



# Illinois Department of Revenue

# Informational Bulletin

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## For information or forms...

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This bulletin is written to  
 inform you of recent changes;  
 it does not replace statutes,  
 rules and regulations, or  
 court decisions.

## What's New for Illinois Income Tax

To:  
**All Income Tax Preparers**

This bulletin summarizes the 2009 Illinois Income Tax changes for business, withholding, and individual income tax forms and schedules.

### What new Illinois Income Tax forms have been created for the 2009 tax year?

We created Form IL-1000-P, Prepayment Voucher for Pass-through Entity Payments, for partnerships, S corporations, trusts, and estates (pass-through entities) to use if they wish to make the required pass-through entity payments on behalf of their nonresident partners, shareholders, and beneficiaries (owners) throughout the tax year rather than making a lump sum payment on Form IL-1000, Pass-through Entity Payment Income Tax Return, at the end of the tax year.

### What changes have been made to the 2009 Illinois Income Tax forms?

- You must round cents to whole dollars when completing individual and business income tax forms, as well as most accompanying schedules. To round you must
  - ◆ drop amounts under 50 cents and
  - ◆ increase amounts of 50 to 99 cents to the next dollar.

For example, \$1.49 becomes \$1 and \$2.50 becomes \$3.

If you have to add two or more amounts to figure the amount to enter on a line, include cents when adding the amounts and round only the total.

- Taxpayers may have their income tax refund from Form IL-1040, Individual Income Tax Return, directly deposited into a Bright Start or Bright Directions College Savings Program account. See the Form IL-1040 instructions for the appropriate routing and account numbers to use.
- If individual taxpayers are married, they filed a joint federal return, and one spouse is an injured spouse (*e.g.*, the injured taxpayer's spouse owes a liability, for which the injured spouse is not responsible, to a government agency), they should file separate Illinois returns using the "married filing separately" filing status.
- For tax years ending on or after December 31, 2009, the partners' and shareholders' share of income tax credits from Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, may be claimed on Form IL-1023-C, Composite Income and Replacement Tax Return.



- The Replacement Tax Investment Credit originally scheduled to expire on December 31, 2008, has been extended. Fiscal year filers who had qualifying property placed in service on or after January 1, 2009, and did not claim the credit on their 2008 business income tax return, may file an amended 2008 tax return and attach Form IL-477, Replacement Tax Investment Credits, to claim this credit.
- We published regulations for calculating discharge of indebtedness loss reductions for tax years ending on or after December 31, 2008. For more details, see the instructions for
  - ◆ Form IL-1120, Corporation Income and Replacement Tax Return,
  - ◆ Form IL-1120-ST, Small Business Corporation Replacement Tax Return,
  - ◆ Form IL-1041, Fiduciary Income and Replacement Tax Return,
  - ◆ Schedule NLD, Illinois Net Loss Deduction, and
  - ◆ Schedule UB/NLD, Unitary Illinois Net Loss Deduction.

**What new schedules have been developed for 2009 Illinois Income Tax?**

Schedule MR, Military Spouse Relief, allows spouses of service members to claim the residency protections extended to them by the federal Military Spouses Residency Relief Act. This schedule must be attached to Form IL-1040 if relief is being claimed. You must write "Military Spouse" in red ink across the top of the front page of Form IL-1040 when attaching Schedule MR. See Schedule MR for more information.

**What changes have been made to the 2009 Illinois Income Tax schedules?**

- You must include the taxpayer's Property Index Number, sometimes called "parcel number" or "permanent index number," on Schedule ICR, Illinois Credits, if the taxpayer is claiming a property tax credit. You may get this number from the taxpayer's property tax bill, assessment notice, mortgage lender (if property taxes are escrowed), or from the county assessor's office in which the property is located.
- Schedule M, Other Additions and Subtractions for Individuals, includes new additions for
  - ◆ credit taken on Schedule 1299-C, Income Tax Subtractions and Credits (for individuals), for student-assistance contributions made as an employer, and
  - ◆ recapture of deductions for contributions to college savings plans withdrawn for nonqualified expenses or refunded.
- Schedule M, Other Additions and Subtractions for businesses, includes new additions for credit taken on Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries), and Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations), for student-assistance contributions made as an employer.
- For tax years ending on or after December 31, 2009, Schedules 1299-A, 1299-C, and 1299-D include a new Student-Assistance Contribution Credit for employers who make matching contributions to Illinois prepaid tuition programs. The credit is limited to \$500 per qualifying employee, cannot reduce tax to less than zero, and may be carried forward five years.
- For tax years beginning on or after July 30, 2009, the Research and Development Credit has expired and is no longer available on Schedules 1299-A, 1299-C, and 1299-D.

- For tax years beginning on or after January 1, 2010, the Veterans Jobs Credit has been increased to the lesser of 10 percent of wages or \$1200 per qualifying employee. For tax years beginning on or after January 1, 2007, and ending before January 1, 2010, the Veterans Jobs Credit is five percent of qualified wages, and may not exceed \$600 per year for any veteran.
- Schedule CR, Credit for Tax Paid to Other States, for Forms IL-1040 and IL-1041 have been redesigned. Please follow the instructions carefully when completing these schedules.

**What changes have been made for individuals filing their 2009 Illinois tax returns electronically?**

- Taxpayers claiming pass-through entity tax payments on Form IL-1040, Line 24, or who annualize their income on Schedule 2210, Computation of Penalties for Individuals, (Form IL-1040, Line 29c) may now file their Form IL-1040 electronically using the e-File and tax-preparation software methods. The new lines on Schedule K-1-P (Line 55b) and Schedule K-1-T, Beneficiary's Share of Income and Deductions, (Line 46) will also be accepted with e-Filed and tax-preparation software prepared returns. Additionally, returns with the two new addition lines on Schedule M and returns with the new Schedule MR may be filed using e-File, WebFile, and tax-preparation software methods.
- Electronic acceptance of Schedule CR, using the e-File and tax-preparation software methods, has been expanded to all full-year residents for credit for taxes paid to all other states of the United States. Prior year electronic IL-1040 forms only allowed a credit for taxes paid to states bordering Illinois. Additionally, the Illinois Department of Revenue (IDOR) will no longer send the "E" Exception Processing Code in e-File Acknowledgements.

- Taxpayers may now initiate up to four future 2010 IL-1040-ES, Estimated Income Tax Payments for Individuals, payments when e-Filing the 2009 IL-1040. The payments are scheduled in advance and will be debited on the dates you specify.

### **What changes were made to Illinois Income Tax withholding for 2010?**

- Under the new federal Military Spouses Residency Relief Act, wages earned in Illinois from employment by a nonresident spouse who is present in Illinois only to accompany the service member who is stationed in Illinois are exempt from Illinois Income Tax. Therefore, no Illinois withholding is required for these employees. This benefit only applies if the spouse and the service member are residents of the same state. The new act is effective for tax years 2009 and after.

To receive exemption from Illinois withholding, the spouse must complete Form IL-W-5-NR, Employee's Statement of Nonresidence in Illinois, check the box to indicate he or she meets the qualifications for exemption from Illinois Income Tax, and return the form to the employer.

**Note:** Taxpayers should check with their state of residency for filing requirements in that state.

- In addition to payroll providers who were required to electronically file copies of Forms W-2, Wage and Tax Statement, with IDOR beginning with the 2008 W-2 forms, employers with 250 or more employees are now required to electronically transmit their employees' Forms W-2 and W-2c, Corrected Wage and Tax Statement, using the Social Security Administration's EFW2 and EFW2C format. This program begins in 2010 for 2009 Forms W-2 and W-2c. Employers with fewer than 250 employees may voluntarily participate.

### **What changes can I expect in 2010?**

- On or after July 1, 2010, taxpayers who file their federal Form 1120, U.S. Corporation Income Tax Return, electronically will also be able to file Form IL-1120 and accompanying schedules as part of the federal-state electronic filing program. Currently, developers can obtain the XML layout information for Illinois forms and schedules from our web site. More information will be posted as it becomes available.