

Illinois Department of Revenue Schedule NR (IL-1040) Instructions

What is the purpose of Schedule NR?

If you were a nonresident or a part-year resident of Illinois during the taxable year, Schedule NR will help you to determine what income is taxable to Illinois.

Who should file Schedule NR?

If you were a **nonresident** of Illinois during all of the taxable year, you must complete Schedule NR if you earned income in Illinois during the taxable year.

However, if you were a resident of Indiana, Iowa, Kentucky, Michigan, or Wisconsin, you must file Schedule NR only if

- you earned income in Illinois from sources **other than** wages (or other compensation) paid to you as an employee; or
- you had Illinois income tax withheld from your pay in error. In this case, you must complete Form IL-1040 and Schedule NR, entering zeroes in Part I, Lines 1 through 7 of Schedule NR.

Note Nonresident professional athletes may be liable for Illinois income tax depending on their **team's** state of residency. This is effective for tax years ending on or after December 31, 1992. For more information, call the Illinois Department of Revenue.

If you were a **part-year resident** of Illinois during the taxable year, you must complete Schedule NR if

- you earned income from any source while you were a resident; or
- you earned income from Illinois sources while you were not a resident.

Note As a part-year resident, the rules you will use for determining Illinois income and tax will depend on whether or not you were living in Illinois when you earned the income. If you were living in Illinois, you will (within certain limitations) be taxed on the income you earned from all sources; in other words, you will be taxed as a resident. If you were living outside Illinois, you will (within certain limitations) be taxed only on income you earned from Illinois sources; that is, you will be taxed as a nonresident (86 Illinois Administrative Code Section 100.3020).

Finally, you must, as a nonresident or part-year resident, complete Schedule NR to get a refund of any Illinois Income Taxes which were withheld from your pay in error.

Which parts do I complete?

You need to complete only Part I if you were a nonresident throughout the taxable year and your income earned in Illinois was entirely from

- wages, salaries, tips, *etc.*;
- interest;
- dividends; or
- the sale of securities.

Begin with Part III if, while you were a nonresident of Illinois, you had business and/or farm income both inside and outside Illinois. Part III allows you to determine the amount of that income apportionable to Illinois. Then complete Part II and Part I in that order.

If you are required to file Schedule NR but do not meet the qualifications stated above, begin with Part II and then complete Part I.

Name and Social Security Number

Print or type your name and Social Security number as shown on your Form IL-1040. Also, write the tax year on the line provided.

Residence

Check the appropriate box. If you were a part-year resident, state the beginning and ending dates of your residence in Illinois.

If you were a resident of Indiana, Iowa, Kentucky, Michigan, or Wisconsin during any part of the taxable year, check the appropriate box.

If you resided in another state or if you filed income tax returns in any states other than the states listed above, write the names of those states.

Part I: Computation of Tax

Line 1

If you completed Part II of this schedule, write the amount from Part II, Line 12. If you were a nonresident and did not complete Part II, write the amount of Illinois income from wages, salaries, tips, *etc.*, (but not including active duty military pay) from the Illinois copy of Form W-2. Income received by nonresidents from interest, dividends, and the sale of securities is not taxed by Illinois but is taxed by your state of residency even if such income is earned in Illinois. Therefore, you should not include such income on this line. If Line 1 is zero or negative, skip to Line 7. Write zero here and on Form IL-1040, Line 14.

Note If you were a resident of Indiana, Iowa, Kentucky, Michigan, or Wisconsin during all or part of the taxable year, do not enter any Illinois income from wages, salaries, tips, *etc.*, (reported on Form W-2) which you received while you resided in these states.

Lines 2 through 7

Follow the line-by-line instructions on Schedule NR.

Part II: Computation of Illinois Income

"Received" means "earned or received" if you are using the accrual method rather than the cash method of accounting.

Note If you show a subtraction (or a net subtraction) in Column C, use parentheses; e.g., write a subtraction of \$1,000 as (1,000).

Line 1 - Wages, salaries, tips, *etc.* (referred to as "wages")

Column A - Write the amount shown as wages on your U.S. 1040, 1040A, or 1040EZ.

Column B -

Nonresidents: Write the amount shown on the Illinois copy of Form W-2 as Illinois wages (but do not include active duty military pay). Also do not include any Illinois wages you received while a resident of Indiana, Iowa, Kentucky, Michigan, or Wisconsin.

Part-year residents: Add and write the total of

- all wages (except active duty military pay) received while you were an Illinois resident; and
- all Illinois wages you received while a nonresident except Illinois wages you received while a resident of Indiana, Iowa, Kentucky, Michigan, or Wisconsin.

Column C -

Nonresidents: Write as a subtraction the amount of disability income included on Form IL-1040, Line 5, but only to the extent that it is related to wages paid in Illinois and reported in Column B.

Part-year residents: Write as a subtraction any disability income which you received while a resident of Illinois and which you included in gross income on U.S. 1040, but only to the extent that it is related to wages paid in Illinois and reported in Column B. (See instructions for Form IL-1040, Line 5.)

Column D - If Column C is blank, write the amount from Column B. If Column C shows a subtraction, subtract Column C from Column B and write the difference.

Line 2 - Interest

Column A - Write the amount of interest you reported on your U.S. 1040, 1040A, or 1040EZ.

Column B - Part-year residents only - Write the amount of interest included in Column A which you received while a resident of Illinois.

Column C - Write as an addition or subtraction the net amount that results from combining

- as an addition, any federally tax-exempt interest received by you or your child (if you are reporting your child's income on U.S. 8814) while a resident of Illinois and included on your Form IL-1040, Line 2 or Line 3, respectively; and
- as a subtraction, any interest you received while a resident of Illinois and included on Form IL-1040, Lines 8 and 9.

Column D - If Column C is blank, write the amount from Column B. If Column C shows a net addition, add Columns B and C and write the total. If Column C shows a net subtraction, subtract Column C from Column B and write the difference.

Line 3 - Dividends

Column A - Write the amount of dividends you reported on your U.S. 1040 or 1040A.

Column B - Part-year residents only - Write the amount of dividends you received while a resident of Illinois.

Column C - Write as an addition or subtraction any dividends you received while a resident of Illinois and included on your Form IL-1040, Lines 2, 3, or 9.

Column D - If Column C is blank, write the amount from Column B. If Column C shows an addition, add Columns B and C and write the total. If Column C shows a subtraction, subtract Column C from Column B and write the difference.

Note for passive activity losses: For Lines 4 through 8, Column B will generally differ from Column A whether you are a nonresident or a part-year resident. Part-year residents should use a proration formula to offset out-of-state income against losses attributable to Illinois.

Line 4 - Income (loss) from small business corporations

Column A - Write income received or deemed distributed to you as a shareholder of an S corporation, as reported to you for federal income tax purposes.

Column B - Write the portion of Column A which was earned in Illinois.

Part-year residents: Income received from an S corporation should be treated as if received evenly throughout the taxable year.

Column C - Write the net distributive share of additions and subtractions allocable to Illinois.

Column D - If Column C is blank, write the amount from Column B. If Column C shows an addition, add Columns B and C and write the total. If Column C shows a subtraction, subtract Column C from Column B and write the difference.

Line 5 - Business and farm income (loss)

Column A - Write your business income (loss) reported on U.S. 1040, Schedule C or Schedule C-EZ, and your farm income (loss) reported on U.S. 1040, Schedule F.

Column B - If you had business and/or farm income (loss) both inside and outside Illinois, complete Part III before continuing.

Nonresidents: If your combined business and farm income (loss) was from sources

- entirely inside Illinois, write the amount from Column A;
- entirely outside Illinois, leave Columns B, C, and D blank; or
- inside and outside Illinois, multiply Column A by Part III, Line 6 and write the result.

Part-year residents: Add and write the total of

- any business or farm income (loss) you received while a resident of Illinois;
- any Illinois business income (loss) you received while a nonresident, but only if all of that income (loss) was derived entirely inside Illinois; or
- the portion of business and farm income (loss) which is attributable to Illinois and which you derived from both inside and outside Illinois while a nonresident. To find this amount, multiply the amount you received while a nonresident by the decimal on Part III, Line 6.

Column C - Some of the additions and subtractions you wrote on Lines 3 and 10 of your Form IL-1040 may relate to items reported as part of your business or farm income (loss) on Schedule C, Schedule C-EZ, or Schedule F of your U.S. 1040. Some of these may be attributable to Illinois. To the extent you have not already done so on Part II, Lines 2, 3, and 4 of Schedule NR, combine all additions and subtractions relating to business and farm income (loss) attributable to Illinois and write the net result as an addition or subtraction in this column.

Column D - If Column C is blank, write the amount from Column B. If Column C shows an addition, add Columns B and C and write the total. If Column C shows a subtraction, subtract Column C from Column B and write the difference.

Line 6 - Gain (loss) from sales or exchanges of property other than from partnerships, S corporations, estates, and trusts (referred to below as "applicable sales or exchanges").



Gains from the sale of intangible personal property are attributable to your state of residency.

Column A - Write the net gain (loss) from the applicable sales or exchanges of property (real or personal, tangible or intangible) to the extent you reported these amounts on your U.S. 1040, Schedule D, or U.S. Form 4797.

Column B -

Nonresidents: Write the portion of Column A attributable to sales or exchanges of only real or tangible personal property located in Illinois at the time of the sale or exchange. This can be computed from Illinois items shown on U.S. 1040, Schedule D, and/or U.S. Forms 4797 and 6252.

Part-year residents: Add and write the total of

- all gains (losses) received from anywhere while you were a resident of Illinois (these can be computed from items shown on U.S. 1040, Schedule D, and/or U.S. Forms 4797 and 6252); and
- applicable gains (losses) received while you were a nonresident if the gains (losses) were from the sales or exchanges of real or tangible personal property located in Illinois at the time of the sale or exchange.

Column C - If you need to complete Form IL-1040, Schedule F, do so before you make an entry here.

Nonresidents: Write as a subtraction the sum of the August 1, 1969, valuation limitation amount for all real and tangible personal property located in Illinois.

Part-year residents: Add and write as a subtraction the sum of the August 1, 1969, valuation limitation amounts for

- all property, wherever located, from which you received gain while you were a resident; and
- all real and tangible personal property located in Illinois from which you received gain while a nonresident.

 Your amount in Column C may not be greater than the amount of your entire net capital gain. That is, this amount may not exceed the total of all amounts attributable to Illinois written on Schedule F, Line 5, Column H, plus the lesser of

- the sum of all amounts attributable to Illinois written on Schedule F, Line 1, Column H, plus Line 5, Column I; or
- the amount written on Schedule F, Line 12.

Column D - If Column C is blank, write the amount from Column B. If Column C shows a subtraction, subtract Column C from Column B and write the difference.

Line 7 - Rents and royalties

Column A - Write the net amount of rents and royalties reported on U.S. 1040, Schedule E.

Column B -

Nonresidents: Write the net amount of rents and royalties received while a nonresident from

- real estate located in Illinois;
- tangible personal property, to the extent it was used in Illinois (see the note below); and
- patents and copyrights, to the extent they were used in Illinois (see the note below).

Part-year residents: Add and write the total of

- net rents and royalties received from all sources while a resident of Illinois; and
- net rents and royalties received while a nonresident from real estate located in Illinois and tangible personal property, to the extent they were used in Illinois (see the note below).

Column D - Write the amount from Column B.

 You can determine the extent of Illinois use of tangible personal property by dividing the number of days the property was in Illinois during the rental or royalty period in the taxable year by the number of days the property was everywhere during all rental or royalty periods in the taxable year. Multiply the resulting fraction by the net amount of rents and royalties received.

A **patent** is used in Illinois to the extent that it is employed in the production, fabrication, manufacture, or other processing, or to the extent that a patented product is produced in Illinois.

A **copyright** is used in Illinois to the extent that printing or publication originated in Illinois.

Line 8 - Income (loss) from partnerships, estates and trusts

Column A - Add and write the total of

- the income (loss) from partnerships, estates, or trusts as shown on U.S. 1040, Schedule E; and

- the gain (loss), which was excluded from Line 6, on sales or exchanges of property (both real and personal, tangible and intangible) from partnerships, estates, and trusts as reported on U.S. 1040, Schedule D, and/or U.S. Form 4797 and U.S. Form 6252.

Column B - Refer to information furnished to you by the partnership, estate, or trust for the amount of income (loss) that is attributable to Illinois and write that amount.

Part-year residents: Income received from a partnership should be treated as if received evenly throughout the taxable year.

Column C - Refer to information furnished to you by the partnership, estate, or trust for the additions and subtractions attributable to Illinois. Combine the total subtractions with the total additions and write the net amount.

Column D - If Column C is blank, write the amount from Column B. If Column C shows an addition, add Columns B and C and write the total. If Column C shows a subtraction, subtract Column C from Column B and write the difference.

Line 9 - Other income

Column A - Add and write the total of

- income received during the taxable year from gambling winnings, including winnings from the Illinois State Lottery;
- alimony you received;
- other income, such as pension or Social Security income, reported on your U.S. 1040 or 1040A;
- any miscellaneous income shown on your U.S. 1040; and
- unemployment compensation.

Column B -

Nonresidents: Write the portion of Column A received from any Illinois State Lottery winnings (even though you are a resident of a reciprocal state).

Part-year residents: Write the portion of Column A which you received from

- any gambling winnings which you received while a resident;
- any Illinois State Lottery winnings you received while a resident or a nonresident (even though you are a part-year resident of a reciprocal state);
- unemployment compensation received while a resident;
- other income, such as pension or Social Security income, shown on your U.S. 1040 or 1040A, either received while you were a resident of Illinois or from an Illinois source;
- alimony you received while a resident of Illinois; and/or
- any miscellaneous income shown on your U.S. 1040 earned while a resident of Illinois.

Column C -

Nonresidents: Leave blank.

Part-year residents: If any of the additions or subtractions written on your Form IL-1040, Lines 3 and 10, are directly related to any amount written in Column B, combine all such additions and subtractions attributable to Illinois.

 None of the additions or subtractions apply to Illinois State Lottery winnings or other gambling winnings.

Column D -

Nonresidents: Write the amount from Column B.

Part-year residents: If Column C is blank, write the amount from Column B. If Column C shows an addition, add Columns B and C and write the total. If Column C shows a subtraction, subtract Column C from Column B and write the difference.

Line 10 - Total income

Column D - Add Lines 1 through 9 and write on Line 10.

Line 11 - Adjustments to income

Amounts written on this line include only:

Individual Retirement Accounts (IRA)

Column A - Write the amounts from your U.S. 1040.

Column B - Write the amount attributable to Illinois. To determine this, multiply the amount in column A by a fraction, the numerator of which is compensation (wages, salaries, tips, *etc.*) paid in Illinois, and the denominator of which is compensation paid everywhere.

Column D - Write the amount from Column B.

Moving Expenses (part-year residents only)

Column A - Write the amount from your U.S. 1040.

Column B - Write the portion of Column A paid while you were an Illinois resident.

Column D - Write the amount from Column B.



You must have claimed these expenses as an adjustment to income on your U.S. 1040 (not as an itemized deduction on Schedule A).

Deduction for Self-Employment Tax

Column A - Write the amount of the deduction for self-employment tax that you entered on U.S. 1040.

Column B - Include the portion of Column A that relates to business income attributable to Illinois.

Column D - Write the amount from Column B.

Self-Employed Health Insurance Deduction

Column A - Write the amount from your U.S. 1040.

Column B - Write the portion of Column A attributable to Illinois.

Column D - Write the amount from Column B.

Self-Employed Retirement Plans (KEOGH)

Column A - Write the amount from your U.S. 1040.

Column B - Write the portion of Column A that relates to business income attributable to Illinois.

Column D - Write the amount from Column B.

Penalty on Early Withdrawal of Savings

Column A - Write the amount from your U.S. 1040.

Column B - Write the portion of Column A attributable to Illinois.

Column D - Write the amount from Column B.

Alimony Paid (part-year residents only)

Column A - Write the amount from your U.S. 1040.

Column B - Write the portion of Column A which you paid while an Illinois resident.

Column D - Write the amount from Column B.

Other Adjustments

Column A - Write the amount from your U.S. 1040.

Column B - Write the amounts attributable to Illinois from qualifying performing artists expenses, jury duty pay given to employer, forestation or reforestation amortization, repayment of sub-pay, contributions to Internal Revenue Code Section 501(c)(18) pension plans, deductions for clean-fuel vehicles, or expenses from the rental of personal property.

Column D - Write the amount from Column B.

Line 12 - Illinois income

Subtract Line 11 from Line 10. Write here and on Part I, Line 1.

Line 13 - Adjusted gross income

Write your adjusted gross income from your U.S. 1040, 1040A, or 1040EZ. (This entry should match your U.S. 1040 entry.)

Part III: Business Apportionment Formula

If, while not an Illinois resident, you received business and/or farm income from sources both inside and outside Illinois, you must begin with Part III. You will use the results of computations in this part to determine the amount to write in Part II, Line 5, Column B.

If you need more detailed instructions than those provided below, please see the instructions to Form IL-1120, Part III, for property, payroll, and sales factors. If your business income was derived from a transportation service company, an insurance company, or a financial organization, see the instructions to Form IL-1120, Part III, for "Special Apportionment Formulas."

Line 1 - Property factor

Column 1

Write the average value of real and tangible personal property which you owned or rented and used in your trade or business both inside and outside Illinois.

Column 2

Write the average value of real and tangible personal property which you owned or rented and used in your trade or business in Illinois.

Column 3

Write the decimal produced by dividing Column 2 by Column 1.

Line 2 - Payroll factor

Column 1

Write the total compensation paid both inside and outside Illinois.

Column 2

Write the compensation paid in Illinois.

Column 3

Write the decimal produced by dividing Column 2 by Column 1.

Line 3 - Sales factor

Column 1

Write your total sales inside and outside Illinois.

Column 2

Write your total sales in Illinois.

Column 3

Write the decimal produced by dividing Column 2 by Column 1.

Line 4

The Illinois Income Tax Act requires a double weighting of the sales factor. Write the decimal from Line 3, Column 3.

Line 5 - Total

Column 3 - Add Lines 1 through 4.

Line 6 - Average

If an amount (other than zero) is shown in Column 1 for all factors, divide Line 5 by four. If the sales factor shown in Column 1 is zero, divide Line 5 by two. If either the property or the payroll factor shown in Column 1 is zero, divide Line 5 by three. If both the property and the payroll factors shown in Column 1 are zero, divide Line 5 by two. If the sales factor and either the property or the payroll factor shown in Column 1 are zero, write the decimal from Line 5.