



## General Information

### What is the purpose of Schedule M?

Schedule M, Other Additions and Subtractions, allows you to figure the total amount of “other additions and subtractions” you must include on

- Form IL-1120, Corporation Income and Replacement Tax Return, Line 8 and Line 21,
- Form IL-1120-ST, Small Business Corporation Replacement Tax Return, Line 21 and Line 33,
- Form IL-1065, Partnership Replacement Tax Return, Line 22 and Line 33, or
- Form IL-1041, Fiduciary Income and Replacement Tax Return, Line 10 and Line 24.

### What must I attach?

If you claim an amount on the “other additions” or “other subtractions” lines, you **must** attach a completed Schedule M to your tax return.

### What if I need additional assistance?

If you need additional assistance,

- visit our website at [tax.illinois.gov](http://tax.illinois.gov);
- write to us at P.O. Box 19044, Springfield, Illinois 62794-9044;
- call our Taxpayer Assistance Division, at **1 800 732-8866** or **217 782-3336**, or
- call our TDD (telecommunications device for the deaf) at **1 800 544-5304**.

Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.

## Step-by-Step Instructions

### Step 1: Provide the following information

Enter your name and FEIN as shown on your tax return.

**Note** → Do not use negative figures on this schedule.

### Step 2: Figure your additions

**Note** → Any line that does not have specific instructions is self-explanatory.

#### Line 1 — Capital gain taxed under IRC Section 852(b)(3)

— Enter the amount of any capital gain that you were allowed to deduct federally under Internal Revenue Code (IRC) Section 852(b)(3).

#### Line 2 — Notes, bonds, debentures, or obligations issued by the Governments of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands

— Enter the amount of interest from any of these governmental obligations that you own directly that is not included on Form IL-1120 or Form IL-1041, Line 1, or Form IL-1120-ST or Form IL-1065, Line 13.

**Line 3 — Lloyd’s plan of operation loss** — Add back any loss that you included in your federal taxable income from a Lloyd’s plan of operation if that loss was reported on your behalf on Form IL-1065, Partnership Replacement Tax Return.

**Line 4 — Business expense recapture** — If you reported income from an asset or activity as business income in prior years, and reported any income from that asset or activity as nonbusiness income on Illinois Schedule NB, Nonbusiness Income, or Illinois Schedule NR (Form IL-1041), Nonresident Computation of Fiduciary Income, for this year, include on this line all deductions you claimed for expenses connected with that income in this year and in your two most recent years.

**Line 5 — Any other state’s income tax deducted from federal taxable income (Form IL-1041 filers only)** — If you are claiming a credit for tax paid to other states on Illinois Schedule CR (Form IL-1041), Credit for Tax Paid to Other States, you must

add back the entire amount of that state’s income tax deducted from federal taxable income. **If you are not claiming a credit on Illinois Schedule CR for a particular state, do not include that state’s tax amounts on this line.**

#### Line 6 — Capital loss to be carried forward (Form IL-1041 filers only)

- Add back the smaller of
- any capital loss on your U.S. Form 1041, Line 4 that you may carry forward; or
  - any negative amount on your U.S. Form 1041, Line 22.

#### Line 7 — Employer contribution to college savings plans

— If you claimed a credit on Schedule 1299-A, Tax Subtractions and Credits (for partnerships and S corporations), or Schedule 1299-D, Income Tax Credits (for corporations and fiduciaries), for contributions you made to a college savings plan on behalf of an employee, enter the amount of the credit from Schedule 1299-A, Lines 44a through 44c, or Schedule 1299-D, Lines 47a through 47c, here.

#### Line 8 — Dividends paid by a captive real estate investment trust

— If you are a captive real estate investment trust (REIT), enter the amount of the deduction you claimed on your U.S. Form 1120-REIT, Line 21b. You are a captive REIT if more than 50 percent of the value or voting power of your shares was owned directly or indirectly by a single corporation, unless that corporation is:

- a REIT that is not a captive REIT,
- exempt from tax under IRC Section 501 and is not required to treat the dividends it receives from you as unrelated business taxable income,
- a listed Australian property trust that is not a captive REIT under these rules, or
- a foreign corporation or entity that would be treated as a REIT if it were incorporated in and doing business in the U.S. and that would not be treated as a captive REIT under these rules.

**Line 9 — Other additions** — Include any other amounts that you are required to add to your federal taxable income to arrive at your Illinois base income. Please include a detailed description of each addition on the line provided or on an attached statement.

**Note** → To avoid common errors when completing this schedule **do not include** any special depreciation calculated on Form IL-4562, Special Depreciation; or any distributive share of income shown on Illinois Schedule K-1-P, Partner's or Shareholder's Share of Income, Deductions, Credits, and Recapture; or Illinois Schedule K-1-T, Beneficiary's Share of Income and Deductions. These amounts are reported directly on your Illinois tax return.

**Line 10 — Total additions** — Add Lines 1 through 9. Enter the amount here and on your Form IL-1120, Line 8, Form IL-1120-ST, Line 21, Form IL-1065, Line 22 or Form IL-1041, Line 10.

**Note** → The sum of the amounts you report on Form IL-1041, Line 10, columns A and B should match the total amount reported on Illinois Schedule M, Line 10.

### Step 3: Figure your subtractions

**Line 11 — Exempt interest dividends paid by regulated investment companies** — Enter the amount of exempt interest dividends you paid under IRC Section 852(b)(5) (regulated investment companies only).

**Line 12 — Notes, bonds, debentures, or obligations issued by the Governments of American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, or the Virgin Islands** — You may subtract these items only to the extent that you were required to add them to federal taxable income on this Illinois Schedule M, Line 2.

**Line 13 — Lloyd's plan of operation income if reported on your behalf on Form IL-1065** — Enter the income included in your taxable income from a Lloyd's plan of operations if that amount was reported on your behalf on Form IL-1065, Partnership Replacement Tax Return.

**Line 14 — Restoration of amounts held under claim of right** — Enter the amount equal to the deduction used to compute the federal tax credit for restoration of amounts held under claim of right under the IRC, Section 1341.

**Lines 15a through 15g — Expenses of federally tax-exempt income and federal credits** —

Enter the amount

- of any expenses that were disallowed as federal deductions because the income was exempt from federal tax or because a credit was allowed under IRC Sections 45G(e)(3), 171(a)(2), 265, 280C, 291(a)(3), or 832(b)(5)(B)(i).
- included in your adjusted gross income under IRC Section 87.

**Lines 19a through 19u — Securities exempt from Illinois tax** — Enter the amount of interest on obligations of Illinois state and local governments only if included in your Illinois income, Form IL-1120, Line 9; Form IL-1120-ST, Line 22; Form IL-1065, Line 23; or Form IL-1041, Line 11. This amount is the amount net of any related bond premium amortization.

Interest from state and local government obligations is not exempt from Illinois Income Tax unless legislation has been specifically adopted to provide for an exemption. Income from these obligations may be subtracted only if you own the securities directly and not through mutual funds.

Use the correct line to identify your amounts for the following securities.

- Illinois Housing Development Authority bonds and notes (except housing-related commercial facilities bonds and notes)
- Illinois Development Finance Authority bonds, notes, and other evidence of obligation (only venture fund and infrastructure bonds)
- Illinois Sports Facilities Authority bonds
- Illinois Development Finance Authority bonds issued under the Illinois Development Finance Authority Act, Sections 7.80 - 7.87
- Illinois Development Finance Authority bonds or Illinois Finance Authority bonds issued under the Asbestos Abatement Finance Act
- Bonds issued by the Illinois Finance Authority under the Illinois Finance Authority Act
- Southwestern Illinois Development Authority bonds
- Illinois Power Agency bonds issued by the Illinois Finance Authority under Other Powers Article in the Illinois Finance Authority Act
- Central Illinois Economic Development Authority bonds issued under the Central Illinois Economic Development Authority Act
- Eastern Illinois Economic Development Authority bonds issued under the Eastern Illinois Economic Development Authority Act
- Southeastern Illinois Economic Development Authority bonds issued under the Southeastern Illinois Economic Development Authority Act
- Southern Illinois Economic Development Authority bonds issued under the Southern Illinois Economic Development Authority Act
- Illinois Urban Development Authority bonds issued under the Illinois Urban Development Authority Act
- Downstate Illinois Sports Facilities Authority bonds issued under the Downstate Illinois Sports Facilities Authority Act
- Western Illinois Economic Development Authority Bonds issued under the Western Illinois Economic Development Authority Bonds Act
- Upper Illinois River Valley Development Authority bonds issued under the Upper Illinois River Valley Development Authority Act
- Will-Kankakee Regional Development Authority bonds issued under the Will-Kankakee Regional Development Authority Law
- Tri-County River Valley Development Authority bonds issued under the Tri-County River Valley Development Authority Law
- Quad Cities Regional Economic Development Authority bonds and notes (if declared to be exempt from taxation by the Authority)
- Quad Cities Interstate Metropolitan Authority bonds
- Rural Bond Bank Act bonds and notes

**Line 23 — Illinois state refunds from prior years** — Enter the amount of refund of Illinois income and replacement tax that you received for a prior year, to the extent that it is included in your federal ordinary income. If you reported a negative expense for Illinois income and replacement tax this year because of an over-accrued liability at the beginning of the year, enter the amount on this line.

**Line 24 — Dividends received, including IRC Section 78 Foreign Dividend Gross-up and subpart F income (Form IL-1120-ST filers only)** — Complete a pro forma federal Form U.S. 1120, Schedule C, and Illinois Schedule J, Foreign Dividends, to figure the amount of dividends received from a foreign corporation, foreign dividend gross-up and subpart F income, that you are entitled to subtract.

**Line 25 — Contributions made to a job training project**

- **Form IL-1120-ST and IL-1065 filers** — Enter the amount of contributions you made under the Tax Increment Allocation Redevelopment Act to a job training project. For more information, see FY Bulletin 1990-40.
- **Form IL-1120 and IL-1041 filers** — Do not enter anything on this line. These amounts are reported directly on your Illinois tax return.

**Line 26 — Reparations or other amounts received as a victim of persecution by Nazi Germany (Form IL-1041 filers only)** — Enter the amount of reparations or other amounts received as a victim of persecution for racial or religious reasons by Nazi Germany or any other Axis regime that are included in your federal taxable income. Also include any reparations or other amounts received as an heir of such victim that are included in your federal taxable income.

**Line 27** — If you are the attorney-in-fact for an inter-insurer or reciprocal insurer that has elected under IRC Section 835 to include profits made from business in its federal taxable income, you may subtract the amount of your federal taxable income that is being taxed to the inter-insurer or reciprocal insurer.

**Line 28 — Income from Illinois pre-need funeral, burial, and cemetery trusts** — Enter the amount of income earned by trust accounts established under the Illinois Pre-Need Cemetery Sales Act or the Illinois Funeral or Burial Funds Act, to the extent that it is included in your federal taxable income.

**Line 29 — Nuclear decommissioning trusts established under Section 8-508.1 of the Public Utilities Act** — Enter the amount of income included in your federal taxable income from a fiduciary account, separate from all other accounts and assets of the public utility establishing the trust, in a bank or other financial institution established to hold the decommissioning funds provided by the Public Utilities Act for the eventual purpose of paying decommissioning costs.

**Line 30 — Recovery of items by a decedent (Form IL-1041 estate filers only)** — If you are an estate, enter the amount of any recovery included in your federal taxable income of an itemized deduction claimed by a decedent on his or her Form U.S. 1040 Schedule A, in a prior year. Include refunds of state income taxes other than Illinois income tax refunds subtracted on Schedule M, Line 23.

**Line 31 — Recovery of other state refunds (Form IL-1041 filers only)** — If you are a trust or an estate, enter the amount included in your federal taxable income for any state income tax refunds from tax years in which you claimed a credit for other states' income taxes on Schedule CR, Credit for Taxes Paid to Other States, and added back the federal deductions for those taxes on Schedule M, Line 5.

**Line 32 — Qualifying dividends under IRC Section 965** — If you received controlled foreign corporation dividends qualifying for deduction under IRC Section 965, recompute your federal taxable income without applying IRC Section 965(e)(2)(A) (which provides that taxable income may not be less than your nondeductible controlled foreign corporation dividends), and enter the excess of your actual taxable income over the recomputed amount.

**Line 33 — Other eligible subtractions** — Enter any other amounts not subtracted elsewhere, that you are entitled to subtract from your income to arrive at your Illinois base income. You may not subtract anything that is not listed in these instructions or Publication 101, Income Exempt from Tax. Please include a detailed description of each subtraction on the line provided or on an attached statement.

**Note** — To avoid common errors when completing this schedule **do not include** any special depreciation calculated on Illinois Schedule 4562, any distributive share of income shown on Illinois Schedule K-1-P or Illinois Schedule K-1-T, or any amount calculated on Schedule 80/20, Related Party Expenses, or Schedule 1299-B, River Edge Redevelopment Zone or Foreign Trade Zone (or sub-zone) Subtractions. Form IL-1120 filers may not include amounts from Illinois Schedule J. These amounts are reported directly on your Illinois tax return.

**Line 34 — Total subtractions** — Add Lines 22 through 33. Enter the amount here and on Form IL-1120, Line 21, Form IL-1120-ST, Line 33, Form IL-1065, Line 33, or Form IL-1041, Line 24.

**Note** — The sum of the amounts you report on Form IL-1041, Line 24, columns A and B should match the total amount reported on Illinois Schedule M, Line 34.