



# Illinois Department of Revenue

# Informational Bulletin

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## For information or forms...

- Call us at:  
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 Illinois Department of Revenue  
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 Forms Order Line at:  
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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 2006 Illinois Income Tax changes for both the individual and business income tax forms and schedules.

### What changes have been made to the 2006 Illinois Income Tax forms?

The income tax forms include the following changes:

- Forms IL-1120-ST, Small Business Corporation Replacement Tax Return, and IL-1065, Partnership Replacement Tax Return, have been completely revised. The new forms provide a step-by-step structure that should allow taxpayers ease in completing the forms, including detailed line items for all addition and subtraction modifications that require Illinois schedules to be attached.
- If you have "other additions" or "other subtractions" on Forms IL-1120-ST or IL-1065, you must complete the new Schedule M, Other Additions and Subtractions (for businesses). See "What changes have been made to the 2006 Illinois Income Tax Schedules?" for more information.
- For tax years ending on or after December 31, 2005, a new Form IL-1120-X has been developed with a revision date of 8/06. This form is included in the 2006 Package X, and is also valid for tax years ending on or after December 31, 2006.
- For tax years ending on or after December 31, 2006, Forms IL-1120-ST-X, Amended Small Business Corporation Replacement Tax Return, and IL-1065-X, Amended Partnership Replacement Tax Return, have been developed to accompany the new layouts for Forms IL-1120-ST and IL-1065. If you are filing an amended return for tax years ending before December 31, 2006, you should use Form IL-843 and the appropriate revision of Forms IL-1120-ST or IL-1065 to make those changes.
- **Publication 125, Injured and Innocent Spouse Relief**, was created for Form IL-1040 filers to provide detailed information on these types of relief and how to apply.
- Taxpayers who elected to have the Illinois Department of Employment Security withhold 2006 Illinois Income Tax from their unemployment compensation may claim that withholding on Form IL-1040, Line 17. You must attach a copy of Form 1099-G to your Form IL-1040 when you claim this withholding.



## What changes have been made to the 2006 Illinois Income Tax schedules?

The income tax schedules include the following changes:

- Form IL-4562, Bonus Depreciation, was revised 8/06 to comply with legislation passed in May 2006 that made changes to the calculation of the subtractions you may claim for bonus depreciation on your Illinois Income and Replacement Tax returns. The changes are effective for tax years ending after December 31, 2005. If you were eligible for the new calculation, but filed your return using the 12/05 revision of Form IL-4562, you will need to file an amended return and complete Form IL-4562, with revision date 8/06. The 8/06 revision should also be used for tax years ending on or after December 31, 2006.
- Schedule M, Other Additions and Subtractions for IL-1120 filers, has been changed to Other Additions and Subtractions (for businesses) and should be used with Forms IL-1120, IL-1120-ST, and IL-1065 if you have addition modifications on
  - ◆ Form IL-1120, Line 8
  - ◆ Form IL-1120-ST, Line 21, or
  - ◆ Form IL-1065, Line 22;
 or if you have subtraction modifications on:
  - ◆ Form IL-1120, Line 23,
  - ◆ Form IL-1120-ST, Line 34, or
  - ◆ Form IL-1065, Line 34.
- Schedule M, Other Additions and Subtractions for Individuals, now allows you to subtract contributions you made to the "Bright Directions" College Savings Pool.
- River edge redevelopment zones are now included in the Enterprise Zone Dividend Subtractions and Enterprise Zone Investment Credits on
  - ◆ Schedule 1299-A, Tax Subtractions and Credits (for Forms IL-1120-ST and IL-1065 filers),

- ◆ Schedule 1299-B, Enterprise Zone or Foreign Trade Zone (or sub-zone) Subtractions (for Forms IL-1120 or IL-1041),
- ◆ Schedule 1299-C, Income Tax Subtractions and Credits (for Individuals), and
- ◆ Schedule 1299-D, Income Tax Credits (for Forms IL-1120, IL-1041, and IL-990-T).

- The new River Edge Redevelopment Zone Remediation Credit has been added to Schedules 1299-C and 1299-D.
- **Short-year filers only:** The Ex-Felons Jobs Credit and Veterans Jobs Credit are in effect for tax years beginning on or after January 1, 2007. For business taxpayers filing a short-year return, you may be entitled to take any valid credit on a 2006 Schedule 1299-A or Schedule 1299-D.

## Do the Expired Federal Reductions Renewals affect my Form IL-1040, Schedule NR?

- The Tax Relief and Health Care Act of 2006 renewed the federal educator expense deduction and the higher education tuition and fees deduction. The changes affect Illinois income tax for nonresidents and part-year residents, but were made too late to be included on the federal Form 1040 or Form IL-1040, Schedule NR.

Illinois non-residents or part-year residents should treat these deductions as follows:

**Federal educator expense deduction:** Any eligible amount of this deduction will be included with the Archer MSA deduction on Form U.S. 1040, Line 23. For Illinois purposes, this amount should also be included with the Archer MSA deduction on the Illinois Schedule NR, Line 24.

**Federal higher education tuition and fees deduction:** Any eligible amount for this deduction will be included with the domestic production activities deduction on Form U.S. 1040, Line 35. For Illinois purposes, this amount should also be included with the domestic production activities deduction on the Illinois Schedule NR, Line 36.

**The entire amount of both deductions reported on the Illinois Schedule NR, Column A should also be reported in Column B.**

## What changes have been made to the electronic filing methods for individuals in 2006?

- Taxpayers who are required to file Form IL-1099-G because they elected to have Illinois income tax withheld from their unemployment compensation cannot file their 2006 Form IL-1040 electronically.
- Effective January 2007, Electronic Return Originators (EROs) are no longer required to submit a separate Illinois enrollment application for authorization to file Form IL-1040 electronically. IRS e-File providers with an approved electronic filer identification number (EFIN) will automatically be enrolled in the Illinois program.

We will no longer mail letters to EROs advising them they have been accepted into the Illinois program.

New software developers and direct transmitters will still need to submit Form IL-8633-I, Application to File Illinois Individual Income Tax Returns Electronically.