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Bulletin

Constance Beard, Director

What's New for Illinois Income Tax

This bulletin summarizes changes for individual and business income tax for the 2017 filing season and withholding income tax for the 2018 filing season.

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

For information or forms

Visit our website at:
tax.illinois.gov

File your return online at:
mytax.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 2017 Filing Season

- Our enhanced efforts to protect Illinois taxpayers from identity theft and tax fraud have proven to be highly successful. We will continue to combat the criminals attempting to steal taxpayer identities and file fraudulent tax returns. We will make every effort to issue tax refunds as quickly as possible.
- Due dates which fall on April 15, 2018, have been extended to April 17, 2018. We are following the Internal Revenue Service (IRS) in extending the due date because of the Emancipation Day holiday being observed on April 16 in the District of Columbia.
- All updates for the tax filing season will be posted to our website at tax.illinois.gov. We encourage taxpayers to check back for the most up-to-date information.
- MyTax Illinois, our **free** online account management program, provides a centralized location on our website where taxpayers may electronically file tax returns and supporting schedules, make payments, register a new business, or manage their tax accounts. Taxpayers are not required to create a MyTax Illinois account to file their **Form IL-1040**. First-time Illinois filers must have a state of Illinois-issued driver's license or identification card and use the non-login filing process to file their return.
- MyTax Illinois will begin accepting 2017 Individual and Business Income Tax returns on January 29, 2018.
- Filing electronically through MyTax Illinois or the modernized e-file system (MeF) is the best filing option. There is NO advantage to sending us a paper return by mail.

Individual Income Tax

Changes on the 2017 Form IL-1040, Illinois Individual Income Tax Return

- The Illinois Individual Income Tax rate for calendar year 2017 is 4.3549 percent (.043549). Taxpayers may elect to compute tax using the blended rate method or the specific accounting method. This election must be made on or before the extended due date of the tax return. Once the election is made, it is irrevocable. If you choose to calculate your tax using the specific accounting method, complete **Schedule SA (IL-1040)** and attach to your return.
- The due date for filing your **2017 Form IL-1040** and paying any tax you owe is extended to April 17, 2018.
- For tax years **beginning** on or after January 1, 2017, the standard exemption allowance may not be claimed if a taxpayer's federal adjusted gross income (AGI) exceeds \$500,000 for returns with a federal filing status of married filing jointly, or \$250,000 for all other returns.

Changes on the 2017 Illinois Individual Income Tax schedules

- The Illinois Earned Income Credit (EIC) is now reported on **Schedule IL-EIC**. For tax years **beginning** on or after January 1, 2017, and before January 1, 2018, the Illinois EIC percentage has increased from 10 percent to 14 percent of the federal EIC. If you claimed a federal EIC, you may now claim 14 percent of this credit on your Illinois return.
- For tax years **ending** on or after December 31, 2017, the maximum amount of the K-12 Education Expense Credit on **Schedule ICR** has been increased to \$750 per family. The K-12 Education Expense Credit is not allowed if a taxpayer's federal AGI exceeds \$500,000 for returns with a federal filing status of married filing jointly, or \$250,000 for all other returns.
- For tax years **beginning** on or after January 1, 2017, the Illinois Property Tax Credit on **Schedule ICR** is not allowed if a taxpayer's federal AGI exceeds \$500,000 for returns with a federal filing status of married filing jointly, or \$250,000 for all other returns.
- For tax years **beginning** on and after January 1, 2017, eligible educators may claim an Instructional Materials and Supplies Credit for qualified expenses paid during the tax year. See **Schedule 1299-C** and the **Schedule 1299-C Instructions** for more information.

- Taxpayers may donate to two new charitable funds this year. See **Schedule G** and the **Schedule G Instructions** for a description of each fund and how to donate.

Business Income Tax

Changes on the 2017 Illinois Business Income Tax returns and schedules

- Effective July 1, 2017, the income tax rate for corporations (excluding S corporations) increased from 5.25 percent (.0525) to 7 percent (.07) and the income tax rate for trusts, estates, and exempt organizations increased from 3.75 percent (.0375) to 4.95 percent (.0495). Taxpayers may elect to compute tax using the blended rate method or the specific accounting method. This election must be made on or before the extended due date of the tax return. Once the election is made, it is irrevocable.
- **Schedule SA** has been developed as a means for calculating income and tax at separate rates due to the income tax rate change during the tax year. This schedule is available for use with **Form IL-1120**, **Form IL-1041**, and **Form IL-990-T**.
- For tax years **beginning** on or after January 1, 2017, the standard exemption allowance on **Form IL-1065** and **Form IL-1041** may not be claimed if the taxpayer's adjusted gross income (AGI), as determined by computing pro forma AGI under Internal Revenue Code (IRC) Section 62, exceeds \$250,000 for the taxable year.
- For tax years **ending** on or after December 31, 2017, the non-combination rule is eliminated. Unitary business groups will no longer exclude members that are ordinarily required to apportion business income under different subsections of Section 304. The **Subgroup Schedule** has been developed to assist in apportionment of business income for unitary business groups that contain insurance companies, financial organizations, transportation companies or federally regulated exchanges.
- A change to the definition of "United States" will now require unitary businesses to include members operating in any area over which the U.S. has asserted jurisdiction or claimed exclusive rights with respect to the exploration for or exploitation of natural resources (e.g., the outer continental shelf). This does not include members operating in any territory or possession of the United States.

- A checkbox has been added to indicate if business activity is protected under Public Law 86-272 on **Form IL-1120**, **Form IL-1120-ST**, and **Form IL-1065**. Additionally, **Schedule UB**, Step 1, Section A, Column D has been changed to indicate if business activity is protected under Public Law 86-272.
- Checkboxes have been added to indicate throwback and double throwback adjustments on the **Form IL-1120-X**, **Form IL-1041-X**, **Form IL-1065-X**, **Form IL-990-T-X**, and **Form IL-1120-ST-X**.
- **Schedule 80/20** has been reduced to two pages and the information regarding insurance companies has been removed.
- The non-combination rule option in **Schedule UB**, Step 5, Column C, Reason for Exclusion, has been removed.
- The calculations to determine the amount of required estimated tax payments on **Form IL-1120-ES** and **Form IL-2220** have been updated to more accurately determine if estimated payments are required, the amount of required estimated payments, and how Illinois gambling withholding should be applied against the required payments. See **Form IL-1120-ES** and **Form IL-2220** for more information.
- Both **Schedule 1299-A** and **Schedule 1299-D** have been updated to allow short-year fiscal filers to claim the Invest in Kids Credit. Fiscal filers must have received a Certificate of Receipt (COR) from a Scholarship Granting Organization (SGO). For more information, see **Informational Bulletin FY 2018-07** and the instructions for **Schedule 1299-A** or **Schedule 1299-D**.
- The Veterans Job Credit expired for tax years **ending** after December 31, 2016. You may not claim this credit on your 2017 **Schedule 1299-A**, **Schedule 1299-C**, or **Schedule 1299-D**.
- Public Act 100-0555 provides an income tax credit for taxpayers who received damage to qualified real property located in an Illinois-declared disaster area as a result of flooding in 2017 and were issued a Natural Disaster Income Tax Credit Certificate from their Township Assessor or Chief County Assessment Officer (CCAO). See **Informational Bulletin FY 2018-17** and the instructions for your 2017 **Schedule 1299-A**, **Schedule 1299-C**, or **Schedule 1299-D** for more information on the Natural Disaster Credit.
- The following credits have been extended and may be claimed for tax years **ending** on or before December 31, 2021:
 - Angel Credit
 - River Edge Historic Preservation Credit
 - Research and Development Credit
- The New Markets Credit has been extended and qualified equity investments may be made until June 30, 2021.
- The Live Theater Production Tax Credit has been extended and may be claimed for tax years **beginning** prior to January 1, 2022.
- The Economic Development for a Growing Economy (EDGE) Tax Credit has been extended to June 30, 2022.
- An "Other Credits" line has been added to the 2017 **Schedule 1299-A**, **Schedule 1299-C**, and **Schedule 1299-D**. This line can be used to claim Illinois Income Tax credits which may be carried forward for five years but for which no specific line has been provided on the schedule. See the Specific Instructions in the **Schedule 1299-A**, **Schedule 1299-C**, or **Schedule 1299-D Instructions** for details.
- The Domestic Production Activities Deduction (DPAD) allowed under IRC Section 199 is a required addition on **Schedule M** for tax years **ending** on or after December 31, 2017. To report this addition on your **Schedule M**, add the deduction amount back to either adjusted gross income or federal taxable income.

Individual and Business Income Tax

Changes that affect both individual and business income tax for the 2017 tax year

- The River Edge Redevelopment Zone Investment Credit expired for tax years **beginning** on or after July 12, 2016. You may not claim this credit on your 2017 **Schedule 1299-A**, **Schedule 1299-C**, or **Schedule 1299-D**.
- The River Edge Redevelopment Zone Remediation Credit expired for tax years **beginning** on or after July 12, 2016. You may not claim this credit on your 2017 **Schedule 1299-A**, **Schedule 1299-C**, or **Schedule 1299-D**.

- For taxable years **beginning** on or after January 1, 2017, any tax preparer who is paid to prepare or assist in the preparation of Illinois Individual or Business Income Tax returns must sign and date the return, provide a phone number, enter their Preparer Tax Identification Number (PTIN) issued to them by the IRS, and provide their firm's Federal Employer Identification Number (FEIN), unless self-employed, and the firm's name, address, and phone number. The Individual and Business returns have been revised to enable paid preparers to provide this information. For more information, see the instructions for your return.

Withholding Income Tax

Changes that affect Illinois Withholding Income Tax for the 2018 tax year

- Public Act 100-0303 provides new electronic filing requirements for Illinois withholding income tax. Effective January 1, 2018, **Form IL-941** is now required to be filed electronically. If you are unable to file electronically, you may request a waiver by submitting a Waiver Request form, **IL-900-EW**. You may contact our Taxpayer Assistance Division at 1 800 732-8866 or 217 782-3336 to request an **IL-900-EW**.
- **Form IL-941** (and instructions) and **Form IL-941-X** (and instructions) have been updated.
 - **Form IL-941-X** has been updated to a two-page form. The Overpayment Worksheet has been removed.
 - **Schedule P**, a new attachment for **Form IL-941-X** and **IL-2000**, has been developed to assist taxpayers with layout and attaching their payroll support.
- The Illinois Income Tax rate for individuals increased to 4.95 percent (.0495) effective July 1, 2017.
- The Illinois Individual Income Tax personal exemption amount decreased to \$2,000 due to the sunset provision of the cost of living adjustment. For more detailed information, and for assistance with calculating the correct amount to withhold, see the updated **Booklet IL-700-T** on our website.
- **W-2 and W-2G** forms are due by January 31, 2018 and are required to be submitted electronically. If you are unable to file electronically, you may request a waiver by submitting a Waiver Request form, **IL-900-EW2**, available on our website. See the **W-2 and 1099 Electronic Filing Programs** page on our website or **Informational Bulletin FY 2018-18** for more information.

- Due to the addition of Illinois Department of Employment Security (IDES) unemployment tax to MyTax Illinois, TaxNet is no longer available for filing or paying Illinois withholding income tax.
- The Economic Development for a Growing Economy (EDGE) Tax Credit has been extended to June 30, 2022.
- The Department is encouraging taxpayers to use their IDOR-approved credits during the 1st quarter of 2018. Based upon fund availability, the Department plans to issue refunds in June 2018 to taxpayers that have remaining IDOR-approved credits on their Illinois withholding account.
- **Reminder:** If you have been assigned to the monthly payment schedule and you withhold more than \$12,000 during a quarter, you must begin paying semi-weekly in the following quarter, the remainder of the year, and the subsequent year.

Important information for tax preparers and software vendors regarding 2017 tax forms

- Substitute or reproduced paper forms must be submitted and approved through our Forms Approval Program prior to use. See the **Guidelines for Substitute Tax Forms** under the Tax Professionals/Developers Section on our website.
- All payment vouchers (and some forms) require a scan line at the bottom that is specific to the taxpayer and filing period. Documents with a scan line **should not be duplicated** for other taxpayers or filing periods. This could delay processing for the taxpayer.
- All electronically submitted **W-2** forms are due by January 31, 2018. Electronically filing **W-2** forms helps combat tax return fraud and identity theft. For more information, see **Informational Bulletin FY 2018-18** or **Publication 110**, Forms W-2, W-2c, W-2G, and 1099 Filing and Storage Requirements for Employers and Payers, available on our website.
- If you are a tax professional, see the **Tax Professionals** page on our website for up-to-date news and resources.
- If you are a tax preparer, make sure your tax preparation software is up-to-date. Using the most recently updated version of your tax preparation software helps reduce the time it takes us to process your clients' returns, and helps ensure the security of your clients' tax information.

What to watch for in 2018————

- **Invest in Kids Act** -- Created by Public Act 100-0465, the Invest in Kids Act allows income tax credits for taxpayers who make authorized contributions to a Scholarship Granting Organization (SGO). The SGOs, in turn, provide scholarships for eligible Illinois students to attend non-public schools in Illinois recognized by the Illinois State Board of Education. The Department can issue up to \$75 million in tax credits per calendar year. Any credit amount that exceeds tax liability for the year may be carried forward and applied against tax liabilities in the subsequent five years. For more information, see **Informational Bulletin FY 2018-07**, available on our website.
- **Personal Exemption** -- The personal exemption allowed for individuals on **Form IL-1040** will decrease to \$2,000 per person for tax years **beginning** on or after June 1, 2017.
- **State Tax Lien Registry** -- Public Act 100-0022 created the new State Tax Lien Registration Act. The State Tax Lien Registry is an online, statewide system for maintaining notices of tax liens filed or released that are enforced by the Department. The State Tax Lien Registry is now available on our website at **tax.illinois.gov**. For more information, see **Informational Bulletin FY 2018-06**, available on our website.

Business Income Tax Due Dates

Return type	Illinois original filing and payment due date
Calendar year C corporations (IL-1120)	15th day of the 4th month following the close of the tax year (April 17, 2018)
Fiscal year C corporations whose tax year ends on a date <u>other than</u> June 30 (IL-1120)	15th day of the 4th month following the close of the tax year
Fiscal year C corporations whose tax year ends on June 30 (IL-1120)	15th day of the 3rd month following the close of the tax year (September 17, 2018)
Cooperatives (IL-1120)	15th day of the 9th month following the close of the tax year (September 17, 2018)
S corporations (IL-1120-ST)	15th day of the 3rd month following the close of the tax year
Partnerships (IL-1065)	15th day of the 4th month following the close of the tax year
Fiduciaries (IL-1041)	15th day of the 4th month following the close of the tax year
Exempt Organizations (IL-990-T) [except for employee trusts as described in IRC Section 401(a)]	15th day of the 5th month following the close of the tax year [15th day of the 4th month following the close of the tax year]

2017 Illinois Business Income Tax Extended Due Dates

Tax type	Illinois Automatic Extension Length
<ul style="list-style-type: none"> • Calendar year C corporations • Fiscal year C corporations whose tax year ends on a date <u>other than</u> June 30 • Partnerships • Fiduciaries • Exempt organizations federally classified as 401(a) trusts 	6 Months
<ul style="list-style-type: none"> • Fiscal year C corporations whose tax year ends on June 30 • Cooperatives • S corporations • Exempt organizations federally classified as corporations or 501(c) trusts 	7 Months
<ul style="list-style-type: none"> • Lloyd's plan of operation filers 	The length of the federal filing extension

Withholding Income Tax Due Dates

2018 Illinois Withholding Income Tax Due Dates

Specific 2018 payment and return due dates can be found on our website at tax.illinois.gov.

Monthly Payment and Quarterly Return Schedule	
Pay electronically or use Form IL-501 by	Must file your Form IL-941 electronically by
15th of each month for amounts withheld in the preceding month.	the last day of April, July, October, and January.

Semi-weekly Payment and Quarterly Return Schedule	
Must pay electronically by	Must file your Form IL-941 electronically by
Wednesday for amounts withheld on the preceding Wednesday, Thursday, or Friday, and	the last day of April, July, October, and January.
Friday for amounts withheld on the preceding Saturday, Sunday, Monday, or Tuesday.	