



Informational

Bulletin

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What's New for Illinois Income Tax

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

This bulletin summarizes the 2012 Illinois Income Tax changes for business, individual, and withholding income tax forms and schedules.

Individual Income Tax

What changes have been made to the 2012 Form IL-1040, Illinois Individual Income Tax Return?

- For tax years ending on or after December 31, 2012, if you are in a same-sex civil union, you may file an electronic Form IL-1040 with your civil union partner using either the "married filing jointly" or "married filing separately" filing status. You may not file "single or head of household."

Since same-sex civil union partners are not allowed to file "married" returns for federal purposes,

- ◆ if you and your partner choose to file a joint Illinois return, you must recompute your adjusted gross income as if you had filed a federal married filing jointly return.
- ◆ if you and your partner choose to file separate Illinois returns, you must recompute your adjusted gross income as if you had both filed federal married filing separately returns, for Illinois purposes only.

The recomputation of your federal return is reported on the new Schedule CU, Civil Union Income Report. You must mark the "same-sex civil union" status box on Form IL-1040, Step 1, Line D, and attach Schedule CU.

If you choose to file a joint Illinois return, you and your partner will both be liable for the joint tax liability, and each partner's share of any joint refund may be applied against unpaid liabilities of the other partner.

If you are an Illinois resident, and your partner is not, and you choose to file a joint Illinois return, you must treat both yourself and your partner as residents.

- Taxpayers and their dependents will receive an increased standard exemption allowance this year. The standard exemption allowance has increased from \$2,000 to \$2,050 for tax year 2012.

For information or forms
Visit our website at:
tax.illinois.gov

Call us at:
1 800 732-8866 or
217 782-3336

Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304

- The Illinois Earned Income Credit (EIC) percentage has increased from 5 percent to 7.5 percent. If you claimed a federal EIC, you may now claim 7.5 percent of this credit on your Illinois return. If you are in a same-sex civil union, you must recompute your federal EIC if you file a joint Illinois return. If you file separate Illinois returns, you may not claim the EIC.
- A new checkbox has been added to Step 11 of the IL-1040 for taxpayers that were not required to file an Illinois Individual Income Tax return in the previous tax year.
- We no longer automatically mail 1099-G forms to report your prior year Illinois Individual Income Tax overpayment unless you specifically request a paper form. Instead, we ask that you get this information by visiting tax.illinois.gov. If you want us to mail you a paper Form 1099-G, you must check the appropriate box in Step 13 of your IL-1040.
- For Form IL-1120, IL-1120-ST, IL-1065, and IL-990-T filers with tax years ending on or after December 31, 2012, when figuring your income allocable to Illinois you must check the appropriate box on the form to indicate whether your base income or loss is derived inside Illinois only or if any portion of your base income or loss is derived outside Illinois. See the specific instructions of your business income tax return for more information.
- You may choose to authorize your preparer to discuss your 2012 business income tax return with us by checking the box and printing the preparer's name and telephone number in the signature step of your return. See the specific instructions of your business income tax return for more information.
- For tax years ending on or after December 31, 2012, and before December 31, 2014, corporations, other than S corporations, are allowed an Illinois net loss deduction (NLD) up to a maximum of \$100,000 per tax year. Schedule NLD, Illinois Net Loss Deduction, and Schedule UB/NLD, Unitary Illinois Net Loss Deduction, have been redesigned to account for the NLD limitation. See the specific instructions of the Form IL-1120 and Schedule NLD or UB/NLD for more information.

What changes have been made to the 2012 Illinois Individual Income Tax schedules?

- We added several new charitable donation funds to Schedule G, Voluntary Charitable Donations. See Schedule G for a description of each fund.
- We created Schedule CU, Civil Union Income Report, to allow same-sex civil union filers to report the amounts from their federal returns filed with the IRS, along with the amounts from their "as-if-married" federal return.

Business Income Tax

What changes have been made to the 2012 Illinois Business Income Tax returns and schedules?

- You are now required to enter your mailing address in Step 1 of your business income tax return. Failure to enter your mailing address in Step 1 may result in a delay in the processing of your return and any overpayment amounts.
- For Form IL-1120, IL-1120-ST, and IL-1065 filers a new special apportionment formula is available for federally regulated exchanges. See the specific instructions for your business income tax return for more information.
- Form IL-1120, Schedule INS, Tax for Foreign Insurers, and Schedule UB/INS, Tax for a Unitary Business Group with Foreign Insurers, have been redesigned to present the tax reduction calculated on these schedules as a reduction in tax on Form IL-1120, Step 8, Lines 50a and 51a. Unlike in previous years, do not apply the tax reduction figured on Schedules INS or UB/INS directly to Form IL-1120, Lines 50 or 51.
- The Schedule UB instructions for Form IL-1120-ST, Small Business Corporation Replacement Tax Return, filers have been clarified to indicate which lines should show separate or combined income amounts. Please see the Schedule UB instructions for more information.
- Form IL-1000-X, Amended Pass-through Entity Payment Income Tax Return, has been redesigned. Please use column A to report amounts as most recently reported or adjusted and column B to report corrected amounts. See the instructions for Form IL-1000-X for more information.
- If you are claiming a distributive share of replacement tax investment credit from partnerships and S corporations on Form IL-477, you must attach a copy of the Schedule K-1-P you received from a partnership or S corporation reporting the distribution.

- Schedule 4255, Recapture of Investment Credits, has been modified to allow taxpayers to report the amount of recapture that was passed through to a partner or shareholder.

What addresses have changed?

- We have a new address for filing Form IL-1120, Corporation Income and Replacement Tax Return, with a payment attached. The new address is
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19028
SPRINGFIELD ILLINOIS 62794-9028

The address for filing Form IL-1120 without a payment attached remains the same.

ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19008
SPRINGFIELD ILLINOIS 62794-9008

Individual and Business Income Tax

What changes have been made that effect both individuals and businesses for the 2012 tax year?

- The following changes have been made on Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations), Schedule 1299-B, Enterprise Zone or Foreign Trade Zone (or sub zone) Subtractions (for corporations and fiduciaries), Schedule 1299-C, Income Tax Subtractions and Credits (for individuals), and Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries):
 - ◆ For tax years ending on or after December 31, 2012, and on or before December 31, 2016, the Veterans Jobs Credit has been modified to allow a credit for either “qualified veterans” or “qualified unemployed veterans.”
 - ◆ For tax years ending on or after December 31, 2012, a Hospital Credit is available.
 - ◆ The Jobs Tax Credit has been modified. When computing your Jobs Tax Credit you may not include any employees hired in an enterprise zone in your calculation of eligible employees.

- ◆ The Enterprise Zone Dividend Subtraction and Enterprise Zone Interest Subtraction have been modified. If you are eligible to take these subtractions, do not include any dividends or interest received or accrued on or after August 7, 2012.
- ◆ A Live Theater Production Tax Credit and a River Edge Historic Preservation Credit are now available. These credits are administered by DCEO, cannot reduce your tax liability below zero, and provide a five-year carryforward for any excess credit unused in the earned year.
- Schedule M (for individuals), Line 32, and Schedule M (for businesses), Line 19, have been expanded to include bonds issued by the Will-Kankakee Regional Development Authority under the Will-Kankakee Regional Development Authority Law as exempt from Illinois Income Tax.
- Schedule K-1-P, Partner’s or Shareholder’s Share of Income, Deductions, Credits, and Recapture, and Schedule K-1-T, Beneficiary’s Share of Income and Deductions, have been expanded to allow grantor trusts and other federally disregarded entities to identify the taxpayer that will report the income or loss shown on the Schedule K-1-P or K-1-T. Please see the instructions for Schedules K-1-P and K-1-T for more information.
- For tax years ending on or after December 31, 2012, return payment vouchers have been designed for both original and amended returns. If you submit a payment for your original or amended return by mail, please complete and attach the corresponding payment voucher. The payment vouchers may be found on our website. Do not submit a payment voucher if you made your payment electronically.

What changes were made for preparers and software vendors preparing 2012 Illinois tax returns electronically?

- Taxpayers in a same-sex civil union may now file their Illinois tax returns electronically.
- For tax years ending on or after December 31, 2012, electronic filing for taxpayers filing Form IL-1065 and accompanying schedules, is available as part of the federal-state electronic filing program. Currently, developers can obtain the XML layout information for Illinois forms and schedules from our website.

Withholding Income Tax——

What changes have been made that effect 2013 Illinois Withholding Income Tax?

- Effective January 1, 2013, the Illinois Individual Income Tax exemption amount increased from \$2,050 to \$2,100. For more detailed information and for assistance with calculating the amount to withhold, see the updated Booklet IL-700-T, Illinois Withholding Tax Tables.

What to watch for in 2013—

- The personal exemption allowed for individuals will increase to \$2,100 per person for tax years ending on or after December 31, 2013.