

**Illinois Department of Revenue
Regulations**

Title 86 Part 100 Section 100.2775 Subtraction for Refunds of Taxes Paid to Other States Which a Credit Was Claimed (IITA Section 203(c)(2)(X))
--

TITLE 86: REVENUE

**PART 100
INCOME TAX**

SUBPART H: BASE INCOME OF TRUSTS AND ESTATES

Section 100.2775 Subtraction for Refunds of Taxes Paid to Other States for Which a Credit Was Claimed (IITA Section 203(c)(2)(X))

- a) In computing its base income, an estate is allowed to subtract from its federal taxable income *an amount equal to the refund included in that total of any tax deducted for federal income tax purposes, to the extent that deduction was added back under IITA Section 203(c)(2)(F)*. (IITA Section 203(c)(2)(X))
- b) Under IRC section 111, a taxpayer who is allowed a deduction in computing federal taxable income in one taxable year, and recovers the deductible expenditure in a subsequent taxable year, includes the recovery in gross income in the year of recovery. For example, a trust or estate that claims a deduction for State income taxes paid in 2015 on its 2015 federal income tax return, and in 2016 receives a refund of some of that tax, includes the refund in gross income for 2016. This procedure prevents the taxpayer from receiving a tax benefit for an expenditure that ultimately did not cost the taxpayer, without requiring the filing of an amended return to remove the deduction from the computation of taxable income in the year the deduction was taken.
- c) If a trust or estate claims a credit for taxes paid to other states under IITA Section 601(b)(3), the taxpayer adds back to its federal taxable income any deduction taken for payment of a state tax for which the credit is claimed. (See IITA Section 203(c)(2)(F).) If a trust or estate has added back the federal income tax deduction for a state tax, a refund of that tax does not need to be included in the taxpayer's base income to prevent receiving a tax benefit for the item. IITA Section 203(c)(2)(X) therefore allows the taxpayer to subtract refunds of these taxes that are included in the taxpayer's federal taxable income.

- d) IITA Section 203(c)(2)(X) provides that it is exempt from the automatic sunset provisions of IITA Section 250.

(Source: Added at 42 Ill. Reg. 17852, effective September 24, 2018)