

+ TEMPORARY ILLINOIS INCOME TAX INCREASE

+---+  
|TO:|CORPORATE  
+---+TAXPAYERS  
AND TAX  
PRACTITIONERS

your average tax rate.  
See the tax computation  
worksheet on the back  
of this bulletin.

SPECIAL NOTE TO UNITARY  
BUSINESS GROUPS

If you are a member of a  
unitary business group  
and you file a separate  
return, you may choose  
either to use the  
proration method or  
specific accounting  
method in computing your  
increased income tax.  
That is, all members  
need not choose the same  
method.

Illinois has  
temporarily raised the  
rates of the income tax  
for corporations from  
4% to 4.8% (and for  
individuals, estates,  
and trusts from 2.5% to  
3%). These rates are  
effective from July 1,  
1989, through June 30,  
1991. The rates return  
to the lower amounts on  
July 1, 1991. The  
corporate replacement  
tax rate remains at  
2.5%.

Please note that when  
you use the proration  
method to compute your  
tax, you must compute  
your credit for  
replacement tax paid by  
using the same average  
tax rate that you used  
in computing your  
income tax. Substitute  
this rate for the rate  
shown on Line d of the  
Replacement Tax  
Worksheet in the 1988  
IL-1120 instructions.

If you are a member of a  
unitary business group  
and you file a combined  
return, all members must  
use the same accounting  
method.

HOW DO I COMPUTE THE  
TAX?

You may use either the  
proration method or  
specific accounting  
method for computing  
your tax.

If you want to use the  
specific accounting  
method to compute your  
tax, you must calculate  
the tax on your net  
income earned before  
July 1, 1989, at the  
lower rate plus the tax  
on your net income  
earned after June 30,  
1989, at the higher  
rate. If you use this  
method, you must  
complete and attach  
Schedule SA to your  
return. You may call us  
to obtain Schedule SA;  
the phone numbers are  
listed at the bottom of  
this bulletin.

If you use the specific  
accounting method  
(either on separate or  
combined unitary  
returns), you must  
complete two Schedule  
UP's: one for income  
before July 1, 1989 and  
one for income after  
June 30, 1989.

WILL THERE BE ANY  
CHANGES IN THE 1988  
ANNUAL RETURNS?

No. The 1988 forms will  
remain the same. If you  
file in a fiscal year  
that ends after June 30,  
1989, you must compute  
and pay tax based on the  
increased rate using the  
1988 forms currently  
available.

If you want to use the  
proration method, you  
must prorate your  
annual income and  
compute your average  
tax rate based on the  
number of days in your  
fiscal year subject to  
each rate. We have  
computed the average  
tax rate for you. You  
can find your rate in  
the Average Tax Rate  
Chart on the back of  
this bulletin. Multiply  
your net Illinois  
income (after

Please note that when  
you use the specific  
accounting method to  
compute your tax, you  
must use the average  
tax rate computed on

apportionment, if used) by

Schedule SA to compute the credit for replacement tax paid. Refer to the instructions on the 1988 Schedule SA (IL-1120).

Your taxes and returns are due on the regular due dates. If you have already filed your return for a period ending after July 1, 1989, did not pay the increase, and wish to avoid paying penalty and interest, call us at the phone numbers listed at the bottom of this bulletin for information on what to do.

WILL THERE BE ANY CHANGES IN HOW I MAKE ESTIMATED PAYMENTS OR TENTATIVE PAYMENTS?

If you make estimated payments or tentative payments, you will continue to use the same forms, the IL-1120-ES (for estimated tax) and the IL-505-B (for tentative tax). You will simply compute and pay taxes based on the increased rates.

QUESTIONS?

If you have any questions or need additional information, you may call or write us at the phone numbers or address listed at the bottom of this bulletin.

AVERAGE TAX RATE CHART

TAX YEAR ENDING	RATE	TAX YEAR ENDING	RATE
July 31, 1989	.040680	October 31, 1989	.042696
August 31, 1989	.041358	November 30, 1989	.043354
September 30, 1989	.042017	December 31, 1989	See 1989 Forms

TAX COMPUTATION WORKSHEET

1. Write your Illinois net income from you 1988 IL-1120, Part V, Line 1 \_\_\_\_\_
2. Write your correct average tax rate from the chart above \_\_\_\_\_
3. Multiply Line 1 by Line 2 and write the amount on your IL-1120, Part V, Line 2a \_\_\_\_\_

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FOR INFORMATION CALL: 1 800 732-8866 or  
1 217 782-3336

WRITE: Illinois Department of Revenue  
101 W. Jefferson St., P.O. Box 19044  
Springfield, IL 62794-9044

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