Illinois Department of Revenue

Implementation Guide for Business Income Tax

Federal/State Electronic Filing Program



December 2020

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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. Please see IDOR Regulation Title 86 Part 760 Section 760.100(c)(4). 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. Software developers will be required to test all supported forms and schedules and request software approval. Participants will use their IRS EFIN and ETIN.

Forms currently accepted via the MeF program are:

* 2018, 2019 and 2020 Form IL-1120 and schedules (excludes unitary filings for unitary groups that include s-corp and/or partnerships and/or trusts/estates)
* 2018, 2019 and 2020 Form IL-1120-ST and schedules (excluding unitary filings)
* 2018, 2019 and 2020 Form IL-1065 and schedules (excluding unitary filings)
* 2018, 2019 and 2020 Form IL-1041 and Schedules (excluding unitary filings)

**The Illinois Department of Revenue is implementing a new system for the Modernized e-File program.** The MeF system change will impact the tax years of 2018, 2019, and 2020. The new system was originally expected to be implemented and released into the production environment on September 25, 2020. The implementation is now scheduled for January 2021. The new Illinois MeF system is currently available in ATS for software approval. Some of the system changes to expect are listed below:

* The new MeF system will allow the Illinois Department of Revenue to accept attachments for TY2018, TY2019, and TY2020. There will not be a naming convention required for the binary attach.
* The <StateSubmissionTyp> has been expanded to include IL1120PYT, IL1120STPYT, IL1065PYT, and IL1041PYT. The new <StateSubmissionTyp> will be required for stand-alone payments only. <StateSubmissionTyp> IL1120, IL1120ST, IL1065, and IL1041 will continue to be utilized for all submissions with a tax return attached.
* The new system will no longer allow CORP to be submitted in the <SubmissionCategoryCd> in the StateSubmissionManifest of an Illinois partnership return. An IL-1065, Partnership Replacement Tax Return will have to be submitted with PART in the <SubmissionCategoryCd> of the StateSubmissionManifest.
* There have been some additional business rules added for TY2018 and TY2019 related to the new MeF system implementation. The additional set of business rules are posted to the Federation of Tax Administrators State Exchange System (SES) website. The additional set of business rules will be posted to TY2018 and TY2019 in the SES to distinguish between the two systems. A large majority of the business rules will remain the same.
* The new Illinois MeF system will no longer support multiple schema versions. You will need to support the newest and most recent schema version.

Below is the detailed list of supported Illinois forms and schedules for TY2020.

|  |  |  |  |
| --- | --- | --- | --- |
| **IL-1120** | **IL-1041** | **IL-1065** | **1120-ST** |
| Form | Form | Form | Form |
| IL-1120 | IL-1041 | IL-1065 | IL-1120-ST |
| Schedule M | Schedule M | Schedule M | Schedule M |
| Schedule J | IL-4644 | Schedule B | Schedule B |
| Schedule INS | Schedule D | IL-477 | IL-477 |
| Schedule K-1-T | Schedule K-1-P | Schedule K-1-P | Schedule K-1-P |
| Schedule K-1-P | Schedule K-1-T | Schedule K-1-T | Schedule K-1-T |
| Schedule 80/20 | Schedule 80/20 | Schedule 80/20 | Schedule 80/20 |
| Schedule 1299-B | Schedule 1299-B | Schedule 1299-A | Schedule 1299-A |
| Schedule 1299-D | Schedule 1299-D | Schedule F | Schedule F |
| Schedule UB | Schedule CR | Schedule NB | Schedule NB |
| Subgroup Schedule | Schedule NR | Schedule 4255 | Schedule 4255 |
| Schedule UB/INS | Schedule 4255 | IL-4562 | IL-4562 |
| Schedule INL | IL-4562 | Financial | Financial |
| Schedule NB | IL-477 | Binary Attach | Binary Attach |
| IL-4562 | Schedule SA\_1041 | Fed W-2G | Fed W-2G |
| IL-4255 | Financial | Fed 1065 (P 1-5) | Fed 1120S (P 1-4) |
| IL-477 | Binary Attach | Fed 8886 | Fed M-3-S |
| IRSSchCProForma | Fed W-2 | Fed M-3 | Fed 8886 |
| IL-2220 | Fed W-2G |  |  |
| Schedule SA\_1120 | Fed 1041 (P 1-2) |  |  |
| Financial | Fed 8886 |  |  |
| Binary Attach |  |  |  |
| Fed W-2G |  |  |  |
| Fed 1120 (P 1-5) |  |  |  |
| Fed M-3 |  |  |  |
| Fed 8886 |  |  |  |

For TY2020 the Illinois Department of Revenue has retired several schedules that impact MeF. The TY2020 retired schedules are Schedule NLD, Schedule UB/NLD, Schedule I, and the Illinois Detail Attach.

The list contains the Schedule SA\_1120 and Schedule SA\_1041. The two schedules remain in the schemas to allow for a statutory mid-year tax rate change without the burden of a schema update. The business rules will be utilized to control when a schedule SA can be attached in an MeF submission.

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**

**MeF Business Rules and Illinois State Schemas**

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](mailto:Rev.TaxLOI@illinois.gov). You will need to complete the 2020 Tax Software Provider Illinois Department of Revenue Letter of Intent (LOI), submit it to [Rev.TaxLOI@illinois.gov](mailto: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 2020 Tax Software Provider Illinois Department of Revenue Letter of Intent (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. Federal forms 1120, 1120S, 1065, 1065B (2016 & 2017), 1041, Schedule M-3, and 8886 are currently accepted when filing an IL-1120, IL-1120-ST, IL-1065, and IL-1041.***

***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

***Binary attachments submitted as part of the XML submission and .pdf file formats will be available for TY2018 and TY2019 once the new system implementation has been completed and released for TY2020. The estimated date of release for Binary attachments and pdf attachments is January 2021.***

***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 23) is all Illinois, then box A should be marked indicating Illinois base income is derived entirely in Illinois, and the 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 2020 system allows only tax period end dates between 12/25/20 and 12/25/21. If the tax period end date is prior to 12/25/20, an earlier software version (2019 or 2018) is required. If the IRS and Illinois require the filing to be on differing form years (example IRS on 2019 and IL on 2018), 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.

***Discharge of Indebtedness (DOI) reported on Schedule NLD for TY2018 and TY2019:*** If there is DOI on the Schedule 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 Schedule 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 INL:***  Step 4 is available to be filed electronically. However, Schedule INL, Steps 2 or 3, are not available to be filed electronically.

***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 Schedule 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 Schedule M (as an example) must show figures net of eliminations.  For example: A unitary return that contains the Schedule M is required to have IL-1120, Step 2, Line 8 equal Schedule M, Step 2, Line 11.  In addition, IL-1120, Step 2, Line 8 is required to equal Schedule UB, Step 3, Line 8, Col E.  In order for the Schedule M to be an equal part of this equation, the entries on the Schedule M would need to be net of eliminations.  Same would go for the Schedule 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 Schedule 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 EIN’s listed on a subgroup schedule may or may not be listed on the schedule UB. The only time an EIN 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.

***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, Section B, Column G should be left blank and a “P” should be placed in Schedule B, Section B, Column F to indicate either an investment partnership or publicly traded partnership. See business rules IL1065-1030-2 and IL1065-1040-1.

***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 for TY2018 and TY2019:*** Please do not report years of loss on either Schedule NLD or Schedule UB/NLD that are not used to offset current income. A Schedule 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 TY2015 through TY2019, 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 Schedule J and Federal Schedule C cross references:*** The amounts reported on the Illinois Schedule J are cross referenced against U.S. Form 1120 Schedule C, unless, an **IRSSchCProforma** is included in the submission. The Illinois Schedule 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.

***For tax year 2018,*** the schedule J and IRSSchCProforma have been revised to incorporate the changes from the Federal Tax Cuts and Jobs Act, Public Law 115-97.

***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, Section B, 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), in the case of a trust (IL1041), 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 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 $250,000 cap for partnerships has been tied to unmodified base income, IL-1065 Step 3 Line 13. Partnerships are no longer required to determine the $250,000 threshold by computing a pro forma AGI.

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. Beginning with 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’.

***Schedule B & Schedule D:*** Since TY2017, 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 after 7/1/2017 use the respective income tax rates of 7% and 4.95%.

***IL Detail Attach TY2018 and TY2019:*** 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.

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 ILDetailAttach 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.

**Note:** Beginning with the implementation of the new Illinois MeF system, the ILDetailAttach will no longer be required to be attached for IL-1041 Step 2 Line 14b or Step 6 Line 45 for TY2020. The ability to support file attachment will become available. The ILDetailAttach has been retired for TY2020.

***ForTY2018 and TY2019, schedule 1299-D and schedule 1299-A have been completely revised.*** The six and five page schedules have been converted to a one and two page schedule, respectively. The new schedule 1299-I will be used to calculate current year credits that will be entered in column E of the new 1299-D and 1299-A. Schedule 1299-I will not be incorporated into the schemas. Schedule 1299-D Step 2: and Schedule 1299-A Step 3: Figure your credits is a repeating row format. All the credits have a specific four digit code assigned and each schedule has specific codes that are accepted. The four-digit codes are available in the schedule 1299-I and more specifically in the schedule 1299-D instructions and schedule 1299-A instructions. Schedule 1299-D columns A, B, and C and Schedule 1299-A columns B & C will have min occurs of ‘1’.

***For TY2020 the schedule 1299-D has been revised.*** The calculation of offsetting tax with credit is now located in Step 2, Calculate your credit for the current tax year. The reporting of the credits is now in Step 3, Enter your Current Credits. Some columns in Step 3 have been removed and replaced, for example, column A is no longer Years Left to Carry and has been replaced with Expiration Date. The Identifying number has been split between Unitary Member FEIN and Certificate Number. Schedule 1299-D, Step 3, Column E must be blank unless Column B contains credit code 5660. Distributive Share or Transfer has been split between two columns. One specific to Distributive Share and one for Transfers. The 2020 Schedule 1299-A columns have also been revised to match the 2020 Schedule 1299-D.

***Schedule B (Pass-Thru Withholdings):***

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 (**H**) if they wish to withhold extra.

***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 2019 IL-1120, Line R, 2019 IL-1120-ST, Line P and 2019 IL-1065, Line L

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’. Beginning with tax year 2017, the word Foreign must now be followed by a two digit number (01 – 99), for example, Foreign01. For tax year 2018, the word Foreign must be followed by two alpha/numerical digits. The business rules will determine whether two alpha/numerical digits are required to follow the word Foreign. There may be some instances that do not require the two digit code to follow the word Foreign. The alpha/numerical pattern will be determined by the software. Illinois does not currently require a set pattern.

***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**](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 the SES website.

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.

**For Tax Year 2018,** the Illinois Department of Revenue determined to retire the extension, estimated, and voluntary prepayment vouchers (IL-505-B, IL-1120-ES, IL-516-B, and IL-516 I). The information was released in FY Bulletin 2018-29. The change impacts both paper and electronic filings and is for tax years ending on or after December 31, 2018. Now, there is one payment voucher per return type, the IL-1120-VE, IL-1120-ST-VE, IL-1065-VE, and IL-1041-VE. These four vouchers will be used to make return payments, extension payments, estimated payments, and voluntary prepayments. Business Income Tax MeF will continue to utilize the StatePayment node and EstimatedPayments node. The schema and business rules will only allow the FTA Code to contain 020 and the StateTaxTypeCode to contain 20, 30, 65, or 41 in the addendum record for both nodes. Any other variation will be rejected. **The 2018 BIT payment transactions for tax year 2018 are listed below:**

**Financials – Addendum Record TY 2018:**

FTACode       StateTaxTypeCode

020                          20                           IL 1120 Debit with return

020                          20                           IL 1120 Return stand-alone debit

020 20 IL 1120 Extension Payment

020 20 IL 1120 Estimated Payment

020 30 IL 1120-ST Debit with return

020 30 IL 1120-ST Return stand-alone debit

020 30 IL 1120-ST Extension Payment

020 30 IL 1120-ST Voluntary Prepayment

020 65 IL 1065 Debit with return

020 65 IL 1065 Return stand-alone debit

020 65 IL 1065 Extension Payment

020 65 IL 1065 Voluntary Prepayment

020 41 IL 1041 Debit with return

020 41 IL 1041 Return stand-alone debit

020                    41 IL 1041 Extension Payment

020 41 IL 1041 Voluntary Prepayment

**NOTE:** The move to a single payment voucher per return impacted the IL-1120, IL-1120-ST, IL-1065, and IL-1041. For TY2018, each return section titled ‘Figure your refund or balance due’ required a consolidation of several of the previous payment lines. The credit carry-forward, extension, estimated, and voluntary prepayments were consolidated into ‘Credits and payments made before the original tax due date’. For TY2019, each return section titled ‘Figure your refund or balance due’ was expanded to split the credit carry-forward from the payments.

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.

With the implementation of the new GenTax MeF system, TY2018, TY2019, and TY2020 will require either IL1120PYT, IL1120STPYT, IL1065PYT, or IL1041PYT to be entered in the <StateSubmissionTyp> for a stand-alone payment. IL1120, IL1120ST, IL1065, and IL1041 will continue to be utilized in the <StateSubmissionTyp> for all submissions with a tax return attached.

**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 month of the tax year.

**Extension** **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**

**For tax year 2018 and forward,** the schedule SA\_1120 and the Schedule SA\_1041 will remain in the schemas and business rules, but will not be utilized. Keeping them in the schemas allows the Illinois Department of Revenue to implement accordingly without requiring a new schema version. The Schedule SA business rules are ignored and can be easily implemented and adjusted according to statute requirements.

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.

**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:

[rev.ildor.mefbit@illinois.gov](mailto:rev.ildor.mefbit@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 the BIT MeF Electronic Filing Section (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 (if supported),
* 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 a 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 11) in IL-1120, Line R, IL-1120-ST, Line P and IL-1065, Line L,
* Submit an IL1065 with an exemption (income) resulting in Line 53 as a zero.
* 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 Schedule CR, Line 51 and 56 as 1 and %
* Test Schedule NR, Line 51 as negative while Line 52 and 53 are blank and 54 is zero,
* Test Schedule NR, Line 51 as positive when Line 52 is both positive and negative,
* Test a return with a payment (with return or stand-alone),
* 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: Call us:

TAXPAYER ASSISTANCE DIVISION 1 800 732-8866 or 217 782-3336

ILLINOIS DEPARTMENT OF REVENUE 1 800 544-5304 – TDD (telecommunications device

PO BOX 19044 for the deaf)

SPRINGFIELD IL 62794-9044

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**](http://www.irs.gov).

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

[rev.ildor.mefbit@illinois.gov](mailto:rev.ildor.mefbit@illinois.gov)

or call

STUART WILCOXON

BUSINESS INCOME TAX PROJECT MANAGER

ILLINOIS DEPARTMENT OF REVENUE

(217)785-0574

**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**

**If you are producing paper vouchers, you will need to send five test copies to** [Rev.VendorForms@Illinois.gov](mailto: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.

                         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](mailto: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.