Illinois Department of Revenue

Schedule K-1-T(1)

Instructions for Trusts and Estates Completing Schedule K-1-T and Schedule K-1-T(3) or Schedule K-1-T(3)-FY

What's new for 2016?

Public Act 100-0022 has increased the income tax rate for tax periods ending after June 30, 2017. Depending on when your tax year ends, you will be required to use either Schedule K-1-T(3) or Schedule K-1-T(3)-FY to calculate the amount of tax you must withhold for your nonresident members. See "What is the purpose of Schedule K-1-T, Schedule K-1-T(3), and Schedule K-1-T(3)-FY?" for more information.

General Information

What is the purpose of Schedule K-1-T, Schedule K-1-T(3), and Schedule K-1-T(3)-FY?

Schedule K-1-T —

The purpose of Schedule K-1-T, Beneficiary's Share of Income and Deductions, is for you to supply each individual or entity who was a beneficiary at any time during your tax year with that individual's or entity's share of the amounts you reported on your federal income tax return and your Illinois income tax return.

For Illinois Income Tax purposes, you **must** give a completed Schedule K-1-T **and** a copy of the Schedule K-1-T(2), Beneficiary's Instructions, to each beneficiary if any part of your income is paid, credited, distributed, or deemed to have been paid, credited, or distributed by you to that beneficiary. This must be done by the due date, including any extended due date, of your Form IL-1041.

Schedule K-1-T(3) and Schedule K-1-T(3)-FY —

The purpose of Schedule K-1-T(3) and Schedule K-1-T(3)-FY is to calculate the required tax you must report and pay on behalf of your nonresident beneficiaries that receive business or nonbusiness income from your fiduciary.

Note Estates are not required to report and pay tax on behalf of their nonresident members.

Your tax year end date will determine whether you must use Schedule K-1-T(3) or Schedule K-1-T(3)-FY to calculate the required tax for all your nonresident members.

- If your tax year ends **on or before** June 30, 2017, you must use Schedule K-1-T(3) in order to calculate the required tax for all of your nonresident members. **Do not** use Schedule K-1-T(3)-FY.
- If your tax year ends **on or after** July 1, 2017, you must use Schedule K-1-T(3)-FY in order to calculate the required tax for all of your nonresident members. **Do not** use Schedule K-1-T(3).

You are required to report and pay tax on behalf of your members if

- you are a **trust** with an Illinois filing obligation, and
- you have business or nonbusiness income distributable to Illinois nonresident beneficiaries who have not provided you with Form IL-1000-E, Certificate of Exemption for Pass-through Withholding Payments.

You **must** complete a Schedule K-1-T(3) or Schedule K-1-T(3)-FY, as applicable, for each such member. The pass-through withholding payment amount calculated on Schedule K-1-T(3) or Schedule K-1-T(3)-FY will be reported to each applicable member on the Schedule K-1-T you issue to them. Each member's amounts from each Schedule K-1-T(3) or Schedule K-1-T(3)-FY you complete must also be reported to the Illinois Department of Revenue on your Schedule D.

For Illinois Income Tax purposes, you **must** complete Schedule K-1-T(3) or Schedule K-1-T(3)-FY to calculate the amount of pass-through withholding payment for each of your applicable members **and** keep the schedule with your income tax records.

Do not submit Schedule K-1-T(3) or Schedule K-1-T(3)-FY with your income tax return. You must send us your Schedules K-1-T(3) or Schedule K-1-T(3)-FY if we request them.

Do not attach any Schedule K-1-T that you complete and issue to your beneficiaries or any Schedule K-1-T(3) or Schedule K-1-T(3)-FY you complete to your Form IL-1041. However, you must

- keep a copy of each Schedule K-1-T and Schedule K-1-T(3) or Schedule K-1-T(3)-FY available for inspection by our authorized agents and employees, and
- attach to your Form IL-1041 any Schedule K-1-T issued to you by another trust or estate, as described in Schedule K-1-T(2), Beneficiary's Instructions.

What is a resident?

A resident is

- an individual who is present in Illinois for other than a temporary or transitory purpose;
- an individual who is absent from Illinois for a temporary or transitory purpose but who is domiciled in Illinois;
- the estate of a decedent who at his or her death was domiciled in Illinois;
- a trust created by a will of a decedent who at his or her death was domiciled in Illinois; or
- an irrevocable trust, whose grantor was domiciled in Illinois at the time the trust became irrevocable. For purposes of this definition, a trust is irrevocable to the extent that the grantor is not treated as the owner of the trust under Internal Revenue Code (IRC) Sections 671 through 678.

What is a nonresident?

A nonresident is a person who is not a resident, as previously defined. Corporations, S corporations, partnerships, and exempt organizations are considered nonresidents for purposes of Schedule K-1-T and Schedule K-1-T(3) or Schedule K-1-T(3)-FY.

What is business income?

Business income means all income, other than employee compensation, that may be apportioned by formula among the states in which you are doing business without violating the Constitution of the United States. All income of a trust or estate is business income unless it is clearly attributable to only one state and is earned or received through activities totally unrelated to any business you are conducting in more than one state. Business income is net of all deductions attributable to that income.

When is business income allocable to Illinois?

For a resident of Illinois, all income received, regardless of the source, is allocable to Illinois.

For a nonresident of Illinois whose business income is derived

- wholly inside Illinois, the entire amount of business income is allocable to Illinois.
- wholly outside Illinois, none of the business income is allocable to Illinois.
- inside and outside Illinois, a portion of your business income is allocable to Illinois on your Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, Step 6. See Schedule NR instructions.

- from partnerships, S corporations, and other fiduciaries, the business income paid to this fiduciary may be allocable to Illinois. See the Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, furnished by the partnership or S corporation, or the Illinois Schedule K-1-T furnished by the other fiduciary to determine what income is allocable to Illinois.

What is nonbusiness income?

Nonbusiness income is all income other than business income or employee compensation. It is income you can clearly classify as having no connection to your business.

When is nonbusiness income allocable to Illinois?

For a resident of Illinois, all nonbusiness income is allocable to Illinois.

For a nonresident of Illinois, items of income and deduction that constitute nonbusiness income are allocable to Illinois according to the following rules:

- **Interest and dividend income** received by a nonresident individual, trust, or estate is not allocable to Illinois. Interest and dividend income of partnerships or corporations is allocable to Illinois if the entity's commercial domicile was in Illinois at the time the interest or dividend was paid or accrued.
- **Net rents and royalties:**

  Real property - Rents and royalties from real property are allocable to Illinois only if the property is located in Illinois.

  Tangible personal property - Rents and royalties from tangible personal property are allocable to Illinois to the extent that the property is used in Illinois. The extent of use of tangible personal property in a state is determined by multiplying the rents and royalties derived from the property by a fraction. The numerator is the number of days of physical location of the property in Illinois during the rental and royalty period in the tax year, and the denominator is the number of days of physical location of the property everywhere during all rental or royalty periods in the tax year.
- **Patent and copyright royalties** are allocable to Illinois to the extent that the patent or copyright is used in Illinois.

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

  A **copyright** is used in Illinois to the extent that printing or other publication originates in Illinois.
- **Gains and losses** from sales or exchanges of real or tangible personal property are in Illinois if the property is located in Illinois at the time of the sale or exchange. Gains or losses from the sale or exchange of intangible personal property are allocable to the state of residence or commercial domicile of the beneficiary.
- **Illinois State Lottery winnings and proceeds from sales or other transfers of rights to lottery winnings** are allocable to Illinois.
- **Income from S corporations, partnerships, and other fiduciaries** paid to this fiduciary is allocable to Illinois as if your beneficiary received it directly. See the Illinois Schedule K-1-P furnished by the partnership or S corporation or the Illinois Schedule K-1-T furnished by the other fiduciary to determine what income is allocable to Illinois.
- **Other unspecified items** of income or deduction of a nonresident individual or fiduciary are not allocable to Illinois. Unspecified items of income or deduction for partnerships or corporations, including S corporations, are allocable to Illinois if the entity's commercial domicile was in Illinois at the time the item was paid or accrued.

K-1-T Step-by-Step Instructions

Note You must enter your tax year ending in the space provided on the front of the Schedule K-1-T. Failure to provide this information will result in processing delays for your beneficiary.

Step 1 — Identify your trust or estate

Line 1 - Check the appropriate box to identify yourself as a trust or an estate.

Line 2 - Enter the name of your trust or estate as shown on your Form IL-1041.

Line 3 - Enter your federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 3 blank. If you leave this line blank, you may be contacted for further information.

Line 4 - Enter the apportionment factor from Schedule NR (Form IL-1041), Step 6, Line 3. If you were not required to complete a Schedule NR, enter "1" on this line.

Step 2 — Identify your beneficiary

Line 5 - Enter the name of the beneficiary to whom you will issue the Illinois Schedule K-1-T.

Line 6 - Enter the mailing address of the beneficiary.

Line 7 - Enter the Social Security number or FEIN of the beneficiary here and in the space provided at the top of Page 2.

Line 8a - Check the appropriate box to identify this beneficiary as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this beneficiary is

- an exempt organization and is taxed as a corporation, check the corporation box on this Schedule K-1-T.
- an exempt organization and is taxed as a trust, check the trust box on this Schedule K-1-T.
- a grantor trust or other disregarded entity, check the box on this Schedule K-1-T that corresponds to the tax type of the grantor or owner.

Line 8b - Do not check the grantor trust or disregarded entity checkbox, or enter a name or identification number on this line. These are available for your beneficiary to complete, as applicable.

Steps 3 through 6 —

Note If you are a beneficiary of another trust or estate, a partner in a partnership, or a shareholder in an S corporation, you need to complete a pro forma Schedule K-1-T that identifies each beneficiary's share of your share of items received from that entity. Write across the top of the pro forma Schedule K-1-T "the following information is included in the Schedule K-1-T from _____" (the name of your trust or estate). Send this pro forma Schedule K-1-T along with the Schedule K-1-T you issue to your beneficiary.

Column A — Beneficiary's share — If any part of your income was paid, credited, or distributed, or deemed to have been paid, credited, or distributed by you to this beneficiary, you must complete Column A of Steps 3 through 6.

Column B — Illinois share — If this beneficiary was a nonresident of Illinois on the last day of your tax year, you must complete Column B of Steps 3 through 6.

Step 3 — Figure your beneficiary's share of your nonbusiness income or loss

Note **Do not complete Step 3 if** you made the election on your Illinois Schedule NR (Form IL-1041) to treat all of your income as business income. All items of income and expense from your federal Schedule K-1 should be reported in Step 4, Figure your beneficiary's share of your business income or loss.

Column A - Beneficiary's share

Lines 9 through 18 - Enter the beneficiary's share of items of income, net of deductions, that constitutes nonbusiness income.

Column B - Illinois share

Lines 9, 10, and 17 - If the beneficiary is a partnership, a corporation, or an S corporation with an Illinois address, enter its share of nonbusiness income from Column A. Otherwise, enter "0."

Lines 11 through 16, and Line 18 - Enter the beneficiary's share of nonbusiness income allocable to Illinois. Identify any amount reported on Line 18 and, if needed, attach a breakdown of that amount.

Step 4 — Figure your beneficiary's share of your business income or loss

Note When completing Lines 19 through 29, exclude from these amounts any nonbusiness income reported in Step 3.

Column A - Beneficiary's share

Lines 19 through 29 - Enter the beneficiary's share of business income identified on these lines. See the information on the beneficiary's federal Schedule K-1 and the amounts entered on the lines in Step 3, Column A.

Column B - Illinois share

Lines 19 through 29 - Enter the beneficiary's share of business income apportioned to Illinois. If the business income is from this fiduciary, multiply the amount in Column A by the apportionment factor on Step 1, Line 4. If you received business income from any other trust, estate, partnership, or S corporation, see the Illinois Schedule K-1-T or Illinois Schedule K-1-P from that entity. Enter the total in Column B. Identify any amount reported on Line 29 and, if needed, attach a breakdown of that amount.

Note **Do not apportion any amounts from Column A, Lines 23, 24, 26, and 27 to Column B. Apportion only the net amounts on Lines 25 and 28.**

Step 5 — Figure your beneficiary's share of Illinois additions and subtractions

Column A - Beneficiary's share

Line 30 - Enter the beneficiary's share of the federally tax-exempt interest income reported on your Form IL-1041, Step 2, Column A, Line 6.

Line 31 - Enter the beneficiary's share of Illinois income and replacement tax and surcharge deducted in arriving at federal taxable income and reported on your Form IL-1041, Step 2, Column A, Line 5.

Line 32 - Enter the beneficiary's share of Illinois Special Depreciation that must be added to the federal taxable income, as reported on your Form IL-1041, Step 2, Column A, Line 7.

Line 33 - Enter the beneficiary's share of Related-Party Expenses that must be added to the federal taxable income, as reported on your Form IL-1041, Step 2, Column A, Line 8.

Line 34 - Enter the beneficiary's share of additions from any partnership, S corporation, trust, or estate from which you received income, as reported on your Form IL-1041, Step 2, Column A, Line 9.

Line 35 - Enter the beneficiary's share of each of the "other additions" figured on Illinois Schedule M, Other Additions and Subtractions (for businesses), and reported on your Form IL-1041, Step 2, Column A, Line 10.

Line 36a - Enter the beneficiary's share of the interest from U.S. government obligations that is included as business income on your Form IL-1041, Step 3, Column A, Line 15.

Line 36b - Enter the beneficiary's share of the interest from U.S. government obligations that is included as nonbusiness income on your Form IL-1041, Step 3, Column A, Line 15.

Line 37 - Enter the beneficiary's share of payments from certain retirement plans reported on your Form IL-1041, Step 3, Column A, Line 14.

Line 38 - Enter the beneficiary's share of retirement payments to retired partners reported on your Form IL-1041, Step 3, Column A, Line 16.

Line 39 - Enter the beneficiary's share of River Edge Redevelopment Zone Dividend Subtraction, included in the total amount of your Form IL-1041, Step 3, Column A, Line 17.

Line 40 - Enter the beneficiary's share of High Impact Business within a Foreign Trade Zone (or sub-zone) Dividend Subtraction, from your Form IL-1041, Step 3, Column A, Line 18.

Line 41 - Enter the beneficiary's share of contributions to certain job training projects from your Form IL-1041, Step 3, Column A, Line 19.

Line 42 - Enter the beneficiary's share of any Illinois Special Depreciation subtraction allowed for property placed in service after September 11, 2001, from your Form IL-1041, Step 3, Column A, Line 20.

Line 43 - Enter the beneficiary's share of any Related-Party Expenses subtraction allowed from your Form IL-1041, Step 3, Column A, Line 21.

Line 44 - Enter the beneficiary's share of subtractions from any partnership, S corporation, trust, or estate from which you received income reported on your Form IL-1041, Step 3, Column A, Line 22. Do not include any August 1, 1969, appreciation amounts included in the share. Those subtractions are passed through to the beneficiary in Step 6.

Line 45 - Enter the beneficiary's share of each of the "other subtractions" figured on Illinois Schedule M (for businesses), and reported on your Form IL-1041, Step 3, Column A, Line 24.

Do not include any August 1, 1969, appreciation amounts included in the share.

Column B - Illinois share

Lines 30 through 35 - Enter the beneficiary's share of additions apportioned to Illinois. If the amount is business income, multiply the amount of business income in Column A by the apportionment factor on Step 1, Line 4. Allocate the amount of nonbusiness income in Column A according to the allocation rules. See "When is nonbusiness income allocable to Illinois?" in General Information for the rules governing the allocation of nonbusiness income. If you received amounts from any other trust, estate, partnership, or S corporation, see the Schedule K-1-T or Schedule K-1-P from that entity. Enter the total in Column B.

Note If you reported recaptured business expenses on Line 35, multiply those expenses in Column A by the fraction on Line f of the Apportionment Factor Worksheet in the Illinois Schedule NR (Form IL-1041) Instructions.

Note Do not include any amount in Column B of Lines 36a, 36b, 39, or 40, unless the item was included in Column B in Step 3 or 4 of this Schedule K-1-T. This same rule applies to certain items from Illinois Schedule M (for businesses), including any income exempt from taxation by Illinois by reasons of its statutes or Constitution, or the Constitution, treaties, or statutes of the United States.

Lines 36a, and 37 through 45 - Enter the beneficiary's share of subtractions apportioned to Illinois. If the amount is business income, multiply the amount of business income in Column A by the apportionment factor on Step 1, Line 4. Allocate the amount of nonbusiness income in Column A according to the allocation rules. See "When is nonbusiness income allocable to Illinois?" in General Information for the rules governing the allocation of nonbusiness income. If you received amounts from any other trust, estate, partnership, or S corporation, see the Schedule K-1-T or Schedule K-1-P from that entity. Enter the total in Column B.

Line 36b - If the beneficiary is a partnership, a corporation, or an S corporation with an Illinois address, enter the amount from Column A. Otherwise, enter "0."

Step 6: Figure your beneficiary's (except a corporate beneficiary) share of your Illinois August 1, 1969, appreciation amounts

If you reported a gain on the disposition of property acquired before August 1, 1969, this gain may be reduced by the August 1, 1969, appreciation amount. See Schedule F, Gains from Sales or Exchanges of Property Acquired Before August 1, 1969, (Form IL-1041) for detailed instructions and information necessary to complete Lines 46 through 48.

Note Corporations are not allowed to subtract the August 1, 1969, appreciation amount. However, S corporations may pass the subtraction through to their shareholders.

Column A - Beneficiary's share

Line 46 - Enter the beneficiary's share of the August 1, 1969, appreciation amount for IRC Sections 1245 and 1250 gains reported on your Form IL-1041, Schedule F, Column 2, Line 7.

Line 47 - Enter the beneficiary's share of the August 1, 1969, appreciation amount for IRC Section 1231 gain reported on your Form IL-1041, Schedule F, Column 2, Line 8.

Line 48 - Enter the beneficiary's share of the August 1, 1969, appreciation amount for capital gain reported on your Form IL-1041, Schedule F, Column 2, Line 9.

Column B - Illinois Share

Lines 46 through 48 - Enter the beneficiary's share of the August 1, 1969, appreciation amounts that are allocated or apportioned to Illinois.

If the appreciation amounts result from a gain on the disposition of nonbusiness property located in Illinois, allocate them to Illinois. See "When is nonbusiness income allocable to Illinois" in General Information for the rules governing the allocation of nonbusiness income.

If the appreciation amounts result from gain on the disposition of business property, apportion them to Illinois by multiplying the amount on Lines 46 through 48, Column A, by the apportionment factor on Step 1, Line 4. If you received amounts from any other trust, estate, partnership, or S corporation, see the Illinois Schedule K-1-T or Illinois Schedule K-1-P from that entity. Enter the total in Column B.

Step 7: Figure your beneficiary's share of pass-through withholding payments and federal income subject to surcharge

Line 49 - If you are a trust, this member is a nonresident, and this member has not submitted a Form IL-1000-E to you, complete Schedule K-1-T(3) or Schedule K-1-T(3)-FY, as applicable, for this member **before** completing this line. After you have completed Schedule K-1-T(3) or Schedule K-1-T(3)-FY for this member, enter on Line 49 the beneficiary's share of pass-through withholding payments from Schedule K-1-T(3) or Schedule K-1-T(3)-FY, Step 3, Line 13. You must also report specific amounts from Schedule K-1-T(3) or Schedule K-1-T(3)-FY on Schedule D of your Form IL-1041. See the instructions for Schedule K-1-T(3) or Schedule K-1-T(3)-FY below and the Schedule D instructions for more information.

Line 50 - Enter the beneficiary's share of any federal income attributable to transactions subject to the surcharge. **Attach** a breakdown of any items reported on this line.

Definitions related to the Compassionate Use of Medical Cannabis Pilot Program Act Surcharge —

Organization registrant means a corporation, partnership, trust, limited liability company (LLC), or other organization that holds either a medical cannabis cultivation center registration issued by the Illinois Department of Agriculture or a medical cannabis dispensary registration issued by the Illinois Department of Financial and Professional Regulation.

Transactions subject to the surcharge means sales and exchanges of

- capital assets;
- depreciable business property;
- real property used in the trade or business; and
- Section 197 intangibles

of an organization registrant.

What is the surcharge?

For each taxable year beginning or ending during the Compassionate Use of Medical Cannabis Pilot Program, a surcharge is imposed on all taxpayers on income arising from the transactions subject to the surcharge of an organization registrant under the Compassionate Use of Medical Cannabis Pilot Program Act.

The amount of the surcharge is equal to the amount of federal income tax liability for the taxable year attributable to the transactions subject to the surcharge.

To whom does the surcharge apply?

The surcharge is imposed on any taxpayer who incurs a federal income tax liability on the income realized on a "transaction subject to the surcharge," including individuals and other taxpayers who are not themselves the "organization registrant" that engaged in the transaction.

A beneficiary who incurs a federal income tax liability on income from a transaction subject to surcharge distributed by a trust or estate will incur a surcharge.

Note Although a unitary business group filing combined Illinois returns is treated as a single taxpayer and its members are jointly and severally liable for any surcharge imposed on the group, the group itself is not an organization registrant and transactions of any member that is not itself an organization registrant are not subject to the surcharge.

What do I report to my beneficiaries?

Enter the beneficiary's share of any federal income attributable to transactions subject to the surcharge on Line 50. In order to enable your beneficiary to correctly figure their surcharge, attach a report itemizing any amount reported on Line 50 and provide it to your beneficiary along with this schedule.

Note Report **federal income** attributable to transactions subject to the surcharge on Line 50. **Do not** report your federal income tax liability for the taxable year attributable to the transactions subject to the surcharge on this line.

For more information, see Illinois Income Tax Regulations, Section 100.2060.

K-1-T(3) and K-1-T(3)-FY Step-by-Step Instructions

Read this information first:

See "What is the purpose of Schedule K-1-T, Schedule K-1-T(3), and Schedule K-1-T(3)-FY?" for help in determining if you should use Schedule K-1-T(3) or Schedule K-1-T(3)-FY.

The following instructions apply to trusts only. Estates are not required to make pass-through withholding payments on behalf of their nonresident members.

- You **must** complete Schedule K-1-T(3) or Schedule K-1-T(3)-FY for each of your nonresident beneficiaries who have not submitted a Form IL-1000-E to you.
- **Do not** complete Schedule K-1-T(3) or Schedule K-1-T(3)-FY for any member who is a resident or who has submitted Form IL-1000-E to you.
- You **must** keep Schedule K-1-T(3) or Schedule K-1-T(3)-FY with your income tax records.
- **Do not** send Schedule K-1-T(3) or Schedule K-1-T(3)-FY to your beneficiaries or submit it to the Illinois Department of Revenue unless we request it from you.

Note See "What is a resident?" and "What is a nonresident?" in the General Information section of these instructions for help determining if your member is a resident or nonresident.

Completion of Schedule K-1-T(3) or Schedule K-1-T(3)-FY for each of your applicable members is required and will aid in the completion of your Form IL-1041, Schedule D.

Complete all lines of Schedule K-1-T except Step 7, Line 49 before completing this schedule.

Step 1 — Identify your trust

Line 1 - Enter the name of your trust as shown on your Form IL-1041.

Line 2 - Enter your federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 2 blank. If you leave this line blank and we request that you submit this schedule, you may be contacted for further information.

Step 2 — Identify your nonresident beneficiary

Line 3 - Enter the name of the nonresident beneficiary for whom you are reporting pass-through withholding payments.

Line 4 - Enter the Social Security number or FEIN of the nonresident beneficiary.

Line 5 - Check the appropriate box to identify this nonresident beneficiary as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this nonresident beneficiary is

- an exempt organization and is taxed as a corporation, check the corporation box on this schedule and treat it as a corporation for the purposes of completing this schedule.
- an exempt organization and is taxed as a trust, check the trust box on this schedule and treat it as a trust for the purposes of completing this schedule.
- a grantor trust or other disregarded entity, check the box on this schedule that corresponds to the tax type of the grantor or owner and treat it as that type of taxpayer for the purposes of completing this schedule.

Step 3 — Figure your nonresident beneficiary's pass-through withholding

Note If this member is a resident or has submitted Form IL-1000-E to you, do not complete Schedule K-1-T(3) or Schedule K-1-T(3)-FY for this member.

Line 6 and Line 7 - If this member is an individual beneficiary, do not include itemized deductions such as charitable contributions, investment expenses, or portfolio expenses because individuals are not allowed to take these deductions in computing Illinois net income.

Line 8 through Line 10 - Follow the instructions on the Schedule.

Line 11 - Add the amounts from this member's Schedule K-1-T, Column B, Lines 36a through 45 and enter the total here. This is your member's share of subtractions allocable to Illinois.

> **Note** If this member is an individual, partnership, trust, or estate and received Illinois August 1, 1969, appreciation amounts from you, include the amounts from their Schedule K-1-T, Column B, Lines 46 through 48 in the total you enter on their Schedule K-1-T(3) or Schedule K-1-T(3)-FY, Line 11.
>
> If this member is a corporation (including S corporations) **do not** include any amounts shown on their Schedule K-1-T, Column B, Lines 46 through 48, in the total you enter on their Schedule K-1-T(3) or Schedule K-1-T(3)-FY, Line 11.

Line 12 - Follow the instructions on the schedule. Enter this amount here **and** on your Form IL-1041, Schedule D, Section B, Column F, on the line which reports this member's amounts.

Line 13 - Determine your member's tax type, multiply the amount on Line 12 by the applicable percentage, and enter the result on this line.

This is your member's total pass-through withholding payment. Enter the result on this line and on this member's Schedule K-1-T, Step 7, Line 49.

You must also enter the result on your Form IL-1041, Schedule D, Section B, Column G, on the line which reports this member's amounts.

Note Complete a separate Schedule K-1-T(3) or Schedule K-1-T(3)-FY for each of your nonresident members who have not submitted a Form IL-1000-E to you. Do not submit Schedule K-1-T(3) or Schedule K-1-T(3)-FY to the Department unless we specifically request it from you.