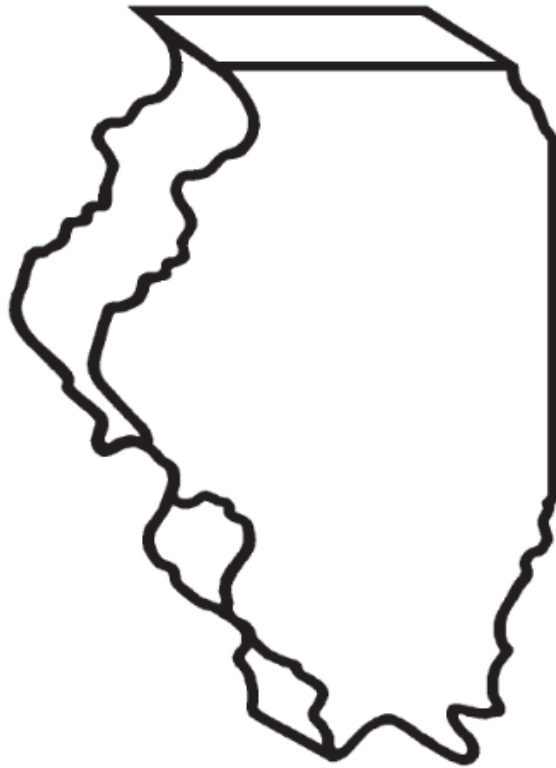


Illinois Department of Revenue

Implementation Guide for Business Income Tax

Federal/State Electronic Filing Program



December 2016

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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:

- 2014, 2015 and 2016 Form IL-1120 and schedules (excludes unitary filings for unitary groups that include s-corp and/or partnerships and/or trusts/estates)
- 2014, 2015 and 2016 Form IL-1120-ST and schedules (excluding unitary filings)
- 2014, 2015 and 2016 Form IL-1065 and schedules (excluding unitary filings)
- 2014, 2015 and 2016 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
Sch UB/INS	Sch I	ILDeatilAttach	ILDeatilAttach
Sch INL	Sch 4255	IL-4562	IL-4562
Sch NB	ILDeatilAttach	Financial	Financial
ILDeatilAttach	IL-4562	Fed W-2G	Fed W-2G
IL-4562	IL-477	Fed 1065 (P 1-5)	Fed 1120S (P 1-4)
IL-4255	Financial	Fed1065-B (P 1-5)	Fed M-3-S
IL-477	Fed W-2	Fed 8886	Fed 8886
IRSSchCProForma	Fed W-2G	Fed M-3	
IL-2220	Fed 1041 (P 1-2)		
Financial	Fed 8886		
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 2016 Tax Software Provider Registration Form (LOI), submit it to Rev.TaxLOI@illinois.gov, and obtain approval to access the schemas, and business rules.

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.

For 2015 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 2016 system allows only tax period end dates between 12/25/16 and 12/25/17. If the tax period end date is prior to 12/25/16, an earlier software version (2015, 2014 and 2013) is required. If the IRS and Illinois require the filing to be on differing form years (example IRS on 2015 and IL on 2014), 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.

The Schedule NLD calculates Discharge of Indebtedness (DOI) differently in 2012: 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 would need the Sch M, Line 10 to equal the IL-1120, Line 8. The IL-1120, Line 8 would need to equal the 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 Scorp and partnerships including separate unitary filings

Schedule UB, Step 1, Col I allow s ‘S’ or ‘P’ to be entered on paper returns. Since these entities cannot be filed electronically this year, we will leave Col I as it was for 2013 with a business rule that Step 1, Col I must be blank.

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 show 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.

Schedule UB/NLD and Discharge of Indebtedness

Schedule UB/NLD has been redesigned for 2012 and will not be able to be electronically filed if Discharge of Indebtedness is included on the Schedule UB/NLD.

For tax year 2014 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

If the federal entities and Illinois entities are the same, the federal Schedule C will need to be attached. If the federal and Illinois entities are different you will need to attach both the federal Schedule C and the **IRSSchCProforma**.

Investment and Publicly Traded Partnerships

If supporting Investment Partnerships, submit returns showing IL-1065, Step 1 Line F. Also, Schedule B, Step 1, Line 2 must equal '0.000000'. See business rule IL1065-1030-1.

If supporting Publicly Traded Partnerships, submit returns showing IL-1065, Step 1 Line F. Also, Schedule B, Step 2, Column F should be left blank and a "P" should be placed in Column G to indicate a publicly traded partnership.

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 G to indicate an estate.

IL Detail Attach

This form should reflect the addition of lines items requested on forms/schedules or in the instructions and should include a breakdown of this information. For example: If you are filing an IL1120 and need to use special apportionment 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 Special 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 Detail Attach will be required. In previously years, taxpayers were sent correspondence requesting verification of these lines. Including the necessary support on the IL Detail Attach could eliminate the need for the Illinois Department of Revenue to issue a notice to the taxpayer.

What's New Regarding PA 100-0022: 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. If a corporation has a fiscal year tax end (on or after July 1, 2017), the corporation has two choices in how to compute tax, 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. (See below.)

APPORTIONED (BLENDED RATE) INCOME TAX RATE FORMULA	
(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. _____

BLENDING INCOME TAX RATE SCHEDULE (For fiscal year returns only)

Start Date	End Date	Number of Days		Blended Rate for	
		Before 07/01/2017	After 06/30/2017	Individuals, Trusts, Estates	Corporations
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%

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.

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

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

Changes to Schedule B (Pass-Thru Withholdings)

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.

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 a 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'.

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 January 1, 2015, the Illinois Income Tax rate for corporations decreased from 7 percent to 5.25 percent. Also, Illinois Income Tax rates for trusts and estates have decreased from 5 percent to 3.75 percent.

NOTE: The Schedule SA for the IL 1120 ST and IL 1041 are not included in the schemas. We will be updating the 2015 schemas to include the two Schedule SA's in order to prepare for any changes in the State of Illinois Statutes.

For tax year 2014, if a corporation, trust or estate has a fiscal year tax end (on or after January 1, 2015) the corporation, trust, or estates have two choices in how to compute tax, 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. (See below). In the event that a trust or estate has a short year return, the trust or estate will have to use this formula to figure the correct blended rate. (See below).

APPORTIONED (BLENDED RATE) INCOME TAX RATE FORMULA

(For Corporations with short-year returns and 52/53 week filers only)

- | | | |
|----------|---|-------------|
| 1 | Number of days in tax year before 01/01/2015 ÷ total number of days in the tax year
x 7% (.07) (round to six decimal places) = | ___ . _____ |
| 2 | Number of days in tax year after 12/31/2014 ÷ total number of days in the tax year
x 5.25% (.0525) (round to six decimal places) = | ___ . _____ |
| 3 | Add Lines 1 and 2. This is your blended income tax rate. | ___ . _____ |

APPORTIONED (BLENDED RATE) INCOME TAX RATE FORMULA

(For individuals, trusts, and estates with short-year returns only)

- | | | |
|----------|---|-------------|
| 1 | Number of days in tax year before 01/01/2015 ÷ total number of days in the tax year
x 5% (.05) (round to six decimal places) = | ___ . _____ |
| 2 | Number of days in tax year after 12/31/2014 ÷ total number of days in the tax year
x 3.75% (.0375) (round to six decimal places) = | ___ . _____ |
| 3 | Add Lines 1 and 2. This is your blended income tax rate. | ___ . _____ |

BLENDED INCOME TAX RATE SCHEDULE (For full-year returns only)

Start Date	End Date	Number of Days		Blended Rate for	
		Before 01/01/2011	After 12/31/2010	Individuals, Trusts, Estates	Corporations
02/01/2014	01/31/2015	334	31	4.8938%	6.8514%
03/01/2014	02/28/2015	306	59	4.7979%	6.7171%
04/01/2014	03/31/2015	275	90	4.6918%	6.5685%
05/01/2014	04/30/2015	245	120	4.5890%	6.4247%
06/01/2014	05/31/2015	214	151	4.4829%	6.2760%
07/01/2014	06/30/2015	184	181	4.3801%	6.1322%
08/01/2014	07/31/2015	153	212	4.2740%	5.9836%
09/01/2014	08/31/2015	122	243	4.1678%	5.8349%
10/01/2014	09/30/2015	92	273	4.0651%	5.6911%
11/01/2014	10/31/2015	61	304	3.9589%	5.5425%
12/01/2014	11/30/2015	31	334	3.8562%	5.3986%

Specific Accounting: A corporation may also choose to compute their tax based on when income is earned during its tax year. If the corporation chooses the specific accounting method, it must complete and file Schedule SA (for Form IL-1120), showing in 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. **Note that if the tax rate decreases as it is currently scheduled to do the Schedule SA will be used again (IL1120SA and IL1041SA).**

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.
Marvin Kirk
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,
- 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 5) in IL-1120, Line Q, IL-1120-ST, Line N 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 54 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

Technical Questions – Return Schemas and Acknowledgments:

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.

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**

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

Prepare each IL-1120-V form 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.

	1	1	2	0	8	1	2	1	3
X	10	9	8	7	6	5	4	3	2
=	10	9	16	0	48	5	8	3	6

- 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.