

Illinois Department of Revenue
J. Thomas Johnson, Director
101 West Jefferson Street
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INFORMATIONAL BULLETIN FY87-21

TO: Tax Practitioners

SUBJECT: 84 General Assembly Illinois Income Tax Amendments

The purpose of this bulletin is to inform you in summary fashion of some of the recent and soon-to-be-effective changes in the Illinois income tax law.

Confidentiality and Information Sharing

Public Act 84-1405 (Senate Bill 2288)

The confidentiality and information sharing provisions of the Illinois Income Tax Act (IITA • 917) were amended, effective September 18, 1986, to permit the exchange of information between the Department of Revenue and the Department of Employment Security (DES) for the purpose of verifying sources and amounts of income and for other purposes directly connected with the administration of the Acts administered by the two agencies. DES collects unemployment insurance premiums from Illinois employers.

Corporate Extensions

Public Act 84-1400 (Senate Bill 1063)

For tax years ending on or after December 31, 1986, corporations which have been granted extensions of time within which to file their federal income tax returns will be provided an additional month beyond the federal extension within which to file their Illinois returns.

Federal Returns

Public Act 84-1128 (House Bill 3449) and Public Act 84-1439 (Senate Bill 2173) or the trade-in amount.

Effective July 1, 1986, taxpayers are required to notify the Illinois Department of Revenue of a federal change described in IITA • 506(b) within 120 days (formerly 20 days) of the final federal determination.

Investment Tax Credits

Public Act 84-1120 (Senate Bill 1412)

For taxable years ending on or after May 9, 1986, the jobs tax credit was amended to provide that the term "eligible employee" includes employees who are "eligible for services" under Title II of the Job Training Partnership Act, Training Services for the Disadvantaged.

Public Act 84-1124 (House Bill 2879)

For taxable years ending on or after June 30, 1986, taxpayers who have been designated as "high impact businesses" by the Department of Commerce and Community Affairs and who are conducting a trade or business in a federally designated foreign trade zone or sub-zone are eligible to claim the jobs tax credit.

Public Act 84-1405 (Senate Bill 2288)

For tax years ending on or after December 31, 1987, a training expense credit is allowed for all amounts paid or accrued for educational or vocational training in semi-technical or technical fields or semi-skilled or skilled fields on behalf of all persons employed in Illinois by the taxpayer or Illinois residents employed outside of Illinois by the taxpayer. The credit is 1.6% of such training expenses. Any unused credit may be carried forward for a period of five years. This credit replaces the subtraction modification for similar training expenses repealed by P.A. 84-1405.

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Public Act 84-1429 (Senate Bill 2173)

For tax years ending on or after December 31, 1987, any unused tax credits for coal research donations or for the purchase of coal utilization equipment may be carried forward five years.

Public Act 84-1440 (Senate Bill 1706)

This bill provides that the tax benefits allowable to taxpayers designated as "high impact businesses" by the Department of Commerce and Community Affairs and located in federally-designated foreign trade zones by extended to include those located in foreign trade sub-zones as well. It extends the investment tax credit provided at IITA • 201(j) to sub-zones and extends the dividend deduction to investors in the business located in the sub-zones. The bill is effective for tax years ending on or after January 2, 1987.

Multistate Apportionment of Business Income

Public Act 84-1382 (House Bill 2819)

For taxable years ending on or after January 1, 1987, the apportionment formula for multistate businesses provides for double weighting of the sales factor. The numerator of the apportionment fraction will be the sum of the property factor (if any), the payroll factor (if any), and 200% of the sales factor (if any). The denominator of the fraction is 4 reduced by the number of factors other than the sales factor which have a denominator of zero and by an additional 2 if the sales factor has a denominator of zero.

Subtraction Modifications

Public Act 84-1400 (Senate Bill 1063)

Effective September 18, 1986, the subtraction modification for an amount equal to the cost of any contribution made to a community-based

organization is repealed. Thus, the subtraction modification is available only to taxpayers which have tax years ending during the period from January 1, 1986 through September 17, 1986.

Public Act 84-1405

Effective September 18, 1986, the subtraction modification for amounts paid or accrued by employers for educational or vocational training courses is repealed. Instead of a subtraction modification, employers can take a 1.6% training-expense credit for tax years ending on or after December 31, 1986. See Investment Tax Credits above.

Public Act 84-1390 (Senate Bill 1855)

Effective September 18, 1986, the Illinois Income Tax Act was amended to provide that an amount which relates to capital gain income for which a trust or estate is entitled to a charitable deduction under IRC • 642(c) will not be required to be added back to taxable income for Illinois purposes.

Public Act 84-1455 (House Bill 1321)

This bill provides a subtraction modification for corporate taxpayers for subpart F income. The new subtraction modification will be effective for tax years ending on or after December 31, 1988.

Unitary Business Group

Public Act 84-1400 (Senate Bill 1321)

A unitary business group composed exclusively of members that derive business income solely from Illinois may now file combined returns pursuant to the election under IITA • 502(f) and related regulations. This change is effective for tax years ending on or after December 31, 1986.

Roger D. Sweet,
Director of Revenue

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