

Illinois Department of Revenue
1500 South Ninth Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY84-6

TO: All Corporate Income Tax Filers and Tax Practitioners

SUBJECT: Temporary Illinois Income Tax Increase
Public Act 83-14

GENERAL INFORMATION

TAX RATES

Recent legislation increased tax rates temporarily for corporations from 4% to 4.8% and for individuals, estates, and trusts from 2.5% to 3%. These rates are effective from January 1, 1983 through June 30, 1984. The rates return to 4% and 2.5 %, respectively, on July 1, 1984. The corporate replacement tax rate remains at 2.5%.

REPLACEMENT TAX INVESTMENT CREDIT

The effective date of the replacement tax investment credit has been delayed one year, until July 1, 1984. Therefore, you may not claim this credit (on Form IL-477) for any tax year ending prior to July 1, 1984. This is the only change made to the replacement tax provisions of the Illinois Income Tax Act as a result of this law.

ESTIMATED PAYMENTS AND TENTATIVE TAX PAYMENTS

If, after June 30, 1983, you must make either estimated tax payments (Forms IL-1120-ES) or tentative tax payments (Forms IL-505-B), you must compute and remit these payments based on the increased rates. If you had a fiscal year ending in January, February, March, or April of 1983, and have an automatic Illinois six month extension of time to file premised on an automatic federal six month extension, and you now owe tentative tax because of the increased rate (you might not have had to file an IL-505-B based on the old rates,), you must pay your supplemental tax be no later than October 15, 1983, even though your supplemental return might not be due until later, These supplemental tax payments should be remitted with an IL-505-B identified as "For Tax Increase".

CORPORATIONS

The new law requires fiscal year taxpayers to pay 4% tax rate on some of their annual income (i.e., that part earned or assumed to be earned before January 1, 1983) and a 4.8% rate on the rest. These taxpayers must prorate their annual income, based on the number of days in their fiscal year subject to each rate, UNLESS they elect to use specific accounting. Fiscal year 1983 filers will receive (approximately the

specific accounting schedule (Schedule SA (IL-1120)) unless they have already filed their IL-1120 and paid the income tax at the increase rate.

Calendar year 1983 filers will receive new IL-1120's showing the increased tax rate later this year with the normal mailing of booklets.

NOTE: Use the supplemental return (Form IL-1120-SR) to make changes resulting from the tax rate increase only. Make all other changes to your original return on Form IL-1120-X and file under separate cover.

RETURNS FILED BEFORE AUGUST 15, 1983

If you will have filed your return by the week of August 15, 1983 and it reports net income, we will send you a Form IL-1120-SR showing your additional tax liability. We will have computed this amount based on the proration method. We will consider this form to be a supplemental return after you sign it and return it to us with payment by October 15, 1983. If you fail to file by this date, you will be considered a nonfiler and will be subject to appropriate penalties and interest. Because we are presently in the process of issuing refunds for fiscal 1983 returns that have already been filed, the liability we show on the pre-computed supplemental return will not be offset with any previous overpayments.

RETURNS NOT YET FILED

If you have not filed your return by August 15, 1983, the two forms you receive from us will be blank. You may choose either the proration of specific accounting method. Please follow instructions on forms as to their completion and filing with your IL-1120.

SUPPLEMENTAL RETURNS FILED BY MEMBERS OF UNITARY BUSINESS GROUP

Each member of a unitary business group may choose either proration or specific accounting in computing the income to be entered on its supplemental return. In other words, all members need NOT choose the same method. We will provide, with the forms, specific instructions regarding this election (as to the computation of proration and specific accounting).

FOR FURTHER ASSISTANCE

If you have any questions regarding the increased tax rate or filing requirements, please call us. In Cook County, call (312) 641-2150. Outside Cook County but inside Illinois, you may call toll-free (800) 252-8972. out-of-state taxpayers should call (217) 782-3336.

J. Thomas Johnson
Director of Revenue

Issued: July, 1983

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