



Informational

Bulletin

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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.

For information or forms

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tax.illinois.gov

Call us at:
1 800 732-8866 or
217 782-3336

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What's New for Illinois Income Tax

This bulletin summarizes the 2013 Illinois Income Tax changes for individual, business, and withholding income tax forms and schedules.

MyTax Illinois

- MyTax Illinois, our new online account management program, provides a centralized location on our website where taxpayers may electronically file tax returns, make payments, register a new business, or manage their tax accounts.

For individual income tax filers, MyTax Illinois has replaced WebFile as our free electronic filing option for Illinois Individual Income Tax returns. MyTax Illinois allows taxpayers to file their return and all supporting schedules, including schedules that were not previously supported by WebFile. Taxpayers are not required to create a MyTax Illinois account to file their Form IL-1040. For more information, see Informational Bulletin FY 2014-02, Online Account Management System Includes Individual Income Tax.

Individual Income Tax

Changes on the 2013 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 \$2,050 to \$2,100 for the 2013 tax year.
- The Illinois Earned Income Credit (EIC) percentage has increased from 7.5 percent to 10 percent. Taxpayers claiming a federal EIC may now claim 10 percent of this credit on their Illinois return.
- Taxpayers who do not have a bank account to direct deposit their refund from **Form IL-1040** now have the option to receive their Illinois Individual Income Tax refund on a debit card.

Note: Married taxpayers who file a joint return and request their refund on a debit card will **each** receive a debit card that can access the entire refund amount from the joint return.

- Taxpayers in a civil union that is not treated as a marriage for federal income tax purposes **must** file their Illinois return with their civil union partner using either the "married filing jointly" or "married filing separately" filing status and include Schedule CU, Civil Union Income Report. Civil union partners cannot file "single or head of household."

Changes on the 2013 Illinois Individual Income Tax schedules

- The charitable donation funds that did not reach the minimum required donation amount last year have been removed from **Schedule G**, Voluntary Charitable Donations.
- **Schedule ICR**, Illinois Credits, now requires taxpayers to enter the county in which their property is located when figuring their Illinois Property Tax credit.
- **Schedule NR**, Nonresident and Part-Year Resident Computation of Illinois Tax, now requires taxpayers to report the amount of income received from the sale of Illinois Lottery installment payments as Illinois income on Line 19, Other income.

Business Income Tax

Changes on the 2013 Illinois Business Income Tax returns and schedules

- Taxpayers who are entitled to a refund on their original **Form IL-1120**, **Form IL-1120-ST**, **Form IL-1065**, **Form IL-1041**, **Form IL-990-T**, or **Form IL-1023-C** may now choose to direct deposit their refund into their checking or savings account. See the specific instructions for the applicable business income tax return for more information.
- The Compassionate Use of Medical Cannabis Pilot Program Act surcharge has been added to **Form IL-1120**, **Form IL-1120-ST**, **Form IL-1041**, and **Form IL-990-T** returns with tax years ending on or after January 1, 2014. See the specific instructions for the applicable business income tax return for more information.
- For tax years ending on or after December 31, 2013, Illinois Lottery winnings and proceeds from sales or other transfers of rights to lottery winnings are sourced to Illinois.
- New options have been added to **Schedule D**, Beneficiary Information, Column G, for **Form IL-1041** filers who are estates or who only had nonbusiness income to indicate that they are not required to make pass-through withholding payments on behalf of their beneficiaries.
- A new checkbox is available for **Form IL-1065** filers in Step 1 for partnerships to identify themselves as publicly traded partnerships. See **Form IL-1065** Specific Instructions for more information.

- New options have been added to **Schedule B**, Partners' or Shareholders' Identification, Column G, for **Form IL-1065** filers who are publicly traded partnerships or who only had nonbusiness income to indicate that they are not required to make pass-through withholding payments on behalf of their partners.
- Directions have been added to the **Form IL-1065** Instructions and Illinois **Schedule UB** Instructions for partnerships who are members of unitary groups. See those instructions for filing requirements.
- **Schedule 80/20**, Related-Party Expenses, has been redesigned to allow you to identify the source of any amount of intangible expenses from transactions with an affiliated company that is exempt from addback. See **Schedule 80/20** Specific Instructions for more information.
- **Form IL-1023-CES** and **Form IL-1000-P** have been eliminated and 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**, Pass-through Prepayment Vouchers. **Form IL-516-I** and **Form IL-516-B** allow taxpayers to voluntarily prepay their own tax liability from **Form IL-1120-ST**, **Form IL-1065**, or **Form IL-1041** as well as make voluntary pass-through entity prepayments on behalf of their partners, shareholders, or beneficiaries for tax years ending on or after December 31, 2014. **Form IL-516-I** and **Form IL-516-B** will take into account
 - ◆ new pass-through withholding requirements on some nonbusiness income, and
 - ◆ credits that are passed through to partners, shareholders, or beneficiaries.
 See **Form IL-516-I** and **Form IL-516-B** for more information.
Note: **Form IL-516-I** and **Form IL-516-B** will be available on MyTax Illinois.

Important reminders for Illinois Business Income Tax filers

- Nonresident taxpayers who have had pass-through withholding payments made on their behalf which satisfy their tax liability do not have to file a separate return unless they are required to make pass-through withholding payments on behalf of their own partners, shareholders, or beneficiaries.

Individual and Business Income Tax

Changes that affect both individual and business income tax for the 2013 tax year

- The following changes have been made on **Schedule 1299-A**, Tax Subtractions and Credits (for partnerships and S corporations), **Schedule 1299-B**, River Edge Redevelopment Zone or Foreign Trade Zone (or sub zone) Subtractions (for corporations and fiduciaries), **Schedule 1299-C**, Income Tax Subtractions and Credits (for individuals), and **Schedule 1299-D**, Income Tax Credits (for corporations and fiduciaries):
 - ◆ The Enterprise Zone Dividend Subtraction has been removed from **Schedule 1299-A**, **Schedule 1299-B**, and **Schedule 1299-C**.
 - ◆ The Enterprise Zone Interest Subtraction has been removed from **Schedule 1299-A** and **Schedule 1299-B**.
 - ◆ The Jobs Tax Credit has been removed from **Schedule 1299-C** and **Schedule 1299-D**.
 - ◆ The Ex-Felons Jobs Credit has been modified on **Schedule 1299-A**, **Schedule 1299-C**, and **Schedule 1299-D**. The total credits allowed for all tax years for wages paid to a particular ex-offender increased from \$600 to \$1,500 and certain qualifications for ex-offenders have changed.

Withholding Income Tax

Changes that affect Illinois Withholding Income Tax for the 2014 tax year

- Effective January 1, 2014, the Illinois Individual Income Tax exemption amount increased from \$2,100 to \$2,125. For more detailed information and for assistance with calculating the amount to withhold, see the updated **Booklet IL-700-T**, Illinois Withholding Tax Tables.
- Effective January 1, 2014, a purchaser is required to withhold Illinois income tax from the seller when purchasing the rights to future payments of Illinois Lottery winnings.

Important information for tax preparers and software vendors regarding 2013 tax forms

- Electronic filing of **Form IL-1041** (for tax years ending on or after December 31, 2013) and accompanying schedules will be available as part of the federal-state electronic filing program. Developers will be able to obtain the XML layout information for **Form IL-1041** and the accompanying schedules from the Tax Professionals page on our website by the end of March 2014.
- Substitute or reproduced paper forms must be submitted and approved through our Forms Approval Program prior to use.
- 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.
- See the Tax Professionals page on our website for more information.

What to watch for in 2014

- The Compassionate Use of Medical Cannabis Pilot Program Act surcharge will be added to the 2014 **Form IL-1040**.
- The personal exemption allowed for individuals will increase to \$2,125 per person for tax years ending on or after December 31, 2014.
- **Form IL-1023-C** and **Form IL-1000** will be retired for tax years ending on or after December 31, 2014. The amounts that would have been reported on these forms will be **reported** on the 2014 **Form IL-1065**, **Form IL-1120-ST**, or **Form IL-1041**. In addition, these amounts will be
 - ◆ **paid** with those returns, with **Form IL-505-B**, or
 - ◆ **voluntarily prepaid** with **Form IL-516-I** or **Form IL-516-B**.
 Taxpayers who elect to credit an overpayment on their 2013 **Form IL-1023-C** to a tax year ending on or after December 31, 2014, must include the credit as an overpayment credit on their **Form IL-1065** or **Form IL-1120-ST** for that tax year.
- For tax years ending on or after December 31, 2014, pass-through withholding
 - ◆ will be required for some nonbusiness income, and
 - ◆ will take into account credits that are passed through to partners, shareholders, or beneficiaries.