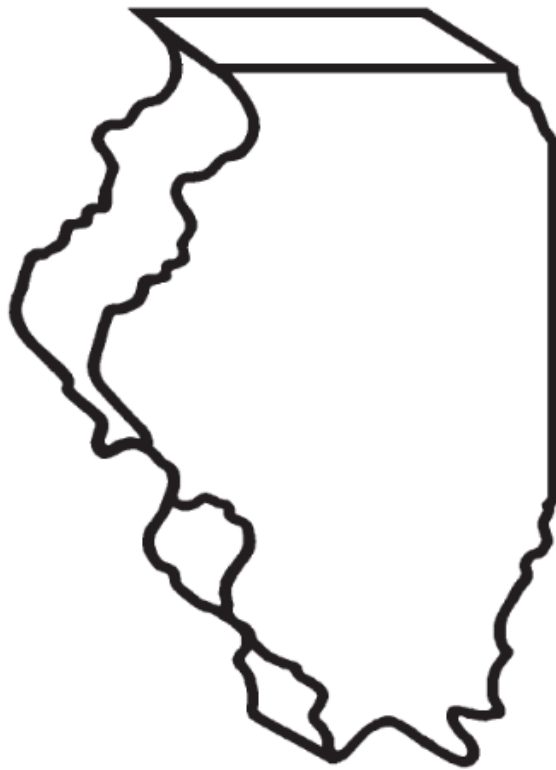


Illinois Department of Revenue

Implementation Guide for Business Income Tax

Federal/State Electronic Filing Program



December 2017

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Section 1 – Overview

The Illinois Department of Revenue (IDOR) and the Internal Revenue Service (IRS) have developed the Illinois Business Income Tax (BIT) Modernized e-File Program (MeF). MeF is a Federal/State program, allowing both the federal and state returns to be electronically filed to the IRS. Payments are also allowed as a part of MeF.

You must submit your Illinois return electronically if you are mandated to file electronically for federal purposes. Beginning with returns required to be filed for taxable years ending on or after December 31, 2011, any taxpayer required to file its federal income tax return by electronic means is required to file its equivalent Illinois income tax return for the same taxable year by electronic means. Electronic filing is not required for amended returns or returns of individuals or estates, or for any return the Department has announced cannot be filed by electronic means.

The BIT Modernized e-File (MeF) Program

The MeF transmission method is a web service using Simple Object Access Protocol (SOAP) with records messaging. The return data must be formatted using Extensible Markup Language (XML) “schemas” developed for this purpose. State return acknowledgments will be made available for retrieval from the IRS. Detailed information on the BIT Federal/State MeF Program, including the XML schemas and transmission information, is available from the IRS website in various publications and manuals.

Participation in the program is open to software developers, transmitters, electronic return originators, and taxpayers using the services of approved electronic filers. Only software developers will be required to register with IDOR, using Form IL-8633-B, Business Electronic Filing Enrollment. Participants will use their IRS EFIN and ETIN.

Forms currently accepted via the MeF program are:

- 2015, 2016 and 2017 Form IL-1120 and schedules (excludes unitary filings for unitary groups that include s-corp and/or partnerships and/or trusts/estates)
- 2015, 2016 and 2017 Form IL-1120-ST and schedules (excluding unitary filings)
- 2015, 2016 and 2017 Form IL-1065 and schedules (excluding unitary filings)
- 2015, 2016 and 2017 Form IL-1041 and Schedules (excluding unitary filings)

Detailed List:

IL-1120	IL-1041	IL-1065	1120-ST
Form	Form	Form	Form
IL-1120	IL-1041	IL-1065	IL-1120-ST
Sch M	Sch M	Sch M	Sch M
Sch NLD	Sch NLD	Sch NLD	Sch NLD
Sch J	IL-4644	Sch B	Sch B
Sch INS	Sch D	IL-477	IL-477
Sch K-1-T	Sch K-1-P	Sch K-1-P	Sch K-1-P
Sch K-1-P	Sch K-1-T	Sch K-1-T	Sch K-1-T
Sch 80/20	Sch 80/20	Sch 80/20	Sch 80/20
Sch 1299-D	Sch 1299-B	Sch 1299-A	Sch 1299-A
Sch 1299-B	Sch 1299-D	Sch F	Sch F
Sch UB	Sch CR	Sch NB	Sch NB
Sch UB/NLD	Sch NR	Sch 4255	Sch 4255
Subgroup Sch	Sch I	ILDetailAttach	ILDetailAttach
Sch UB/INS	Sch 4255	IL-4562	IL-4562
Sch INL	ILDetailAttach	Financial	Financial
Sch NB	IL-4562	Fed W-2G	Fed W-2G
ILDetailAttach	IL-477	Fed 1065 (P 1-5)	Fed 1120S (P 1-4)
IL-4562	Sch SA_1041	Fed1065-B (P 1-5)	Fed M-3-S
IL-4255	Financial	Fed 8886	Fed 8886
IL-477	Fed W-2	Fed M-3	
IRSSchCProForma	Fed W-2G		
IL-2220	Fed 1041 (P 1-2)		
Sch SA_1120	Fed 8886		
Financial			
Fed W-2G			
Fed 1120 (P 1-5)			
Fed M-3			

This program is being expanded to include other business tax returns. Please see our website at tax.illinois.gov for the most up-to-date list of forms that may be filed through the BIT MeF program.

Section 2 - Return Information

Enrollment for Electronic Filing

Any entity developing a BIT MeF program transmitting directly to IDOR (either for themselves or as a service to others) must enroll in the Illinois Department of Revenue's (IDOR) business electronic filing and payment programs by completing Form IL-8633-B, Business Electronic Filing Enrollment. When completing Form IL-8633-B, include both test and production EFIN and ETIN and check the "other" box in Step 4 and write "Business Income Tax e-File" in the space provided. Form IL-8633-B may be downloaded from our website at tax.illinois.gov.

If you need to change information provided in a previous enrollment you must complete a Form IL-8633-B and check the box "Revised". For example, complete a revised form if a business is sold or changed in organizational structure.

MeF Business Rules and Illinois State Schemas (New)

Schemas, and business rules are located on the FTA's State Exchange System (SES). To request access to the SES, email your user's name and email address to Rev.TaxLOI@illinois.gov. You will need to complete the 2017 Tax Software Provider Registration Form (LOI), submit it to Rev.TaxLOI@illinois.gov, and obtain approval to access the schemas and business rules. If you are seeking access to prior year schemas and business rules, please indicate in the 2017 Tax Software Provider Registration Form (LOI) or in the email requesting access with the completed LOI attached.

Special Instructions for Returns

All returns: Information from the taxpayer's federal return filed with the IRS must be included. Do not submit .pdf file formats as an attachment. We do not process binary attachments submitted as part of the XML submission archive. Only federal 1120 and 1120S forms are currently accepted when filing an IL-1120 or IL-1120-ST. Federal 1065, 1065B and 1041 are also accepted.

Processed xpath trees for Corp 1120 schemas: We process only the following xpath trees in the Corp1120 schemas
/Return/ReturnHeader
/Return/ReturnData/IRS1120
/Return/ReturnData/IRS8886
/Return/ReturnData/IRS1120ScheduleM3

Sales Everywhere and Illinois Sales: Please reflect the accurate amount of Sales Everywhere and Illinois Sales each time this information is requested. Do not place '0', where true figures should be placed.

Income Allocable to Illinois IL-1120, Step 4, IL-1120-ST, Step 6 and IL-1065, Step 6: The BIT schemas include two checkboxes. One must be checked. As part of completing the Step mentioned in this paragraph, if the amount (example: IL-1120, Line 35) is all Illinois, this entire Step must be left blank. Only if the amount is derived inside and outside of Illinois or if the return is a unitary return will this Step be completed.

Short year filer information: The BIT MeF program is available for the same tax periods as our paper forms. However, the 2017 system allows only tax period end dates between 12/25/17 and 12/25/18. If the tax period end date is prior to 12/25/17, an earlier software version (2016 or 2015) is required. If the IRS and Illinois require the filing to be on differing form years (example IRS on 2017 and IL on 2016), a paper return must be filed. Please see our website forms for applicable dates. Also, estimated payments may now be necessary for short year filers.

Schedule INL: Step 4 is available to be filed electronically. However, Schedule INL, Steps 2 or 3, are not available to be filed electronically.

Discharge of Indebtedness (DOI) reported on Schedule NLD: If there is DOI on the Sch NLD, the filer should compensate for the loss years used to offset the DOI by placing "IITA 207(c)" prior to the yyyy-mm of that loss year. Example: If the previous year's total DOI was \$12,000 (see Loss Reduction Worksheet in paper instructions) and the oldest loss year recorded a \$15,000 net loss, then the oldest loss would be recorded on Sch NLD, Col A in Line 2a as "IITA 207(c) yyyy-mm" (where yyyy equals year and mm equals month). The loss amount would show \$12,000 used for DOI. This would leave \$3,000 remaining that may be used to offset the current year's income (if showing positive income this year).

Schedule UB and Eliminations: Schedule UB, Step 2, Column D (eliminations) can be added or subtracted as either a positive or a negative. Schedule UB, Step 3, Column D (eliminations) is a natural subtraction column. Since tax year 2015, a negative has been allowed to be reported on Sch UB, Step 3 Line 2 Column D (Federal NOL). Transmitting a negative entry in Col A-C of Step 3 would cause Column E to be increased (subtract a negative). Schedule UB Step 4 does not have an eliminations column.

The figures **designated by business rules**, should cross foot. Please do not add overrides for these lines with business rules that will then reject when submitted to Illinois. When a return is unitary, a Sch M (as an example) must show figures net of eliminations. For example: A unitary return that contains the Sch M is required to have IL-1120, Step 2, Line 8 equal Sch M, Step 2, Line 11. In addition, IL-1120, Step 2, Line 8 is required to equal Sch UB, Step 3, Line 8, Col E. In order for the Sch M to be an equal part of this equation, the entries on the Sch M would need to be net of eliminations. Same would go for the Sch J and others that are placed on UB, Step 3.

Unitary groups with Scorps and partnerships including separate unitary filings: Schedule UB, Step 1, Col I allows an 'S' or 'P' to be entered on paper returns. Since these entities cannot be filed electronically this year, we will continue to retain the business rule Sch UB, Step 1, Col I must be blank.

Subgroup Schedule: 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 apportioning business income of unitary business groups that might contain sales companies, insurance companies, financial organizations, transportation companies, or federally regulated exchanges. The subgroup schedule will be required if a combined return contains two or more different apportionment formulas. A subgroup schedule will not be required if the combined return contains only one apportionment formula. For example: a combined return containing all transportation companies will not be required to attach a subgroup schedule. A sales company will never be reported on a subgroup schedule. The subgroup schedule is reserved for insurance companies, financial organizations, transportation companies, and federally regulated exchanges. The purpose of the subgroup schedule is to calculate the Illinois Sales for each company listed on the schedule. The Illinois sales calculated on the Subgroup Schedule will be reported on Schedule UB Step 4 Line 2 for each member of the subgroup.

Note: All FEIN's listed on a subgroup schedule may or may not be listed on the schedule UB. The only time an FEIN listed on the subgroup schedule may not match the schedule UB is when a member of the unitary business group receives income as a partner in a unitary partnership and the unitary partnership apportions income using a different apportionment formula than its partner. For example: If a financial organization was a partner in a transportation partnership and they were unitary, the transportation partnership would be listed on the transportation subgroup schedule. The financial organization would be listed on the financial subgroup. The transportation partnerships distributive share of everywhere

and Illinois sales would be added with the everywhere and Illinois sales of the financial organization and the total reported on the appropriate lines of the Schedule UB.

Schedule K-1-P and Schedule K-1-T – Grantor Trust or Disregarded Entity: Company A issues the K-1-P/T to Company B. Company B is a Grantor Trust or other Disregarded Entity that is not required to file in Illinois. Company B passes that K-1-P/T to a Company C. To do this, Company B checks either box (Grantor Trust or Disregarded Entity), as applicable, writes in the name and identification number of Company C (in Line 9a) and sends it on to Company C. Company C can then report the income/loss or claim any payments made on behalf of Company B. In the instance above, the taxpayer listed on Step 2, Line 5 would not claim the income/loss/payments. The taxpayer identified by the grantor trust or disregarded entity (Co C listed on Line 9a) will instead claim these items. There should be no changes to the K-1-P/T Steps 3 through 7.

Schedule NLD, UB/NLD and Loss years unused: Please do not report years of loss on either Sch NLD or Sch UB/NLD that are not used to offset current income. A Sch NLD or UB/NLD should only be attached when it is being used to offset income. Illinois net loss years should be listed in the order in which they will expire first.

Schedule UB/NLD and Discharge of Indebtedness: For tax year 2015 and forward, we will be allowing the electronic filing of schedule UB/NLD with a Discharge of Indebtedness.

Discharge of Indebtedness: Form IL-1065 does not recognize Discharge of Indebtedness.

Illinois Sch J and Federal Sch C cross references: The amounts reported on the Illinois Sch J are cross referenced against U.S. Form 1120 Schedule C, unless, an **IRSSchCProforma** is included in the submission. The Illinois Sch J will then be cross referenced against the **IRSSchCProforma** instead of the U.S. Form 1120 Schedule C. The **IRSSchCProforma** should be attached when the entities of the federal consolidated return do not match the entities of the Illinois combined return. And the foreign dividends reported by the entities included in the Illinois combined return are either less than or greater than the amount reported on U.S. Form 1120 Schedule C.

Investment and Publicly Traded Partnerships: If supporting an Investment Partnership or Publicly Traded Partnership, submit returns showing IL-1065, Step 1 Line F marked with the appropriate box. Schedule B, Step 2, Column G should be left blank and a “P” should be placed in Schedule B, Step 2, Column F to indicate either an investment partnership or publicly traded partnership. Also, Schedule B, Step 1, Line 2, of an investment partnership submission, must equal ‘0.000000’. See business rule IL1065-1030-1.

Trusts and Estates: If supporting Trusts, submit returns showing IL-1041, Step 1 Line A, Step 5, and Step 6. If supporting Estates, submit returns showing IL-1041, Step 1 Line A and Step 6. Also, Schedule D, Column F should be left blank and an “M” should be placed in Column E to indicate an estate.

Standard Exemption IL-1065 and IL-1041: For tax years beginning on or after January 1, 2017, a standard exemption 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 business rule purposes, the \$250,000 cap has been tied to unmodified base income, IL-1065 Step 3 Line 13, and federal taxable income, IL-1041 Step 2 Line 1. However, the taxpayer will need to determine if the pro forma AGI will exceed \$250,000.

The ratio calculation for the standard exemption on IL-1065 Step 7 Line 51 has been changed. In previous years, when calculating a ratio, the business rules would require the result of ‘0.000000’ when the denominator of the division equals zero. For tax year 2017, the calculation for the standard exemption ratio has changed. If the denominator of the division equals zero, then the result of the division is assumed to be ‘1.000000’.

IL Detail Attach: This form should reflect the additional line items requested on forms, schedules, or instructions and should include a breakdown of this information. The ILDetailAttach also allows the taxpayer to provide a narrative of any other information the taxpayer deems pertinent. For example: If you are filing an IL1120 and have been previously approved to use an alternative apportionment method by the Illinois Department of Revenue Legal Division, the information should reflect:

- “Top of Form” should contain ‘IL1120’.
- “Description” should contain the Step and Line reference at a minimum. Example - In this case it should contain:
 - ‘Step 4 Alternative Apportionment’ and also contain the information necessary as requested.
- “Amount” in this case will be blank. If there is an amount necessary, please include that here.
- If a pdf is necessary it will not be able to be attached and should be kept for future reference or Department request.

Note: Since TY 2015, we identified two situations requiring the IL Detail Attach. If a taxpayer reports an amount on IL-1041, Step 2, Line 14b or IL-1041, Step 6, Line 45 the IL DetailAttach will be required. In previous years, the Illinois Department of Revenue Business Processing Division would send correspondence to the taxpayer requesting verification of these lines. Including the necessary detailed information on the ILDetailAttach, could eliminate the need for the Illinois Department of Revenue to notify the taxpayer.

Schedule B & Schedule D: The increase in the income tax rate also impacts the calculation of pass-through withholding. Schedule B Section B Column H and Schedule D Section B Column G calculations will be determined by the tax period end date. Tax years ending on or prior to 6/30/2017 will use the respective income tax rates of 5.25% and 3.75%. Tax years ending on or after 7/1/2017 will use the respective income tax rates of 7% and 4.95%.

Research and Development Credit – TY 2016: PA 100-0022 reinstated the R&D credit retroactive back to January 1st, 2016. The original 2016 schedule 1299-D did not include the R & D credit. We had to determine how to allow electronic filers access to claim the R & D credit. Our solution is to allow the schedule 1299-D Step 1 Line 61 to be greater than or equal to the sum of IL 1299-D Step 1 Lines 46, 50, 53 and 60, specifically business rule IL1299D-9609-2.

The paper side is creating a supplemental to the Schedule 1299-D and Schedule 1299-A. The supplemental schedules are Schedule 1299-D(R&D) and 1299-A(R&D). They have also created a supplemental Schedule K-1-P(R&D) to allow the reporting of flow through R&D credits to partners and shareholders. We are not developing these forms and releasing new schemas. On the paper side, the total amount calculated on the Schedule 1299-D(R&D) will be added to Step 1 Line 61 of the Schedule 1299-D.

We would like you to accommodate taxpayers who are eligible for the R & D credit by allowing it in the total 5 year credit calculation. I believe this would have to be accomplished by the software since we are not designating an R & D location. We want to receive returns reporting a Research & Development tax credit electronically and not on paper.

Since we are allowing Schedule 1299-D Step 1 Line 61 to be greater than the math, it will be assumed any additional amount reported is R & D Credit. If the taxpayer wants to avoid correspondence from the Department, we are providing an email address to send the support for the R&D credit. We will have an alert in the acknowledgement that will inform the taxpayer of the email address and their responsibility to provide support.

The email address is Rev.BITSupplemental@illinois.gov . However, this is not the only way for the taxpayer to supply the necessary support. Illinois MeF provides a form called the IL Detail Attach. We suggest utilizing the detail attach and have

it auto-filled for the taxpayer. It is also acceptable to auto fill the email message with the R & D Credit information and send it to the Department.

If the business processing division does not receive the support, they will letter out to every taxpayer requesting the documentation. If the taxpayer does not provide the documents, they will deny the R & D portion of the credits. This action could reduce refunds, credit carryforwards, or create tax liabilities. R & D support should mimic the R & D Credit that is established on the 2015 Schedule 1299-D and 2015 Schedule 1299-A. The IL Detail Attach is a two column form [description & amount] and the R & D credit is a three column statement [description, base period expenses, and current year expenses]. The information can be detailed on the IL Detail Attach by supplying the description for the base period expenses and amounts, then the current year expenses and amounts. I have included an example of the IL Detail Attach from a test case below. I have discussed the issue with the business processing division and they will accept the IL Detail Attach as support. Below is an example of the ILDetailAttach for the R & D credit in regards to Schedule 1299-D.

following details are associated with: Research and Development Credit

Base Period Average Expenses:		
1) Illinois wages for qualified services		3,000
2) Illinois cost of supplies		3,000
3) Illinois rental or lease costs of computers		3,000
4) 65% (.65) of Illinois contract expenses		846
5) Illinois basic research payments to qualified organizations (corpora...		154
6) Total Illinois qualifying expenses for base period: Add Lines 1 thro...		10,000
Current Year Expenses:		
7) Illinois wages for qualified services		4,000
8) Illinois cost of supplies		4,000
9) Illinois rental or lease costs of computers		4,000
10) 65% (.65) of Illinois contract expenses		3,500
11) Illinois basic research payments to qualified organizations (corpor...		654
12) Total Illinois qualifying expenses for current period: Add Lines 7 t...		16,154
Figure Your Credit:		
13) Subtract Line 6 from Line 12; If negative enter zero		6,154
14) Multiply Line 13 by 6.5% (.065)		400
15) Enter any distributive share of R & D Credit from P'ships and S c...		66
16) Add Lines 14 and 15: This is your Research and Development C...		466

If a flow through entity (partnership/subchapter S) reports an R & D credit, it is passed on to their partners/shareholders. The flow through entities are under the same requirement to provide support for the R & D credit they are transferring. The electronic file should contain either an ILDetailAttach supporting the R & D credit as previously presented, but in the Schedule 1299-A format. Or the taxpayer should send the support (Schedule 1299-A(R&D)) via the email address.

If a taxpayer receives an R & D Credit from a conduit entity, a Schedule K-1-P(R&D) will be required to support the flow through of credit. The Schedule K-1-P(R&D) can be sent to the email address or presented on the ILDetailAttach. The Business Processing Division will accept, as support, the Schedule K-1-P(R&D) presented on an ILDetailAttach, as long as, the FEIN reported on Step 2: Identify your partner or shareholder matches Step 2 of a 2016 Schedule K-1-P included in the same filing. I have included an example of how to present the 2016 Schedule K-1-P(R&D) on the ILDetailAttach

below. Again, this will help avoid correspondence from the Illinois Department of Revenue requesting support to verify the R&D credit.

following details are associated with: Schedule K-1-P (R&D)

Step 1 Partnership or S corporation	
Name: DrugCo LLP	
FEIN: 45-9876543	
Step 2 Partner or Shareholder	
Name: SW Incorporated	
FEIN: 36-1234567	
Step 3 Share of 2016 R&D Credit	
2016 R&D Credit from Schedule 1299-A(R&D) Line 9	1,000

Research and Development Credit – TY 2017: The Research and Development income tax credit has been added to the 2017 Schedule 1299-D and 2017 Schedule 1299-A. Supporting documentation for the R&D tax credit will no longer be required to be submitted on the ILDetailAttach or sent to the Illinois Department of Revenue email address. The K-1-P has also been updated to include the R&D line for flow-through credit reporting. The R&D credit will be reported on Step 1 Section B Lines 23 – 32 of Schedule 1299-D and Step 2 Lines 26 – 34 of Schedule 1299-A. The R&D Credit flow-through will be reported on Schedule K-1-P Step 7 Line 52e.

Other Credits Schedule 1299-D and Schedule 1299-A: An “other credits” section has been added to schedules 1299-A and 1299-D. The “other credits” section allows a taxpayer to claim income tax credits that can be carried forward five years, but no specific line has been provided on the schedule. For tax year 2017, they are two credits that are allowed to be reported. The two credits are designated by a three digit code. The three digit codes are listed below.

101 – Invest in Kids Credit

102 – Natural Disaster Credit

Note: The Invest in Kids Credit is for tax years beginning on or after January 1, 2018. It was included in the tax year of 2017, to allow for a short tax year situation.

Changes to Schedule B (Pass-Thru Withholdings): TY 2016 and Forward: Section B Column H will no longer have the tax calculation allowance of (+1 , -1). It will also no longer have the overall tax calculation of (+ or – 5). For determining total pass-thru withholding.

The calculation for the Corps and Trusts will take the amount subject to pass-thru withholding and multiply by the Income Tax rate and round, then multiply by the Replacement Tax rate and round; then add the two rounded figures together.

Section B Column H will be used to calculate the minimum amount of pass-thru withholding required. Taxpayer will be able to increase the amount of pass-thru withholding in Column (J) if they wish to withhold extra.

The requirement that does not allow pass-thru withholding paid on a partner or shareholder, that would be normally exempt, will be removed.

Paid Preparer Information: 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 Business Income Tax returns will be required to provide name, date, PTIN, firm FEIN, firm's name, address, and phone number. If the self-employed checkbox is marked, then the firm's FEIN and name will not be required. The requirement is for all business income tax Modernized e-File returns.

Foreign Addresses for where books and records are kept:

Place foreign address in IL-1120, Line Q, IL-1120-ST, Line N and IL-1065, Line K

If the address is outside the US and does not have a city, input proper identifying information.

If the address is outside the US and there is no state, enter the correct two digit country code.

If the address is outside the US and does not have a foreign zip (postal) code, enter five zeros '00000'. Note that foreign zip code will need to be truncated to 5 digits.

Entities not required by the IRS to acquire a FEIN: Certain forms/schedules where Illinois allows foreign companies to file have had the E-File Type changed. The EFILE Type has been altered to allow either a nine digit FEIN (0-9) or the word 'Foreign'. For tax year 2017, the word Foreign must now be followed by a two digit number (01 – 99), for example, Foreign01. The requirement for the two digit number to follow the word Foreign is determined by the business rules. There may be some instances that do not require the two digit code to follow the word Foreign.

Direct Deposit: Illinois will accept a return if it has the proper data for only one direct deposit. If data is submitted for more than one direct deposit per return, that return will be rejected. Direct deposits may only be made to US banks or banks with US Federal Reserve routing numbers for branches domiciled in the US.

Return Filing Acknowledgment: For information regarding the acknowledgement, visit the IRS website and view Publication 4164, Modernized e-File (MeF) Guide for Software Developers and Transmitters, at <http://www.irs.gov/pub/irs-pdf/p4164.pdf>.

Section 3 - Electronic Payment Options

There are four electronic payment options available. Taxpayers with annual liability of \$20,000 or greater are required to pay using an electronic method.

Option 1 - Electronic payment authorization included with MeF electronic return filing

If software has been approved for the MeF program, you may submit a payment when filing your return. The payment information is “warehoused” internally by IDOR until the payment date indicated in your submission. Funds debit from the payer’s account on the payment date contained in the submission when the filing/payment authorization is received and acknowledged by Illinois as accepted at least one banking business day before the payment date specified. For payments allowed, see the schemas and business rules on our website at tax.illinois.gov.

IDOR will not process the payment if an exact duplicate is already warehoused, or if the electronic return is acknowledged by Illinois as rejected.

Rejected returns and payments: If you submit a payment (i.e., debit request) with a return and the return is rejected, the payment request will not be processed. Depending on the timeframe and payment due date, you may need to find an alternate method of making the payment (listed below) to ensure that it is received timely by the department.

NOTE: This type of payment request will require an electronic payment voucher sent with the transmission.

NOTE: Beginning August 1st 2016 the department went into production with new BIT payment transactions. You are required to use the voucher in relation to the form. The IL 1120-V for electronic payments through MeF will continue to be used for Form IL 1120. All BIT payment transactions are listed below:

Financials – Addendum Record:

FTACode	StateTaxTypeCode	
020	20	IL 1120 Debit with return
020	20	IL 1120 Return stand-alone debit
020	30	IL 1120-ST Debit with return
020	30	IL 1120-ST Return stand-alone debit
020	65	IL 1065 Debit with return
020	65	IL 1065 Return stand-alone debit
020	41	IL 1041 Debit with return
020	41	IL 1041 Return stand-alone debit
021	space space	Estimated payments
021	16	IL516-B Pre-Payment
021	40	IL516-I Pre-Payment
023	1 space	Business Income extension payment

The AccountHolderName contains the name on the bank account.

The AccountHolderType contains “1” to indicate a business bank account and “2” to indicate a personal bank Account.

NOTE: The Pre-Payments (IL516-I & B) will be under the ‘Estimated payment node’ in the schemas.

Option 2 - MyTaxIllinois

MyTaxIllinois is a multifunctional internet application that allows taxpayers to authorize business income, withholding, sales and excise tax payments. This payment option is separate from the MeF return filing. To utilize MyTaxIllinois, please go to our website at tax.illinois.gov or mytax.illinois.gov.

Option 3 - Electronic payment authorization using IDOR's "Pay by phone" debit

This option allows taxpayers to authorize a payment using a toll free number. To begin using this service, the taxpayer must send us a completed Form EFT-1, Authorization Agreement for Certain Electronic Payments (located in the back of this booklet or on our website at tax.illinois.gov/TaxForms/Other/EFT/EFT-1.pdf). Detailed instructions on using the debit option of the EFT System are provided after Form EFT-1 is submitted. This payment option is separate from the MeF return filing.

Option 4 - ACH Credit using IDOR's existing EFT Program

This option allows taxpayers to electronically authorize a payment through their financial institution. If choosing this option the taxpayer must send us a completed Form EFT-1, Authorization Agreement for Certain Electronic Payments (located in the back of this booklet or on our website at tax.illinois.gov/TaxForms/Other/EFT/EFT-1.pdf). Detailed instructions outlining the required Tax Payment (TXP) Addendum (CCD+) Format for the ACH credit payment option will then be provided. This payment option is separate from the MeF return filing.

Section 4 - Timeliness and Date Received of Return and Payment

Return

Date received for the return is the date and time it was received by the IRS, provided the return is acknowledged as accepted by **both** the IRS and Illinois.

Perfection Period

When an electronically transmitted Business Income Tax return is rejected by an Illinois acknowledgement, on or before the extended due date, Illinois Business Income Tax E-File through MeF allows a 10 calendar day transmission perfection period to perfect that return for electronic re-transmission. Perfection of the business return for electronic re-transmission is generally required when the original return had errors in the XML format or errors that caused the return to fail Illinois E-File schema validation or business rules. The transmission perfection period is not an extension of time to file; it is a period of time to correct errors in the electronically filed return.

Payment

- The State of Illinois does not support international ACH transactions.
- The department will only directly debit a taxpayer's account if the financial institution is located within the United States. If a taxpayer's financial account is funded by international funds or is located outside the United States, they must choose another payment option.

What does "due date" mean?

The term "due date" refers to the due date of the payment, based on the payment type.

Estimated payments are due on the 15th day of the 4th, 6th, 9th, and 12th months of the tax year.

505-B payments and return payments are due on or before the original due date of the return (An extension for filing a return is not an extension of time to pay. Any payment received after the original due date is subject to late payment penalties).

Option 1 – EFT Debit authorization included with MeF electronic return filing

Payment made using this method will be considered timely provided all of the following conditions are met:

- The received date of the electronic return with which the EFT debit payment is included is timely, and
- The debit payment date requested is no later than the due date. If the due date is not an available payment date, then your selected payment date must be no later than the next available business day after the due date, and,
- The debit payment authorization and the return with which it is included are both acknowledged as accepted by the department.

Option 2 – MyTaxIllinois

Payment made using this method will be considered timely provided all of the following conditions are met:

- The debit payment must be initiated through MyTaxIllinois on or before the payment due date,
- The debit payment date requested is no later than the due date, and
- You must have a confirmation number verifying that the debit was accepted. Keep this number in your records for proof of timely payment.

Option 3 and Option 4 – EFT authorization by “Pay by phone” or EFT Credit using the IDOR’s existing EFT program.

Payments made using either of these methods will be considered timely provided all of the following conditions are met:

- The payment is initiated no later than the due date, and
- The payment date requested is no later than the due date. If a payment date of the due date is not available, then your selected payment date must be no later than the financial institution’s next available business day after the due date, and
- The transfer of funds must be initiated on or before the due date and must not be returned by your financial institution.

Section 5 – Tax Rate Information

Effective July 1, 2017, the Illinois Income Tax rate for corporations increased from 5.25 percent to 7 percent. Trusts and estates increased from 3.75 percent to 4.95 percent. Corporations, Trusts, and Estates have two choices in how to compute tax. The two methods are the Apportionment Method (Blended Rate) or Specific Accounting method.

Blended Rate: We encourage taxpayers to use a blended tax rate, which combines the two tax rates based on the number of days in the low-rate portion of the year in ratio to the number of days in the high-rate portion of the tax year. For your convenience, we are including a blended rate chart for taxpayers that have full 12-month periods, with tax years ending on the last day of a month. We are also including the formula for calculating the blended rate. In the event that a corporation has a short-year return or is a 52-53 week filer, the corporation will have to use this formula to figure the correct blended rate. We have also included the blended rate calculation for trusts and estates that have a short-year return filing obligation. (See below.)

Trust and Estate Short Year Filer Blended Rate Calculation:

<i>APPORTIONED (BLENDED RATE) INCOME TAX RATE FORMULA</i>	
(For Trusts and Estates with short-year returns only)	
1	Number of days in tax year before 07/01/2017 ÷ total number of days in the tax year x 3.75% (.0375) (round to six decimal places) = _____
2	Number of days in tax year after 06/30/2017 ÷ total number of days in the tax year x 4.95% (.0495) (round to six decimal places) = _____
3	Add Lines 1 and 2. This is your blended income tax rate. _____

Corporation Short Year and 52/53 Week Filer Blended Rate Calculation:

<i>APPORTIONED (BLENDED RATE) INCOME TAX RATE FORMULA</i>	
(For Corporations with short-year returns and 52/53 week filers only)	
1	Number of days in tax year before 07/01/2017 ÷ total number of days in the tax year x 5.25% (.0525) (round to six decimal places) = _____
2	Number of days in tax year after 06/30/2017 ÷ total number of days in the tax year x 7% (.07) (round to six decimal places) = _____
3	Add Lines 1 and 2. This is your blended income tax rate. _____

Corporation, Trust, and Estate Blended Income Tax Rate TY 2016:

BLENDING INCOME TAX RATE SCHEDULE (For fiscal year returns only)					
Start	End	Number of Days		Blended Rate for	
		Before	After	Individual,	Corporations
Date	Date	07/01/2017	06/30/2017	Trusts, Estates	
08/01/2016	07/31/2017	334	31	3.8519%	5.3986%
09/01/2016	08/31/2017	303	62	3.9538%	5.5473%
10/01/2016	09/30/2017	273	92	4.0525%	5.6911%
11/01/2016	10/31/2017	242	123	4.1544%	5.8397%
12/01/2016	11/30/2017	212	153	4.2530%	5.9836%

Corporation, Trust, and Estate Blended Income Tax Rate TY 2017:

BLENDING INCOME TAX RATE SCHEDULE (For calendar and fiscal year returns)					
Start	End	Number of Days		Blended Rate for	
		Before	After	Individual,	Corporations
Date	Date	07/01/2017	06/30/2017	Trusts, Estates	
01/01/2017	12/31/2017	181	184	4.3549%	6.1322%
02/01/2017	01/31/2018	150	215	4.4568%	6.2808%
03/01/2017	02/28/2018	122	243	4.5489%	6.4151%
04/01/2017	03/31/2018	91	274	4.6508%	6.5637%
05/01/2017	04/30/2018	61	304	4.7495%	6.7075%
06/01/2017	05/31/2018	30	335	4.8514%	6.8562%

Specific Accounting: A corporation/trust may also choose to compute their tax based on when income is earned during its tax year. If the corporation/trust chooses the specific accounting method, it must complete and file its respective Schedule SA showing which tax rate period income was earned. In addition, modifications to income must also be applied to the period in which the income and modification is attributable.

Section 6 – Taxpayer Signature

The taxpayer signature requirement for the Illinois return is satisfied by including specific data in the transmission. A perjury statement phrase and a payment authorization phrase are included, along with required information regarding the authorized officer. Filing Form IL-8453, or any other signature authorization form, is not required.

- 1) **For signature approval:** By including the phrase in the transmission data for the perjury statement checkbox, the specified authorized officer is stating that they have examined the return, and to the best of their knowledge it is true, correct, and complete. They are also consenting to have their ERO or transmitter submit their return to IRS for retrieval by the IDOR. Further, they are authorizing the IDOR to inform their ERO or transmitter of the status of their return, including providing reasons for any rejections that may occur.

Software developers must include an authorization statement for the user stating that:

By checking the box, I agree that I have examined the return, and to the best of my knowledge is true, correct, and complete.

If the user fails to check the box, the return should not be transmitted to the department.

- 2) **For financial transaction approval: Software developers must include an authorization statement for the user stating that:**
The specified authorized officer is authorizing IDOR and related financial institutions to transact any debit payment information included in the transmission. In addition, the authorized officer also consents to allowing department personnel to discuss any problems transacting the debit with the ERO, transmitter, or financial institution.

The transmission information for signatures and debit authorizations is a signature data element named “AuthorizationStatement” and additional details are located in the schemas. An accepted transmission must include one of the following messages, depending on the user’s request:

Jurat accepted, or

Debit authorized, or

Jurat statement accepted and debit authorized.

Section 7 – Testing Procedures / Software Approval Process

Testing Procedures

The following are guidelines to follow for BIT MeF testing:

- Email a list of forms, schedules, and payment types you will have available in production to:
Marvin.Kirk@Illinois.gov
- Transmit several test submissions.
- Include a “clean” return with all records (one that you would expect to not have any errors).
- Include as many forms and schedules as possible to thoroughly test all business rules.
- Forms and schedules that do not relate to the transmission should not be included.

For example, do not include Schedule INS in your transmission if:

- You are not an insurance company, or
- You are an insurance company, but the alternate tax calculated on Schedule INS is not less than the amount of tax calculated on Form IL-1120, or
- You are an insurance company, but you elect not to calculate the alternate tax on Schedule INS.

Notify Marvin Kirk (contact information above) when you believe you have thoroughly and successfully tested your product and can show the items directly below.

Software Approval Process

Please provide as **few as possible accepted submissions** which reflect:

- Each form/schedule to be filed/produced by the software,
 - fill in as many lines as possible,
- Use different account period ending dates (calendar and fiscal),
- Use different Illinois apportionment (all Illinois, some Illinois, zero Illinois),
- Include multiple copies of the IL-4255,
- Place multiple entries on many tables,
- Use negative income and positive income figures,
- If producing the Schedule B, please show use of Column D having at least one ‘X’ (negative and positive),
- If producing the Schedule B, please submit with Column E having zero, negative and positive figures,
- If filing Schedule UB, use differing FEIN’s on the Federal and State returns,
- If supporting the Subgroup Schedule, attach four subgroup schedules on single submission.
- Please show that you can accommodate more than three carry years on Schedule NLD Line 2a.
- Identify that you have included both ‘authorization statements’ from Step 6, for your users,
- Place foreign address (page 9) in IL-1120, Line R, IL-1120-ST, Line O and IL-1065, Line K,
- Submit an IL1065 with an exemption (income) resulting in Line 53 as a negative.
- If supporting Investment Partnerships or Publically Traded Partnerships, submit showing IL-1065, Line F,
- Test Direct Deposit line,
- Email your payment vouchers as directed in Section 9. These will need to be approved by OPM,
- Test Sch CR, Line 51 and 56 as 1 and %
- Test Sch NR, Line 51 as negative while Line 52 and 53 are blank and 54 is zero,
- Test Sch NR, Line 51 as positive when Line 52 is both positive and negative,
- Test a return with a payment (tax or estimated or both),
- Test a payment alone.

Once your software has been approved, a notification of software approval will be emailed. If you add additional forms/schedules they will need to be approved.

Please keep your submissions for software approval comprehensive and concise. The larger the number of submissions sent for approval, the longer the approval process may take. If necessary, we will approve a portion of your total forms and schedules at different times.

Section 8 – Contact Information

General Questions – Corporate Income and Replacement Tax

Write to us:

TAXPAYER ASSISTANCE DIVISION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19044
SPRINGFIELD IL 62794-9044

Call us:

1 800 732-8866 or 217 782-3336
1 800 544-5304 – TDD (telecommunications device
for the deaf)

Visit our website: tax.illinois.gov

General Questions – Electronic Filing

ELECTRONIC FILING SECTION
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19479
SPRINGFIELD IL 62794-9479
217 524-4767 or 1 866 440-8680 (8:30 a.m. – 5:00 p.m.)

For questions regarding communications with the IRS, please see information available on the IRS website at www.irs.gov.

Technical Questions – Return Schemas, Business Rules, and Acknowledgments:

STUART WILCOXON
BUSINESS INCOME TAX PROJECT MANAGER
ILLINOIS DEPARTMENT OF REVENUE
ELECTRONIC COMMERCE DIVISION
101 W. JEFFERSON ST., MC 2-249
SPRINGFIELD IL 62702
(217)785-0574 (phone)
(217)782-7992 (fax)
stuart.wilcoxon@illinois.gov

Section 9 – Scannable Payment Voucher

(for payments that are not made through an electronic method)

Address to mail the production IL-1120-V:

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19028
SPRINGFIELD IL 62794-9028**

Address to mail the production IL-1120-ST-V, IL-1065-V, and IL-1041-V:

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19053
SPRINGFIELD IL 62794-9053**

Address to mail the production IL-1120-ES and IL-505-B:

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19045
SPRINGFIELD IL 62794-9045**

Address to mail the production IL-516-I:

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19017
SPRINGFIELD IL 62794-9017**

Address to mail the production IL-516-B:

**ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19024
SPRINGFIELD IL 62794-9024**

If you are producing paper vouchers, you will need to send five test copies to
Rev.VendorForms@Illinois.gov.

Prepare each payment voucher with the following information and submit your draft for testing:

- (1) Software/Forms Developer ID Number
- (2) Federal Employer Identification Number (FEIN)
- (3) Sequence Number (usually 000)
- (4) FEIN/Sequence Number Check Digit
- (5) Tax Year Ending Month (last month of the business year - use two digits)
- (6) Tax Year Ending (last two digits of the business year)
- (7) Business Name and Address
- (8) Amount of Payment. The payment amount field must show dollars and two positions for cents. If the payment is a whole dollar amount, zero fill the cents field to the right of the dollar amount.
- (9) Preparer's Phone Number
- (10) Scan Line (See detailed instructions on the next page.)

FEIN/Sequence Number Check Digit Formula

The check digit is figured from the following calculations.

Obtain Sum A: Beginning at the left, add every other digit starting with the second.

EXAMPLE:

Taxpayer's FEIN and Sequence Number = 3 6 2 6 0 3 5 9 8 0 0 0

SUM A: $6 + 6 + 3 + 9 + 0 + 0 = 24$

Obtain Sum B in three steps. Step 1: Beginning with the left most digit, add every other digit twice and format the result as a two digit number. Step 2: Add each digit of the two digit result from Step 1 to obtain a one-digit number. Step 3: Add each of the Step 2 results to determine Sum B. See example below.

EXAMPLE:

Taxpayer's FEIN and Sequence Number = 3 6 2 6 0 3 5 9 8 0 0 0

Digit #	Step 1	Step 2
(1)	$3 + 3 = 06$	$0 + 6 = 6$
(3)	$2 + 2 = 04$	$0 + 4 = 4$
(5)	$0 + 0 = 00$	$0 + 0 = 0$
(7)	$5 + 5 = 10$	$1 + 0 = 1$
(9)	$8 + 8 = 16$	$1 + 6 = 7$
(11)	$0 + 0 = 00$	$0 + 0 = 0$

Sum B = $6 + 4 + 0 + 1 + 7 + 0 = 18$

Add Sum A and Sum B to obtain Sum C. (Example above: Sum A 24 + Sum B 18 = Sum C 42)

If the unit position of Sum C is zero, no subtraction is necessary, zero is the check digit.

If the unit position of Sum C is not zero, subtract the unit position of Sum C from 10. In this example, 2 is the number in the unit position. $10 - 2 = 8$. **8 is the check digit for this example.**

Scan Line Placement and Contents

The scan line must be centered horizontally on the page (the center of the scan line must be at 4.25 inches) and must fall between .25 and .375 inches from the bottom edge of the form. There must be only the scan line in the bottom .5 inch of the form.

Contents: The scan line contains 39 positions as described below. The font for the scan line is "OCR-A Std", size 10.

Positions within the scan line:

- 1 - 5 Voucher Number is always 11208
- 6 - 9 Liability Period (mmyy) (Last month and last two digits of the business accounting period)
- 10 Space
- 11 Form Code/Liability Period Check Digit (See formula below.)
- 12 Space
- 13 - 21 FEIN
- 22 Space
- 23 - 25 Sequence number (usually 000)
- 26 Space
- 27 FEIN/Sequence number Check Digit (See formula on previous page.)
- 28 Space
- 29 - 39 Amount

Form Code/Liability Period Check Digit Formula

**This is an example only. Calculate your check digit with the form code and liability period.

EXAMPLE: Form code/Liability Period = 1 1 2 0 8 1 2 1 3

- Multiply the left most digit by 10, the next digit by 9, the next by 8 and so on, until all digits have a total.

$$\begin{array}{r} 1 \quad 1 \quad 2 \quad 0 \quad 8 \quad 1 \quad 2 \quad 1 \quad 3 \\ \times 10 \quad 9 \quad 8 \quad 7 \quad 6 \quad 5 \quad 4 \quad 3 \quad 2 \\ \hline = 10 \quad 9 \quad 16 \quad 0 \quad 48 \quad 5 \quad 8 \quad 3 \quad 6 \end{array}$$

- Add the totals together. $10 + 9 + 16 + 0 + 48 + 5 + 8 + 3 + 6 = 105$
- Divide the sum by 11. If the remainder is 0 or 1, no subtraction is necessary, the remainder is the check digit. If the remainder is greater than 1, subtract the remainder from 11 to obtain the check digit. 105 divided by $11 = 9$ with a remainder of 6 . $11 - 6 = 5$. **5 is the check digit.**

Electronic payments are required if the taxpayer's previous year's annual liability was \$20,000 or more.

The voucher you produced must be tested and approved prior to use. Please submit five draft versions in PDF file format to REV.VendorForms@illinois.gov. If you prefer, you may mail us the drafts. Our mailing address is OFFICE OF PUBLICATIONS MANAGEMENT, ILLINOIS DEPARTMENT OF REVENUE, 101 WEST JEFFERSON STREET, SPRINGFIELD IL 62702.