

IT 26-0005-GIL 05/04/2026 Subtraction Modification

Private foreign pensions do not qualify for the deduction for retirement income unless included in federal taxable income under Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the Internal Revenue Code (This is a GIL).

May 4, 2026

NAME

ADDRESS

EMAIL

Re: Tax deduction for a private pension funded from Sweden

Dear NAME:

This letter is in response to your letter dated July 31, 2024, in which you requested information. The Department issues two types of letter rulings. Private Letter Rulings (“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 on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department’s regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter (“GIL”) is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at <https://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.

INQUIRY:

Dear Illinois Department of Revenue.

I was directed to this office regarding deduction of foreign pensions. I am a U.S. citizen residing in Illinois with retirement savings in Sweden from my previous employment there. I am eligible to start taking distributions from these savings at any time after age 55. According to the U.S.-Swedish tax treaty, these distributions will be taxed in the U.S. as pensions by the IRS.

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Based on my research and a conversation with a local IL Department of Revenue office, I understand that these distributions are likely deductible on the IL-1040 form. I would like to confirm this information.

Thank you for your assistance.

Ps. Feel free to email or call me with questions and your response.

DEPARTMENT'S RESPONSE:

The determination as to whether or not pension payments are subtracted from AGI in the computation of Illinois base income depends upon how the benefits are treated federally, which in turn depends upon how the benefits are categorized under the US-Sweden treaty and federal tax law. Whether or not a particular pension is subject to international treaty, or how that payment is to be treated under federal tax law, is not a determination made by the Illinois Department of Revenue.

35 ILCS § 203(a)(2)(F) provides as follows:

(F) An amount equal to all amounts included in such total pursuant to the provisions of Sections 402(a), 402(c), 403(a), 403(b), 406(a), 407(a), and 408 of the Internal Revenue Code, or included in such total as distributions under the provisions of any retirement or disability plan for employees of any governmental agency or unit, or retirement payments to retired partners, which payments are excluded in computing net earnings from self employment by Section 1402 of the Internal Revenue Code and regulations adopted pursuant thereto;

26 USC §§401-408 address various concerns connected with taxation of employee trusts, exemptions, annuities, employee benefit plans for the benefit of overseas employees of affiliates of the employer who created that plan, and individual retirement accounts. Section 401 specifically refers to pension trusts "...created or organized in the United States and forming part of a ...pension...plan of an employer for the exclusive benefit of his employees or their beneficiaries shall constitute a qualified trust under this section...."

35 ILCS §203(a)(2)(L) provides as follows:

(L) For taxable years ending after December 31, 1983, an amount equal to all social security benefits and railroad retirement benefits included in such total pursuant to Sections 72(r) and 86 of the Internal Revenue Code;

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Section 402 of the Internal Revenue Code deals with distributions from employee trusts exempt under Section 401(a) of the Internal Revenue Code, which provides an exemption for certain employee trusts “created or organized in the United States.”

Section 403(a) of the Internal Revenue Code deals with annuities described in Section 404(a)(2) of the Internal Revenue Code, which describes certain annuities purchased by employee trusts exempt under Section 401(a) of the Internal Revenue Code.

Section 403(b) of the Internal Revenue Code deals with annuities for employees of exempt organization.

Section 406 and 407 of the Internal Revenue Code deals with employee benefit plans under Section 401 that cover overseas employees of affiliates of the employer that created the plan.

Section 408 of the Internal Revenue Code deals with individual retirement accounts.

None of these provisions appear to apply to a retirement plan of a private employer in Sweden, and the pension income would therefore not qualify for subtraction under IITA Section 203(a)(2)(F).

The relevant treaty appears to be the Convention Between the Government of the United States of America and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (1994, 2005). Article 19 discusses pensions, and Article 20 addresses government service.

In your July 31, 2024, letter, you indicated that you reside in Illinois and that you are a U.S. citizen. You stated that you are eligible to take distributions from the “retirement savings” any time after you turn 55.

The instructions for the IL 1040 for line 5 describe the rules for adjustments to ‘base income’ where pensions are backed out of Illinois taxable income. Foreign pensions are not included in the descriptions. The relevant instruction in IDOR Publication 120 relates to IL-1040 Line 5, that “[w]hat retirement income may I subtract on Form IL 1040, Line 5.....You may subtract the amount of any federally taxed portion (not the gross amount) including 401(k) plans reported on your U.S. 1040 or 1040-SR Line 5b. NOTE: a qualified employee benefit plan is defined in Internal Revenue Code (IRC) Sections 402-408. If you do not know whether your employee benefit plan is qualified check with your employer.”

The determination as to whether or not the taxpayer’s pension is a “qualified employee benefit plan,” as noted above, depends upon whether the pension fits within the framework provided in IRC 401, 402-408. The pension plan must meet these relevant

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statutory standards to possibly be considered exempt from taxation in Illinois. Again, it is not the province of Illinois Department of Revenue to interpret international treaties and federal law.

I hope this information is helpful. If you require additional information, please visit our website at <https://tax.illinois.gov/> or contact the Department's Taxpayer Information Division at 800-732-8866.

Very truly yours,

Javonna Ackerman
Associate Counsel

JA:sc