



Schedule INL Instructions

General Information

When must I use this schedule?

You must use this schedule if you are

- taxed as a cooperative (see Form IL-1120 Instructions) and need to figure the amount of Illinois net loss adjustment that may be made to your Illinois income, based on the federal income tax limitations on offsetting patronage and nonpatronage income and losses, or
- a holder of residual interest in a real estate mortgage investment company (REMIC), and you need to adjust your income due to disallowed deductions or losses that would otherwise be allowable based on Internal Revenue Code (IRC) limitations, which prohibit taxable income of the REMIC holder from being less than the excess inclusion amount derived from the REMIC.

Note If corrections have been made to the loss amount (e.g., federal audit or amended return), you must report the corrected amount when you file this schedule.

What is the purpose of this schedule?

The purpose of Illinois Schedule INL is to allow

- cooperatives to calculate your Illinois income or loss, based on patronage and nonpatronage income, and application of Illinois net loss adjustments.
- REMIC residual interest holders to recalculate your Illinois net loss carryovers similar to the federal net operating loss carryover recomputations in IRC, Section 860E(a)(3).

What must I attach?

You **must** attach Schedule INL to your annual tax return. After you have submitted your return, the Illinois Department of Revenue (IDOR) **may** require you to submit copies of federal returns, amended returns, or audit reports reflecting the income and loss amounts that you are claiming on Schedule INL. Failure to submit requested information will result in processing delays.

Should I round?

You must round the dollar amounts on Schedule INL to whole-dollar amounts. To do this, you should drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

What if I need additional assistance or forms?

- Visit our website at tax.illinois.gov for assistance, forms or schedules
- Write us at:
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19001
SPRINGFIELD IL 62794-9001
- Call **1 800 732-8866** or **217 782-3336** (TDD, telecommunications device for the deaf, at **1 800 544-5304**)
- Visit a taxpayer assistance office - 8:00 a.m. to 5:00 p.m. (Springfield office) and 8:30 a.m. to 5:00 p.m. (all other offices), Monday through Friday.

Specific Instructions

Note If a specific line is not referenced, follow the instructions on the form.

Step 1: Provide the following information

Lines A and B — Enter your name and FEIN as shown on your Form IL-1120, Corporation Income and Replacement Tax Return.

Line C — Check the box indicating the reason you are completing Schedule INL.

Cooperatives: Complete Steps 2 and 3, as indicated in the instructions. Do not complete Step 4.

REMIC owners: Skip Steps 2 and 3, and complete Step 4.

Step 2: Make your election (Cooperatives only)

Line 1 — If this is the first taxable year for which you are filing this schedule, check the box and go to Lines 1a and 1b.

Note If this is not the first taxable year for which you are filing this schedule and you previously made the Box 1b election, go to Line 2, and complete the rest of the schedule. Otherwise, **STOP**. You do not need to complete this schedule.

— Make your election to allow patronage losses to offset nonpatronage income or to compute separate Illinois patronage and nonpatronage income and loss carryovers similar to the federal computation.

This election must be made with your Illinois income tax return **for the first taxable year ending on or after December 31, 2010**, and once made, is irrevocable and must be followed for all taxable years, including any earlier taxable years that are still open (e.g., within statute of limitations for refunds, non-filed periods, etc.).

If your Illinois income tax liability for any earlier tax year would be different if you used this schedule, you should file amended returns using this schedule. All deficiencies should be paid with the amended return. Refunds will be paid if the tax year is within statute.

Box 1a election —

For each taxable year that you have

- “unused patronage loss” on Form 1120-C, Schedule G, Line 12, enter that loss as a positive amount on your Illinois Schedule M, Line 34.
- “unused nonpatronage loss” on federal Form 1120-C, Schedule G, Line 13, for this taxable year or for any succeeding tax year, enter that loss as a positive amount on your Illinois Schedule M, Line 34.

In both instances, you must identify the source of the subtraction and the year in which you first made the Box 1a election on your Schedule INL. For example, if you first made the Box 1a election on your 2010 Schedule INL, identify that amount as “2010 Schedule INL” on your Schedule M, Line 34.

Note Attach both Schedule INL and federal Schedule G to your return.

If you are amending a year prior to 2006, the amount for “unused patronage loss” is found on federal Form 8817, Allocation of Patronage and Nonpatronage Income and Deductions, Line 31.



If you made the Box 1a election, do not complete Step 3 for the taxable year or file Schedule INL for subsequent tax years.

If you checked Box 1b — Complete Line 2 and the rest of the schedule.

Note If you had losses in prior taxable years, you may need to complete a pro-forma Schedule INL, Step 3 for the loss years and for every other preceding tax year (including closed years) to which the patronage and nonpatronage losses shown on Line 20 of the pro-forma schedules could be carried.

Line 2 — If, for federal purposes in this tax year, you made the election to offset nonpatronage losses against patronage income, mark the box.

Step 3: Figure your Illinois income or loss (Cooperatives only)

You must first complete Form IL-1120, Lines 1 through 35, before completing this schedule.

Line 3 —

Column A — Enter your patronage income from your Form 1120-C, Schedule G, Column A, Line 10.

For tax years ending before December 31, 2006, use the amount from Form 8817, Column A, Line 29.

Column B — Enter your nonpatronage income from your Form 1120-C, Schedule G, Column B, Line 10.

For tax years ending before December 31, 2006, use the amount from Form 8817, Column B, Line 29.

Lines 4 through 8 — Include only amounts attributable to patronage income or loss in Column A. Include amounts attributable to nonpatronage income or loss in Column B.

Line 11 — Columns A and B, enter your apportionment factor from Form IL-1120, Step 4, Line 30.

Lines 13 and 14 — Include only amounts attributable to patronage income or loss in Column A. Include amounts attributable to nonpatronage income or loss in Column B.

Line 16 — If you were required to reduce the net operating loss reported on your federal Form 1120-C because you excluded any discharge of indebtedness income from this tax year's gross income, then you may be required to reduce the net loss reported on Line 15. Use the Loss Reduction Worksheet below to figure your loss reduction.

If the discharge of indebtedness income would be characterized as patronage income, complete the worksheet using the amounts from Column A, Line 15, only. Enter the result in Column A, Line 16.

If the discharge of indebtedness income would be characterized as nonpatronage income, complete the worksheet using the amounts from Column B, Line 15, only. Enter the result in Column B, Line 16.

Enter the amount from the Loss Reduction Worksheet, Line 7, on your Form IL-1120, Step 5, Line 36.

Attach a copy of your federal Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, to your Form IL-1120. For more information, see Department regulations Section 100.2310(c).

Line 17 — For each Column, add Lines 15 and 16, and enter the result. Then, add the amounts in Columns A and B, Line 17, and enter the result on your Form IL-1120, Step 5, Line 37.

Line 18 — For taxable years ending before January 1, 2011, and on or after December 31, 2014:

If the **patronage amount** in Column A, Line 17, for a prior taxable year was negative, you are entitled to a net loss carryforward which might be used against any adjusted Illinois patronage income in Column A, Line 17, of this schedule.

Loss Reduction Worksheet and Instructions (for cooperatives only)

To correctly figure your loss reduction, you must complete the worksheet using patronage and nonpatronage income separately. Refer to the amounts in Schedule INL, Columns A and B, Line 16, and the Line 16 instructions.

Patronage Income

- | | | | |
|----------|---|----------|-------|
| 1 | Enter the amount of the reduction to your federal net operating losses (See federal Form 982). Combined groups see instructions. | 1 | _____ |
| 2 | Enter your income allocation ratio (see instructions). | 2 | ____. |
| 3 | Multiply the amount on Line 1 by Line 2. This is your reduction amount. Enter the result here and on Schedule INL, Column A, Line 16. | 3 | _____ |

Nonpatronage Income

- | | | | |
|----------|---|----------|-------|
| 4 | Enter the amount of the reduction to your federal net operating losses (See federal Form 982). Combined groups see instructions. | 4 | _____ |
| 5 | Enter your income allocation ratio (see instructions). | 5 | ____. |
| 6 | Multiply the amount on Line 4 by Line 5. This is your reduction amount. Enter the result here and on Schedule INL, Column B, Line 16. | 6 | _____ |
| 7 | Add Line 3 and 6. Enter the result on your Form IL-1120, Step 5, Line 36. | 7 | _____ |

Lines 1 and 4 — Combined groups must add the amount of federal net operating loss reductions for each group member. All others, follow the instructions in Line 1.

Lines 2 and 5 — Your income allocation ratio is calculated by dividing the amount of debt cancellation income excluded from your gross income that would have been allocated or apportioned to Illinois under the Illinois Income Tax Act (IITA) if it was not excluded by the total amount of debt cancellation income excluded from your gross income. If all of your debt cancellation income would have been business income, use the apportionment factor you calculated on the return for the tax year of the debt cancellation.

Lines 3 and 6 — Follow the instructions on the form.

If one or more of your combined group members is included on a federal consolidated income tax return, the amount of the reductions to the member's federal net operating loss is the amount of the consolidated net operating loss attributable to that member that is reduced under IRC Section 108(b) and Treasury Regulations Section 1.1502-28.

Line 7 — Follow the instructions on the form.

Complete the Illinois NLD Worksheet or Unitary Illinois NLD Worksheet, using only patronage income and losses for earlier taxable years to determine how much loss may be used in this taxable year. **Attach** the worksheet or a statement detailing the patronage amount to your return.

If the **nonpatronage amount** in Column B, Line 17, for a prior taxable year was negative, you are entitled to a net loss carryforward which might be used against any adjusted Illinois nonpatronage income in Column B, Line 17, of this schedule.

Complete the Illinois NLD Worksheet or Unitary Illinois NLD Worksheet, using only patronage income and losses for earlier taxable years to determine how much loss may be used in this taxable year. **Attach** the worksheet or a statement detailing the nonpatronage amount to your return.

Add the amounts in Columns A and B, Line 18, and enter the result on your Form IL-1120, Step 5, Line 38.

For taxable years ending on or after January 1, 2011, and before December 31, 2012:

Corporations, other than S corporations, are not allowed to use Illinois NLD, including any patronage or nonpatronage loss, to offset income for tax years ending on or after January 1, 2011, and before December 31, 2012. Enter "0" in Columns A and B, Line 18, and on Form IL-1120, Step 5, Line 38.

For taxable years ending on or after December 31, 2012, and ending before December 31, 2014, and for taxable years ending on or after December 31, 2021, and ending before December 31, 2024:

Corporations, other than S corporations, may only use Illinois NLD up to a maximum of \$100,000, to offset income for tax years ending on or after December 31, 2012, and before December 31, 2014.

If you complete the Illinois NLD Worksheet or Unitary Illinois NLD Worksheet, for both patronage and nonpatronage amounts you may continue to use loss only to the extent the total of both the patronage and nonpatronage deductions claimed do not exceed the \$100,000 limit on those schedules for that carry year.

If the **patronage amount** in Column A, Line 17, for a prior taxable year was negative, you are entitled to a net loss carryforward which might be used against any adjusted Illinois patronage income in Column A, Line 17, of this schedule.

Complete the Illinois NLD Worksheet or Unitary Illinois NLD Worksheet in the Form IL-1120 Instructions, using only patronage income and losses for earlier taxable years to determine how much loss may be used in this taxable year. **Attach** the worksheet or a statement detailing the nonpatronage amount to your return.

If the **nonpatronage amount** in Column B, Line 17, for a prior taxable year was negative, you are entitled to a net loss carryforward which might be used against any adjusted Illinois nonpatronage income in Column B, Line 17, of this schedule.

Complete the Illinois NLD Worksheet or Unitary Illinois NLD Worksheet in the Form IL-1120 Instructions, using only patronage income and losses for earlier taxable years to determine how much loss may be used in this taxable year. **Attach** the worksheet or a statement detailing the nonpatronage amount to your return.

Add the amounts in Columns A and B, Line 18, and enter the result on your Form IL-1120, Step 5, Line 38. This amount may not exceed \$100,000.00.

Line 20 — If the amounts on Columns A and B, Line 19, are both positive or are both negative, add both amounts and enter the result on Line 20.

If the amount in Line 19, Column A is negative and the amount in Line 19, Column B is positive or zero, enter the amount from Line 19, Column B on Line 20, as a positive amount.

If Line 19, Column A is positive or zero and the amount in Line 19, Column B is negative, **and**

- you marked the box on Line 2, add Line 19, Columns A and B together and enter the result on Line 20 (if the result is negative, use brackets).
- you did not mark the box on Line 2, enter the amount from Line 19, Column A on Line 20, as a positive amount.

Enter the amount from Line 20 on Form IL-1120, Step 5, Line 39, and complete the rest of your Form IL-1120 following the instructions for Form IL-1120.

Step 4: Figure your Illinois income or loss (REMIC residual interest owners only)

You must first complete Form IL-1120, Lines 1 through 36, before completing this schedule.

Line 1 — Enter your base income or net loss from Form IL-1120, Step 5, Line 35.

Line 2 — Recompute your federal taxable income without regard to the IRC Section 860E(a)(1) limitations which prohibit the taxable income of the holder of a residual interest in a REMIC from being less than the excess inclusion derived from the REMIC.

Line 3 — Enter your total addition modifications from Form IL-1120, Step 2, Lines 2 through 8.

Line 4 — Enter your total subtraction modifications from Form IL-1120, Step 3, Line 22, as a negative number.

Line 5 — Add Lines 2 through 4. This is your recomputed base income or net loss.

Line 14 — Add Lines 11 through 13. This is your recomputed base income or net loss allocable to Illinois.

Line 15 — Subtract Line 1 from Line 14.

If the result is

- **positive or zero**, do not complete the rest of this form. There is no Illinois net loss increase from reversing the IRS limitation for Illinois purposes.
- **negative**, continue to Line 16.

Line 16 — Enter the amount of any discharge of indebtedness adjustment from Form IL-1120, Step 5, Line 36.

Line 17 — If Line 1 is

- **zero or negative**, add Lines 1 and 16, and enter the result on Line 17.
- **positive**, enter zero.

Line 18 — Add Lines 15 and 17. If the result is negative, this is the amount of Illinois net loss deduction (NLD) you have earned in this taxable year. This NLD may be used in future years to reduce base income allocable to Illinois. See Schedule NLD or Schedule UB/NLD for more information.

Note — Corporations, other than S corporations, may not use NLDs for tax years ending on or after January 1, 2011, and before December 31, 2012.

Corporations, other than S corporations, may only use Illinois NLD up to a maximum of \$100,000 to offset income for tax years ending on or after December 31, 2012, and before December 31, 2014 and for taxable years ending on or after December 31, 2021 and ending before December 31, 2024.