



Informational

Bulletin

What's New for Illinois Income Tax

This bulletin summarizes changes for individual, business, and withholding income tax for the 2014 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

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 2014 Filing Season

- **A SPECIAL NOTE ABOUT THIS TAX SEASON:** The Illinois Department of Revenue, the IRS and Revenue Departments around the U.S. are taking additional steps to protect YOU the taxpayer from identity theft and fraud. These additional measures will mean processing time for your return and your refund will be a bit longer. Please be patient with us. We are taking these steps on your behalf to ensure that your refund gets to you and not someone pretending to be you.
- 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.
- Forms, schedules and instructions for the 2014 Illinois Income Tax season are available on our website beginning Tuesday, January 20, 2015.
- The Department tentatively will begin accepting returns around the end of January through the modernized e-file system (MeF). This includes returns submitted through tax preparers, individual accountants, and software.
-  **MyTax Illinois** The Department's FREE filing system will accept Individual and Withholding Income Tax returns beginning in mid-February, and Business Income Tax returns in mid-April.
- You may prepare returns using any number of private vendors, but they may charge a fee to file and are dependent on the availability of the MeF system mentioned above.
- Taxpayers can plan and prepare their returns on paper so they will be prepared to file electronically on MyTax Illinois when the system becomes available.
- There is NO advantage to sending us a paper return by mail.
- Filing electronically is the best option. It helps prevent errors and you will receive your refund faster.



- MyTax Illinois, our free online account management program, provides a centralized location on our website where taxpayers may electronically file tax returns and all 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.

Individual Income Tax

Changes on the 2014 Form IL-1040, Illinois Individual Income Tax Return

- Taxpayers and their dependents will receive an increased standard exemption allowance this year. The standard exemption allowance has increased from \$2,100 to \$2,125 for the 2014 tax year.
- Checkboxes have been added for taxpayers and their spouses to authorize us to share their names and addresses with the Illinois Department of Veterans' Affairs (IDVA). By checking the box, the taxpayer (or spouse) authorizes the Illinois Department of Revenue to share their name and address with IDVA for outreach and to update their database of veterans living in Illinois.
- The civil union checkbox has been removed from the **Form IL-1040**. Taxpayers in a civil union must file their Illinois return using the same filing status as their federal return.
- The Compassionate Use of Medical Cannabis Pilot Program Act surcharge has been added to **Form IL-1040**. See the **Form IL-1040** Instructions for more information.
- The mailing address listed at the end of the **Form IL-1040** has changed for returns mailed without payment.

Changes on the 2014 Illinois Individual Income Tax schedules

- The Export Development Act Subtraction has been removed from the **Schedule M**.
- The **Schedule CU** has been eliminated for tax year 2014. Taxpayers in a civil union must file their Illinois return using the same filing status as on their federal return.

Business Income Tax

Changes on the 2014 Illinois Business Income Tax returns and schedules

- **Form IL-1023-C** and **Form IL-1000** have been eliminated for tax years ending on or after December 31, 2014. Do not file **Form IL-1000** or **Form IL-1023-C** for tax years ending on or after December 31, 2014. The amounts that would have been reported on behalf of your members on these forms must be
 - reported on your 2014 **Form IL-1120-ST**, **Form IL-1065**, or **Form IL-1041** and **Schedule B** or **Schedule D**, and
 - paid with your return, with **Form IL-505-B**, Automatic Extension Payment, or voluntarily prepaid with **Form IL-516-I** or **Form IL-516-B**, Pass-through Prepayment Vouchers.

Form IL-1120-ST, **Form IL-1065**, **Form IL-1041**, **Schedule B**, and **Schedule D** have been redesigned to accommodate these changes.

The calculation for the amount of pass-through withholding you are required to report and pay on behalf of your nonresident members has also changed. Some nonbusiness income and income tax credits are now included in this calculation. **Schedule K-1-P(3)**, Pass-through Withholding Calculation for Nonresident Members; **Schedule K-1-P(3)-FY**, Pass-through Withholding Calculation for Nonresident Members (for Fiscal-year filers); **Schedule K-1-T(3)**, Pass-through Withholding Calculation for Nonresident Members; and **Schedule K-1-T(3)-FY**, Pass-through Withholding Calculation for Nonresident Members (for Fiscal-year filers); have been developed to assist you in calculating pass-through withholding under the new law, Public Act 98-0478. You are required to complete and keep a copy of the applicable schedule for each of your nonresident members who have not submitted **Form IL-1000-E**, Certificate of Exemption for Pass-through Withholding Payments, to you. See **Schedule K-1-P(1)**, Instructions for Partnerships and S Corporations Completing Schedule K-1-P and Schedule K-1-P(3) or Schedule K-1-P(3)-FY; **Schedule K-1-T(1)**, Instructions for Trusts and Estates Completing Schedule K-1-T and Schedule K-1-T(3) or Schedule K-1-T(3)-FY; **Schedule B**, and **Schedule D** Instructions for more information.

Form IL-1023-CES, Composite Estimated Tax Payments for Partners and Shareholders; and **Form IL-1000-P**, Prepayment Voucher for Pass-through Entity Payments; cannot be used for making voluntary prepayments for tax years ending on or after December 31, 2014. These vouchers have been replaced by **Form IL-516-I** and **Form IL-516-B**. **Form IL-516-I** and **Form IL-516-B** allow you to voluntarily prepay your own tax liability from **Form IL-1120-ST**, **Form IL-1065**, or **Form IL-1041**, as well as make voluntary pass-through withholding prepayments on behalf of your nonresident members for tax years ending on or after December 31, 2014. See **Form IL-516-I** and **Form IL-516-B** for more information.

If you elected to carry an overpayment on your 2013 **Form IL-1023-C** over to 2014, you must claim it on your 2014 **Form IL-1120-ST** or **Form IL-1065**. See Specific Instructions for **Form IL-1120-ST** or **Form IL-1065** for more information.

Due to the elimination of **Form IL-1023-C** Lloyd's plan of operation filers will now file on **Form IL-1065**. See the Illinois Income Tax Regulations, Section 100.5130 and the **Form IL-1065** Instructions for more information.

Failure to comply with these requirements will result in further correspondence, a delay in the processing of your return, or a delay in the generation of any overpayment.

- **Schedule 80/20**, Related-Party Expenses, has been redesigned for tax years ending on or after December 31, 2014. See **Schedule 80/20** Instructions for more information.
- **Form IL-1041** filers with Electing Small Business Trust (ESBT) loss amounts may not pass those amounts to their beneficiaries. **Form IL-1041** has been updated to reflect this.
- Several subtractions have been added to Line 19 of **Schedule M**, Other Additions and Subtractions (for businesses). See the **Schedule M** Instructions for more information.
- For tax years ending on or after December 31, 2014, the \$100,000 limitation on the use of Illinois net loss deduction (NLD) has expired. **Schedule NLD**, Illinois Net Loss Deduction; and **Schedule UB/NLD**, Unitary Illinois Net Loss Deduction; have been redesigned to account for this expiration.

When determining the years to which a loss can be carried forward, corporations, other than S corporations, do not count

- tax years ending after December 31, 2010, and before December 31, 2012;
- the taxable years for which the deduction would exceed \$100,000 if not for the NLD limitation (tax years ending on or after December 31, 2012, and before December 31, 2014).

See **Schedule NLD** or **Schedule UB/NLD** Specific Instructions for more information.

- **Form IL-1041**, Line 52d, has been revised to allow fiduciaries to report any amounts received as withholding from federal Form(s) 1099.
- Exempt organizations may now claim pass-through withholding payments made on their behalf and reported to them on **Schedule K-1-P**, Partner's or Shareholder's Share of Income, Deductions, Credit, and Recapture; or **Schedule K-1-T**, Beneficiary's Share of Income and Deductions. See **Form IL-990-T** Specific Instructions for more information.
- Date of merger fields have been added to Step 1 of the 2014 **Schedule UB**, Combined Apportionment for Unitary Business Group. This information is required if applicable. See the **Schedule UB** Instructions for more information.
- **Fiscal-year filers only** — MyTax Illinois will **not** accept **Form IL-1041** or **Form IL-990-T** returns with tax years ending January 1, 2015 through December 30, 2015. Fiscal-year filers must use another filing method to submit their returns.

Individual and Business Income Tax

Changes that affect both individual and business income tax for the 2014 tax year

- **Fiscal-year filers only** - The income tax rate has changed for tax periods ending after December 31, 2014. You may use **Schedule SA** or the blended income tax rate to calculate your tax if your tax year ends after December 31, 2014. See the Specific Instructions for your return, **Schedule SA** Instructions, and **Informational Bulletin FY 2015-09**, Illinois Income Tax Rate Decrease, for more information.

- **Short-year filers only** - The sunset date for claiming a Veterans Jobs Credit for “qualified veterans” on your **Schedule 1299-A**, Tax Subtractions and Credits (for partnerships and S corporations); **Schedule 1299-C**, Income Tax Subtractions and Credits (for individuals); or **Schedule 1299-D**, Income Tax Credits (for corporations and fiduciaries); is January 1, 2015. Do not claim a Veterans Jobs Credit for “qualified veterans” for tax years beginning on or after January 1, 2015. The credit for “qualified unemployed veterans” is still allowed.
- **Schedule 4255**, Recapture of Investment Tax Credits, has been redesigned to allow you to report and pay any recaptured Angel Investment Credit amounts. See the **Schedule 4255** Instructions for more information.
- Public Act 98-0925 has made changes to the election to apply overpayments from your return against your estimated tax obligation for next year. Taxpayers can now elect to apply their overpayments against their estimated tax obligations even if the election is made after the extended due date of their return. A line was added to the amended return forms allowing taxpayers to credit their overpayments to their estimated tax payments. See the Specific Instructions for your return for more information.
Form IL-2210, Computation of Penalties for Individuals; and **Form IL-2220**, Computation of Penalties for Businesses; have been revised to accommodate this change. See **Form IL-2210** and **Form IL-2220** Specific Instructions for more information.
- **Schedule M (for Individuals)**, Line 32, and **Schedule M (for Businesses)**, Line 19, now include bonds issued by the Tri-County River Valley Development Authority as exempt from Illinois Income Tax.

\$2,150. For more detailed information and for assistance with calculating the amount to withhold, see the updated **Booklet IL-700-T**, Illinois Withholding Tax Tables.

- If you are required to electronically submit copies of your employees’ 2014 W-2 Forms to the Department, you must submit them by February 17, 2015. *Since the actual due date of February 15, 2015, falls on a weekend with a state recognized holiday, the due date was adjusted to the next business day.*
- The **Form IL-941** and Instructions and the **Form IL-941-X** and Instructions have been updated to explain what information is requested on each line and how to use credits.

Important information for tax preparers and software vendors regarding 2014 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** 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.
- If you are required to electronically submit copies of your employees’ 2014 W-2 Forms to the Department, you must submit them by February 17, 2015. *Since the actual due date of February 15, 2015, falls on a weekend with a state recognized holiday, the due date was adjusted to the next business day.*
- See the Tax Professionals page on our website for more information.

What to watch for in 2015

- The personal exemption allowed for individuals will increase to \$2,150 per person for tax years ending on or after December 31, 2015.

Withholding Income Tax

Changes that affect Illinois Withholding Income Tax for the 2015 tax year

- The Illinois Income Tax rate for individuals has decreased from 5 percent to 3.75 percent, effective January 1, 2015.
- Effective January 1, 2015, the Illinois Individual Income Tax exemption amount increased from \$2,125 to