax year (April 18, 2017)
Fiscal year C corporations whose tax year ends on a date other than June 30	15th day of the 4th month following the close of the tax year
Fiscal year C corporations whose tax year ends on June 30	15th day of the 3rd month following the close of the tax year
Cooperatives	15th day of the 9th month following the close of the tax year

2016 Illinois Business Income Tax Extended Due Dates

Tax type	Illinois Automatic Extension Length
<ul style="list-style-type: none"> Calendar year C corporations Fiscal year C corporations whose tax year ends on a date <u>other than</u> June 30 Partnerships Fiduciaries Exempt organizations federally classified as 401(a) trusts 	6 Months
<ul style="list-style-type: none"> Fiscal year C corporations whose tax year ends on June 30 Cooperatives S corporations Exempt organizations federally classified as corporations or 501(c) trusts 	7 Months
<ul style="list-style-type: none"> Lloyd's plan of operation filers 	The length of the federal filing extension

Withholding Income Tax Due Dates

2017 Illinois Withholding Income Tax Due Dates

Specific 2017 payment and return due dates can be found on our website at tax.illinois.gov.

Monthly Payment and Quarterly Return Schedule	
Pay electronically or use Form IL-501 by	File your return electronically or use Form IL-941 by
15th of each month for amounts withheld in the preceding month.	the last day of April, July, October, and January.

Semi-weekly Payment and Quarterly Return Schedule	
Must pay electronically by	File your return electronically or use Form IL-941 by
Wednesday for amounts withheld on the preceding Wednesday, Thursday, or Friday, and	the last day of April, July, October, and January.
Friday for amounts withheld on the preceding Saturday, Sunday, Monday, or Tuesday.	