



What's New for Illinois Income Tax

Informational Bulletin

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Director of Revenue

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To:
All Income Tax Preparers

This bulletin summarizes the 2001 Illinois Income Tax changes to both the individual and business income tax forms and schedules.

What changes have been made to the 2001 Illinois Income Tax forms?

The income tax forms include the following changes:

- Taxpayers receiving military pay from the U.S. Armed Force Reserves or the Illinois National Guard may subtract this entire amount when filing their *Form IL-1040, Individual Income Tax Return*. Previously, only active-duty military pay was allowed as a subtraction.
- Taxpayers filing *Form IL-1120, Corporation Income and Replacement Tax Return*, and *Form IL-1041, Fiduciary Income and Replacement Tax Return*, may no longer take a subtraction for a federal net operating loss (NOL) carryforward. A federal NOL arising from tax years ending prior to December 31, 1986, could only be carried forward for 15 years.
- Taxpayers filing *Form IL-1120-ST, Small Business Corporation Replacement Tax Return*, must use a new addition line to report the addback to base income of distributable loss to shareholders required to pay replacement tax. For tax years ending on or after December 31, 2000, and before December 31,

2001, this addback was required to be reported on Line 2c as an "Other addition."

What changes have been made to the 2001 Illinois Income Tax schedules?

The income tax schedules include the following changes:

- The Tax Credit for Affordable Housing Donations is a new credit equal to 50 percent of the amount of the donation a taxpayer makes under Section 7.28 of the Illinois Housing Development Act for the development of affordable housing in Illinois (effective for tax years ending on or after December 31, 2001).
- The instructions for Schedule ED, Credit for Qualified Education Expenses, have been expanded and a table has been created to clarify what expenses taxpayers are allowed to claim when computing this credit when filing their *individual income tax return*
- Tax year ending December 31, 2001, is the last year that the Environmental Remediation Tax Credit is available. This credit is no longer available for tax years ending on or after January 1, 2002.

Taxpayers filing *Form IL-1040, Individual Income Tax Return*, can claim these credits on *Schedule 1299-C, Income Tax Subtractions and Credits, (individuals)*.

- Taxpayers filing *Form IL-1041, Fiduciary Income and Replacement Tax Return*, or *Form IL-1120, Corporation Income and Replacement Tax Return*, can claim these credits on *Schedule 1299-D, Income Tax Credits, (corporations and fiduciaries)*.
- Taxpayers filing *Form IL-1065, Partnership Replacement Tax Return*, and *Form IL-1120-ST, Small Business Corporation Replacement Tax Return*, can flow these credits through to their partners or shareholders by claiming these credits on *Schedule 1299-A, Tax Subtractions and Credits, (partners and shareholders)*
- **Form IL-2210** — Most taxpayers who figure their late-payment penalty for underpayment of estimated tax on Form IL-2210, *Computation of Penalties for individuals*, may file their Illinois returns through e-File and PC retail software.

What do I need to note for tax year 2002?

Taxpayers who make contributions to a College Savings Pool account may receive an income tax deduction for the amount they contributed during 2002 when filing their *individual income tax return*. The popular name given to the College Savings Pool program by the State Treasurer is the "Bright Start College Savings Program."

What changes have been made to the 2001 electronic filing methods?

The **e-File method**, using a tax professional who participates in the Illinois Electronic Filing Program, and the **PC Retail Software method**, using tax filing software, was expanded to include

- **Schedule CR** — Illinois full-year resident taxpayers who claim a credit on Schedule CR, Credit for Taxes Paid to Other States, for taxes paid in Missouri, Indiana, Iowa, Kentucky, Michigan, Wisconsin, and their local taxing jurisdictions (city and county), may file their Illinois returns through e-File and PC retail software.