



Informational

Bulletin

David Harris, Director

What's New for Illinois Income Taxes

*This bulletin supersedes FY2021-14 (issued in February 2021) and contains two updates for clarification to the EIC information below and to the PPP loan information on Page 3. Please see the asterisked dot points for clarification.**

This bulletin summarizes changes for

- **Individual and Business Income Taxes ending on or after December 31, 2020.**
- **Withholding Income Tax beginning on or after January 1, 2021.**

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 2020 Tax Year

- The Illinois Department of Revenue (IDOR) is taking proactive measures to prevent the spread of COVID-19.
 - A reduced number of taxpayer phone system agents are available; therefore, wait times when calling IDOR may be longer than normal. Taxpayers can save time and avoid the wait by contacting IDOR by email (addresses available at tax.illinois.gov).
 - A reduced number of processing agents are available to process **paper** returns and responses. Using an electronic method to file your return and using MyTax Illinois to respond to certain Individual Income Tax notices will save time and avoid processing delays.
- The State of Illinois launched a new outreach initiative to increase Earned Income Credit (EIC) participation by targeting taxpayers who qualified but failed to claim the credit. For more information see Informational Bulletin [FY 2021-04](#), Illinois Earned Income Tax Credit (EIC) Updates and New Letter.
- * ○ The Internal Revenue Service (IRS) is providing temporary relief for the Earned Income Tax Credit (EITC) for tax year 2020. If your federal earned income was higher in 2019 than in 2020, you can use the 2019 amount to figure your federal EITC for 2020. *You will make this decision with your federal return and the Illinois Earned Income Credit is simply calculated as 18 percent of your current year federal EITC.* To figure your Illinois EITC amount, follow the [instructions](#) on [Schedule IL-E/EIC](#). For more information on figuring your federal credit, see Internal Revenue Service Publication 596, Earned Income Credit.
- 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 your identity to file fraudulent tax returns while making every effort to get your tax refund to you as quickly as possible.

- Most individual income tax correspondence can be responded to by using MyTax Illinois to upload your response. The correspondence must be for tax years ending on or after December 31, 2019. Using your MyTax Illinois account, correspondence you can respond to will be listed in the “Respond to Notice” section of the “Correspondence” tab. To add a response, click “Respond” and then click “Add” to attach the required documentation. Use the “Submit” button to complete the request.
- Schedule IL-WIT, Illinois Income Tax Withheld — Federal Form 1099-NEC, Nonemployee Compensation, has been added as a form type for reporting income.
- Instructions for Schedule CR, Credit for Tax Paid to Other States, and Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax — A note has been added to instructions for the Other Adjustments line about the federal charitable contributions deduction.

Individual Income Tax

Changes to the 2020 Form IL-1040, Illinois Individual Income Tax return

- MyTax Illinois will begin accepting 2020 Form IL-1040 on February 12, 2021.
- Effective for tax years ending on or after December 31, 2020, the personal exemption amount is \$2,325.
- The income tax rate remains at 4.95 percent (.0495) for tax years ending on or after December 31, 2020.
- The due date for filing your 2020 Form IL-1040, and paying any tax you owe is April 15, 2021.
- The federal charitable contributions deduction for individuals who claim the standard deduction is included in the computation of federal adjusted gross income; therefore, no Illinois adjustment is necessary.

Changes to the 2020 Illinois Individual Income Tax schedules

- Form IL-2210, Computation of Penalties for Individuals — Due to the federal and state extension to file 2019 income tax returns, quarterly estimated payments for tax years ending on December 31, 2020, were able to be made based on 90 percent of the liability for 2020, or 100 percent of the liability in 2019 or 2018, to avoid penalty if timely made.

Business Income Tax

Changes to the 2020 Illinois Business Income Tax returns

- A checkbox for merged losses has been added to
 - Form IL-1120, Corporation Income and Replacement Tax Return, Step 5, Line 38,
 - Form IL-1120-ST, Small Business Corporation Replacement Tax Return, Step 7, Line 50, and
 - Form IL-1065, Partnership Replacement Tax Return, Step 7, Line 48.

A detailed statement must be attached to the return listing the FEIN of the company from which you acquired the loss, the reason (e.g., merger) you are allowed to use that company’s losses, and the date you acquired the loss.

- A checkbox for reporting a discharge of indebtedness has been added to
 - Form IL-1120, Step 1, Line U,
 - Form IL-1120-ST, Step 1, Line S, and
 - Form IL-1041, Fiduciary Income and Replacement Tax Return, Step 1, Line N.

A detailed statement must be attached to the return listing the month and year to which the loss was previously carried and include the amount of reduction calculated as Illinois net loss previously used.

- A checkbox to carryforward your credit to a different FEIN has been added to
 - Form IL-1120, Step 8, Line 64,
 - Form IL-1120-ST, Step 9, Line 64,

Remember, filing your return electronically through [MyTax Illinois](#) or the modernized e-file system (MeF) and requesting direct deposit is still the fastest way to receive your refund. You can file for free using MyTax Illinois, our online account management program for taxpayers. Visit [Where's my Refund?](#) for the most current information.

- Form IL-1065, Step 9, Line 65,
- Form IL-1041, Step 7, Line 58, and
- Form IL-990-T, Exempt Organization Income and Replacement Tax Return, Step 6, Line 32.

A detailed statement must be attached to your return listing the FEIN of the entity receiving the credit carryforward, the date the credit was transferred, and the reason for the transfer.

- Form IL-990-T and Form IL-990-T Instructions have been renumbered due to the information on Lines 2 and 3 being removed.
- * ○ Under federal law, [Paycheck Protection Program](#) (PPP) loan forgiveness is not considered taxable income, and the business expenses covered by the PPP loan proceeds are deductible business expenses. Currently, Illinois tax law has no addition modification to change this; therefore, the same treatment flows through to the Illinois return as the starting point for computing Illinois base income is federal taxable income.

Changes to the 2020 Illinois Business Income Tax schedules

- Effective for tax years ending on or after December 31, 2020, the following Illinois Income Tax schedules are obsolete.
 - Schedules NLD, Illinois Net Loss Deduction
 - Schedule UB/NLD, Unitary Net Loss Deduction

Note: Instructions for determining net losses have been included as appendices in return instructions.

 - Form IL-1041, Schedule I, Income Received

Note: Schedules K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture, and Schedules K-1-T, Beneficiary's Share of Income and Deductions, must still be attached to your tax return for any income you receive.

Withholding Income Tax

Changes to the 2021 Illinois Withholding Income Tax forms

- Out-of-state employers who employ Illinois residents who worked from their Illinois residence for more than 30 days may be required to register with the IDOR and withhold Illinois Income Tax from the employee.

For additional information, see [FY2020-29](#), Illinois withholding requirements for out-of-state employers who employ Illinois residents working from home due to COVID-19 Virus Outbreak.

- Taxpayers registered for Illinois Withholding Income Tax can electronically file Form IL-941-X, Amended Illinois Withholding Income Tax Return, using the Federal/State Employment Taxes (FSET) program. Previously, the FSET program only allowed filings of Form IL-941, Illinois Withholding Income Tax Return, but it now allows for amendments to those forms.

Note: The electronic filing option only applies to Forms IL-941-X filed for the current tax year and the two previous tax years.

Reminders:

- Form IL-941 is required to be filed electronically. If you are unable to file electronically, you may request a waiver by submitting Form IL-900-EW, Electronic Waiver Request. To request Form IL-900-EW, contact our Taxpayer Assistance Division at 1 800 732-8866 or 217 782-3336.
- Forms 1099-K, Merchant Card and Third Party Network Payments, must be submitted electronically when four or more separate transactions exceed \$1,000, or if you are required by the IRS to electronically file Forms 1099-K. These requirements apply for Forms 1099-K issued to payees with Illinois addresses. See [Electronic W-2 and 1099 Transmittal Programs](#) for more information.

Important information for tax preparers and software vendors regarding 2020 tax forms

- 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 Forms W-2, Wage and Tax Statement, are due by February 1, 2021, and must be submitted electronically. Electronically filing Forms W-2 helps combat tax return fraud and identity theft. Submitting Forms W-2 to IDOR is a separate transaction from submitting Forms W-2 to

the Social Security Administration. For more information, see [Publication 110, Forms W-2, W-2c, W-2G, and 1099 Filing and Storage Requirements for Employers and Payers, including New 1099-K Electronic Filing Requirements](#).

- If you are a tax professional, see the [Tax Professionals](#) page on our website for current 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.
NOTE: Do NOT mail IDOR any version of a form that contains a watermark.
- Substitute paper forms must be submitted and approved through our Forms Approval Program. For more information, see the [Substitute Forms Guidelines](#) under the Tax Professionals Section on our website.
- Certain paper returns will be processed using new imaging software. All specifications for producing substitute forms, including the updated 1-D barcode, are available in the password protected "Draft Forms" web page for [Substitute Forms Developers](#).

What to watch for in 2021

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 current information.

Income Tax Credits —

- Effective for tax years beginning on or after January 1, 2021, the Blue Collar Jobs Act (Public Act [101-0009](#)) created four income tax credits:
 - Enterprise Zone Construction Jobs Credit
 - High Impact Business Construction Jobs Credit
 - New Construction EDGE Credit
 - River Edge Construction Jobs Credit
 See [Schedule 1299-I](#), Income Tax Credits Information and Worksheets, for more information about the credits.

- Effective July 11, 2021, the River Edge Redevelopment Zone Investment (Code 5530) and River Edge Redevelopment Zone Remediation (Code 5550) credits expire and cannot be carried forward on or after July 12, 2021, on
 - Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations),
 - Schedule 1299-C, Income Tax Subtractions & Credits (for individuals), or
 - Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries).
- Effective December 31, 2021, the Veterans Job Credit (Code 5390) expires and cannot be carried forward on Schedules 1299-A, 1229-C, and 1299-D.

Withholding Income Tax Credits —

Effective July 1, 2021, the Illinois Small Business Job Creation credit may not be claimed on Form IL-941.

Individual Income Tax Personal Exemption —

Effective for tax years beginning on or after January 1, 2021, the personal exemption allowance for individuals will increase to \$2,375 per person. This impacts 2021 Form IL-1040 for individuals and 2021 withholding income tax rates for employers (see [IL-700-T, Illinois Withholding Tax Tables Booklet](#)).

Form IL-2848, Power of Attorney —

Effective March 1, 2021, only the newest [revision](#) will be accepted. Two new forms have been added:

- IL-2848-A, Power of Attorney Additional Information - If there is more than one Power of Attorney named.
- IL-2848-B, Power of Attorney Specific Authority Granted - If Specific Authority has been granted.

Changes to sales and use taxes

Note: *This information is included to provide awareness of significant changes regarding sales and use taxes.*

Effective January 1, 2021, Public Acts 101-0031 and 101-0604 implemented a series of structural changes to the Illinois sales tax laws. The changes are intended to "level the playing field" between Illinois-based retailers and remote retailers by imposing state and local retailers' occupation taxes on Illinois retailers and remote retailers alike. See the [Resource Page for the Leveling the Playing Field for Illinois Retail Act](#) available on our website, tax.illinois.gov, for more information.

Income Tax Due Dates

Income Tax Estimated Payment Due Dates

Return type	Illinois estimated payment due date
<ul style="list-style-type: none"> Individual (IL-1040) 	April 15, June 15, September 15, and January 15 of the following year when tax liability is over \$1,000.
<ul style="list-style-type: none"> Corporations (IL-1120) 	15th day of the 4th, 6th, 9th, and 12th months of the tax year when tax liability is over \$400.

Income Tax Original Due Dates

Return type	Illinois original filing and payment due date
<ul style="list-style-type: none"> Individual (IL-1040) 	15th day of the 4th month following the close of the tax year (April 15, 2021 for calendar year filers)
<ul style="list-style-type: none"> Calendar year corporations (IL-1120) Fiscal year corporations whose tax year ends on a date <i>other than</i> June 30 (IL-1120) 	15th day of the 4th month following the close of the tax year (April 15, 2021)
<ul style="list-style-type: none"> Fiscal year corporations whose tax year ends on June 30 (IL-1120) 	15th day of the 3rd month following the close of the tax year (September 15, 2021)
<ul style="list-style-type: none"> Cooperatives (IL-1120) 	15th day of the 9th month following the close of the tax year
<ul style="list-style-type: none"> S corporations (IL-1120-ST) 	15th day of the 3rd month following the close of the tax year
<ul style="list-style-type: none"> Partnerships (IL-1065) 	15th day of the 4th month following the close of the tax year
<ul style="list-style-type: none"> Fiduciaries (IL-1041) 	15th day of the 4th month following the close of the tax year
<ul style="list-style-type: none"> 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]

Income Tax Extended Due Dates

Tax type	Illinois Automatic Extension Length
<ul style="list-style-type: none"> Individual 	6 Months
<ul style="list-style-type: none"> Calendar year corporations Fiscal year corporations whose tax year ends on a date <i>other than</i> June 30 Partnerships Fiduciaries Exempt organizations federally classified as 401(a) trusts 	6 Months
<ul style="list-style-type: none"> Fiscal year 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

2021 Withholding Income Tax Due Dates

Specific 2021 payment and return due dates can be found on our [website](#).

Monthly Payment and Quarterly Return Schedule	
<p>Must pay electronically or use Form IL-501 by</p> <p>15th of each month for amounts withheld in the preceding month.</p>	<p>Must file Form IL-941 electronically by</p> <p>April 30, 2021, August 2, 2021, November 1, 2021, and January 31, 2022.</p>

Semi-weekly Payment and Quarterly Return Schedule	
<p>Must pay electronically by</p> <p>Wednesday for amounts withheld on the preceding Wednesday, Thursday, or Friday, and</p> <p>Friday for amounts withheld on the preceding Saturday, Sunday, Monday, or Tuesday.</p>	<p>Must file Form IL-941 electronically by</p> <p>April 30, 2021, August 2, 2021, November 1, 2021, and January 31, 2022.</p>

Income Tax Rates

Tax Type	Tax Rate
Individual Income Tax	4.95 percent (0.0495) of net income
Business Income Tax	Corporations – 7 percent (0.07) of net income Trusts and estates – 4.95 percent (0.0495) of net income
Personal Property Replacement Tax	Corporations (other than S corporations) – 2.5 percent (0.025) of net income Partnerships, trusts, and S corporations – 1.5 percent (0.015) of net income
Withholding Income Tax	4.95 percent (0.0495) of net income is required to be withheld from: <ul style="list-style-type: none"> • employee compensation based on the number of allowances claimed by the employee, • Illinois lottery winnings each time a single payment is over \$1,000 for both Illinois residents and nonresidents, and • other gambling winnings paid if the winnings are subject to federal income tax withholding requirements.