
COMPLIANCE ALERT



January 2012

Compliance Problem

We determined that a significant number of unitary taxpayers are incorrectly adding an eliminations column to the Schedule UB, Combined Apportionment for Unitary Business Groups, Step 4, Figure your apportionment factor.

Solution

- ① If you are a unitary group filing Schedule UB, you may not “add” an eliminations column to Schedule UB, Step 4. You may not use a member’s column (Columns A, B, or C) as an eliminations column. If you are using a canned software program and the forms were approved by the Illinois Department of Revenue, you may not alter that product.
- ② The amounts that you claim for each member’s everywhere and Illinois sales amounts must be net of intercompany eliminations.
- ③ Review Illinois Income Tax Act, Sections 203(a)(2)(J), (a)(2)(K), (b)(2)(K), (b)(2)(O), (c)(2)(M), (c)(2)(O), (d)(2)(K), and (d)(2)(M). Review 86 Illinois Adm. Code 100.3370(a)(2)((C)(ii) and 100.5270(b)(1).

Background

For tax years ending prior to December 31, 2005, Illinois Schedule UB, Step 4 provided a separate column for unitary companies to record eliminations when figuring the unitary group’s apportionment factor. During these years, the department discovered that the separate column, in combination with changes to the Illinois Income Tax Act, and the development of electronic filing programs, which require accurate calculations, became confusing for both taxpayers and department personnel that processed these returns. In many cases, eliminations were deducted twice: first, in the listing of the individual companies figures, and then again in the eliminations column. The resulting apportionment factors for each separate unitary member did not equal the group’s apportionment factor when the amounts were combined, due to the separate listing of the eliminations column. We were unable to attribute appropriate income and loss amounts to each separate company.

Effective for tax years ending on or after December 31, 2005, the eliminations column for Schedule UB, Step 4 was removed, and the instructions changed to inform the taxpayer that individual company sales figures must be net of intercompany eliminations.

Since that time, processing problems regarding eliminations and sales factor calculations have been reduced. However, there is still a problem with some companies that attempt to make their own eliminations column, either by writing it in where the column was located prior to the 2005 Schedule UB, or by utilizing one of the member columns as an eliminations column.