



General Information

What is the purpose of this schedule?

The purpose of Illinois Schedule UB is to enable a unitary business group to determine the amount of its unitary business income that is attributable to Illinois. A unitary business group's business income includes all income that may be apportioned by formula among the states in which the group is doing business without violating the Constitution of the United States. All income is business income unless it is clearly attributable to one state and is earned or received through activities totally unrelated to any business the group is conducting in more than one state. The amount of unitary business income, however, must be computed starting with combined Illinois base income or its equivalent.

What is a unitary business group?

The term "unitary business group" means a group of persons related through common ownership whose business activities are integrated with, dependent upon, and contribute to each other. In the case of a corporation, common ownership is defined as the direct or indirect ownership or control of more than 50 percent of the outstanding voting stock. The statutory definition further provides that a unitary business group cannot include any person whose business activity outside of the United States is 80 percent or more of its total business activity (the "80/20" rule).

80/20 rule — To determine what percentage of your business activity is conducted outside the United States, you must use the same apportionment formula you use to determine how much business income is allocable to Illinois. However, if you use the single sales factor formula to apportion your business income, you must use only your payroll and property factors (computed in the same manner as in effect for tax years ending prior to December 31, 2000) and disregard the sales factor. See Section D of Specific Instructions. For purposes of the 80/20 rule, gross figures without eliminations will be used to determine the relevant apportionment factors of property, payroll, *etc.*

Vertical and horizontal integration — Unitary business activity can ordinarily be illustrated where the activities of the members are:

- steps in a vertically-structured enterprise or process, such as the steps involved in the production of natural resources, which may include exploration, mining, refining, and marketing (vertical); or
- in the same general line of business such as manufacturing, wholesaling, retailing, insurance, transportation, and finance (horizontal);

and in either instance, the members are functionally integrated through the exercise of strong centralized management. For example, authority over such matters as purchasing, financing, tax compliance, product line, personnel, marketing, and capital investment is not left to each member.

Apportionment method — Persons employing different single-factor formulas cannot be included in the same unitary business group, but two or more insurance companies may constitute a unitary business group, as may two or more financial organizations, transportation companies, or federally regulated exchanges. See Form IL-1120 Instructions to compute the apportionment formula.

Holding companies — The prohibition against including persons employing different apportionment formulas in the same unitary business group does not apply to a "holding company." A "holding company" is a corporation that, during the current tax year and the two

immediately preceding tax years, derived substantially all of its gross income from dividends, interest, rents, royalties, fees or other charges received from subsidiaries for the provision of services, and gains on the sale or other disposition of interests in subsidiaries or in property leased or licensed to subsidiaries or used by the taxpayer in providing services to subsidiaries. These corporations incur no substantial expenses other than expenses (including interest and other costs of borrowing) incurred in connection with the acquisition and holding of interests in subsidiaries and in the provision of services to subsidiaries or in the leasing or licensing of property to subsidiaries. This exception does not apply to a holding company that is treated as a financial organization because it is a bank holding company under the provisions of the Bank Holding Company Act of 1956 or because it is owned by a bank or a bank holding company.

The business income of a holding company that is included in any unitary business group under this exception is apportioned using the apportionment formula used by the rest of the unitary business group.

If a holding company is a member of two or more unitary business groups, the base income and apportionment factors of the holding company shall be divided among the groups in proportion to the gross receipts of each group or using any other reasonable method, consistently applied from year to year, unless the holding company petitions the Department and receives permission to include all of its base income and apportionment factors with the base income and apportionment factors of only one group.

Foreign corporations — A foreign corporation that is a member of a unitary business group (filing federal Form 1120-F), shall only include in the combined income of the group the amount of federal taxable income described in Internal Revenue Code (IRC) Sections 881 through 885, rather than its worldwide federal taxable income equivalent. The foreign corporation's "everywhere" factor should include only factors related to its federal taxable income and must exclude factors related to income excluded from federal taxable income. A foreign sales corporation (FSC) that is a member of a unitary business group (filing federal Form 1120-FSC) shall only include in the combined income of the group the amount of federal taxable income described in IRC Sections 921 through 927.

Unitary filers that derive business income solely from Illinois

— Unitary business groups composed exclusively of members that derive business income solely from Illinois are required to file as a unitary group. Unitary returns filed by such a group that report a business loss must also include a completed Schedule UB so the combined loss can be prorated in accordance with regulations for purposes of carryover to separate return years. The factor formula information from Step 4 of Illinois Schedule UB is necessary in order to divide the Illinois loss among the unitary group members.

Partnerships and S corporations — Partnerships and S corporations may not be included on a combined return. However, some partnerships and all S corporations that are members of a unitary group must file separate unitary returns using Schedule UB. See the Specific Instructions for completing Form IL-1065 and Form IL-1120-ST below.

Who is the designated agent and controlling corporation?

The designated agent is a member of the unitary business group that **must** be an Illinois taxpayer and authorized to file the combined return as the agent for the other members. The controlling corporation is the corporation that directly or indirectly owns a controlling interest in all the members of the unitary business group. If the controlling corporation is a member of the group and an Illinois taxpayer, it **must**

be the designated agent. If the controlling corporation cannot be the designated agent, the group must select an Illinois taxpayer member to be the designated agent. The designated agent must remain the same every year, unless the designated agent ceases to be a member of the group or the controlling corporation becomes the designated agent. Designation of the agent is made in Step 1 of Illinois Schedule UB.

The designated agent that files the combined return for a tax year must remain the designated agent for that tax year unless a new designated agent is named for the group for a later tax year. At that time, you may leave the old designated agent as the member responsible for the earlier tax years, or you may choose to change the designated agent for the earlier years to the group's new designated agent or to any other member of the group. You must notify us in writing of your election and include the name, FEIN, and address of the member whom you want to replace the old designated agent, and the name and telephone number of the contact person. Mail the notification to

**ILLINOIS DEPARTMENT OF REVENUE
CENTRAL REGISTRATION DIVISION
PO BOX 19030
SPRINGFIELD IL 62794-9030**

What are the filing requirements?

◆ Illinois combined unitary returns

Corporations (other than S corporations) that are members of the same unitary business group **must** file as one taxpayer (including all eligible members) for purposes of any original return, extension, claim for refund, collection, payment, amended return, and determination of the combined Illinois tax liability. The group is required to file a combined unitary return (one Form IL-1120).

For more information regarding combined return filers, see Illinois Income Tax Regulations, Sections 100.5200 through 100.5280.

◆ Illinois separate unitary returns

Illinois taxpayers that are S corporations and non-corporate members of a unitary business group do not file as part of the combined return. However, some partnerships and all S corporations that are members of a unitary group are required to file Illinois separate unitary returns, as well as make separate:

- tentative tax payments;
- claims for refunds; and
- amended returns.

Note → The unitary business group (including S corporation and non-corporate members) must complete only one Illinois Schedule UB and include a copy with each return filed.

◆ Partnership requirements

If the following applies, do not file a Schedule UB: If a partnership is engaged in a unitary business with one or more of its partners but the unitary partners do not own substantially all of the interest in the partnership, the partnership should not be included on a Schedule UB with the partners. Substantial ownership is defined as owning more than 90 percent of all the interest in the partnership. If a Schedule UB should not be filed, each unitary partner must determine the portion of its business income taxed by Illinois by adding its share of that partnership's business income and apportionment factors (Illinois and everywhere) to its own business income and apportionment factors (Illinois and everywhere). This rule applies to you if you are unitary with one or more of your partners or if you are a partner in another partnership and are engaged in a unitary business with that partnership. See Illinois Income Tax Regulations, Section 100.3380(d) for more information.

If the following applies, you must file a Schedule UB: If you are a partnership who is a shareholder in a corporation and you are engaged in a unitary business with that corporation, or if you are

owned more than 90 percent by members of your unitary business group (determined without regard to the rule prohibiting taxpayers who use different apportionment formulas from being included in a unitary business group and the rule prohibiting taxpayers conducting 80% or more of their business activities outside the United States from being included in a unitary business group), and you:

- use the same taxable year as a combined group that includes your partners or your subsidiary, you should use the Schedule UB prepared by the combined group in completing your Form IL-1065; or
- use a different taxable year from the combined group that includes your partners or your subsidiary (or there is no combined group) you must complete your own Schedule UB using your own taxable year.

What if there are different accounting periods?

If the unitary business group members' accounting periods differ, the designated agent's accounting period must be used to determine the unitary group's business income.

Corporate members (other than S corporations) of the unitary business group must file combined, even if their accounting periods differ. In determining the proper income to be included in the appropriate accounting period, a member may compute its pro forma taxable income from its books and records for the common taxable year. As an alternative, a member may determine its income based on the number of months of its tax year that are within the common accounting period. For example, if one member uses a calendar year and the common accounting period ends October 31, 2016, the member should include two-twelfths of its income from the year ended December 31, 2015, and ten-twelfths of its income from the year ended December 31, 2016. This method may be used only if the group's return may be timely filed after the member's taxable year ends. As another alternative, the group may include in its taxable income all of the taxable income of a member whose tax year ends within the group's tax year. Once one of these methods is used for a member, that member must continue to use that method unless the requirements of Illinois Income Tax Regulations, Section 100.5265(c) are met.

What if there are part-year members?

All part-year members are required to file as part of the unitary business group for the portion of the year the taxpayer is a member. For the remainder of the year, the member is required to file a separate non-unitary return. However, if the member belongs to another unitary business group during the remainder of the year, that member is required to file as part of that group, following the same instructions as above. For more information, see the Illinois Income Tax Regulations, Section 100.5270(f).

What if a domestic international sales corporation (DISC) or a foreign sales corporation (FSC) is a member of this unitary group?

A corporation that has elected to be, or is treated as a DISC for the taxable year under IRC Section 992, is not subject to the taxes imposed by IRC Subtitle A (except for the tax imposed on transfers to avoid income tax under Section 1491). Similarly, a DISC is not subject to the taxes imposed by the Illinois Income Tax Act (IITA) and is not required to file an Illinois income tax return.

Consequently, even though a DISC may be a member of a unitary business group, only the actual and deemed distributions taxable to the DISC's shareholders for federal income tax purposes should be accounted for in determining Illinois income tax liability. Neither the portion of DISC income on which federal income tax is deferred for the tax year, nor the sales factor of the DISC should be accounted for in the computation of Illinois income tax liability of the unitary business group under the combined method of apportionment.

Corporate shareholders of a DISC should include in business income their actual and deemed distributions from the DISC, to the extent the distributions are federally taxed. To the extent that the DISC's activities

are an integral part of the unitary business, the actual and deemed distributions should be included in the combined unitary business income. If a DISC meets the criteria for inclusion in the unitary business group, it must be listed under Step 1, Section A, of Illinois Schedule UB. However, computations for the DISC should not be required for Steps 2, 3, and 4 of Illinois Schedule UB. In conformity with the applicable provisions of the IRC, the other members of the unitary business group that are shareholders of the DISC should include such amounts in their respective federal taxable incomes (or equivalents) as are required to be included for federal income tax purposes.

Distributions from DISCs are treated in accordance with the federal rules pertaining to dividends, dividend exclusions, and dividend-received deductions for Illinois purposes.

An FSC is taxed by Illinois to the extent its nonexempt foreign trade income, investment income, and carrying charges (taxable for federal purposes) are allocable to Illinois.

Can a reasonable facsimile of Schedule UB be used?

You must obtain and use forms prescribed by the Illinois Department of Revenue. Separate statements not on forms provided or approved by the Department will not be accepted and you will be asked for appropriate documentation. **Failure to comply with this requirement may result in failure to file penalties, a delay in the processing of your return, or a delay in the generation of any refund.** Additionally, failure to submit appropriate documentation when requested may result in a referral to our Audit Bureau for compliance action.

Specific Instructions

Use this Schedule UB to file unitary for tax years ending **on or after December 31, 2016**. Use Illinois Schedule UB with an earlier revision date to file unitary for tax years **ending prior to December 31, 2016**.

Note If the unitary business group consists of more members than space provided, complete and attach additional copies of Illinois Schedule UB.

If you need additional forms or schedules:

- Visit our website at tax.illinois.gov.
- Write to us at **P.O. Box 19010, Springfield, Illinois 62794-9010**.

Illinois Schedule UB must be attached to:

- Form IL-1120 or Form IL-1120-X;
- Form IL-1120-ST or Form IL-1120-ST-X (for all members who are S corporations); or
- Form IL-1065 or Form IL-1065-X (for partnerships required to file a unitary return).

Step 1 — Provide your membership information

Enter the name and FEIN of the designated agent. The designated agent must file the Illinois Schedule UB in this tax year and each succeeding year.

Enter the name and FEIN of the designated agent that filed Illinois Schedule UB last year, if different from this year.

Enter the name and FEIN of the controlling corporation if it is not the designated agent.

You must indicate whether the controlling corporation is a member of this unitary business group.

Note If your unitary business group consists solely of members who are not C corporations, enter the name and FEIN of the member who on a recurring basis has the greatest Illinois tax liability. This member must file Illinois Schedule UB in this tax year and each succeeding year. All returns filed by other members of the group must use that Illinois Schedule UB to complete their separate unitary returns. If the group includes members who use different tax years, a Schedule UB must be completed for each different tax year.

Section A — List all members

Note You may **not** substitute the Affiliations Schedule (U.S. Form 851) from a federal consolidated return for Section A.

Columns A, B, and C — List all members of the unitary business group, including name, FEIN, and tax year ending.

Column D — Check the line in this column if the member listed in Column A is required to file an Illinois income tax return for this tax year. For an explanation of who must file an Illinois income tax return, see the instructions for Form IL-1120, Form IL-1120-ST, or Form IL-1065, as appropriate.

For each member that is not required to file an Illinois income tax return, attach a separate statement listing

- the member's state of incorporation;
- the state of commercial domicile;
- total number of its employees during the year;
- the number of employees who were in Illinois on business during the year; and
- the cost price of real and tangible personal property, including rental property at eight times the annual rent, everywhere and in Illinois.

Columns E and F — Check the line in these columns if they apply to the member listed in Column A for this tax year.

Column G — If the member is designated as a holding company, place a check in this column.

Column H — You must indicate the type of apportionment method used by this unitary business group. Use the following letters to indicate each member's apportionment method.

Note All members must use the same method. Any person who would be a member of your unitary business group but uses another apportionment method must file a separate unitary return with any other unitary members that use its apportionment method. If there are no other members using that method, the member must file a separate non-unitary return.

If your member's method is:

In Column H, enter:

| | |
|---|-----|
| Single Sales | "S" |
| Financial Organization | "F" |
| Transportation Company | "T" |
| Insurance Company | "I" |
| Federally Regulated Exchange | "E" |
| Alternative Method, previously approved by the Department | "A" |

For more information about apportionment methods, see "Apportionment method" in the General Instructions above.

Column I — If a member is

- an S corporation, place an "S" on that member's line in Column I.
- a partnership, place a "P" on that member's line in Column I.

Section B — List any mergers with members listed in Section A

Column A — Enter the name and FEIN of the person who has merged with or liquidated into any member of this unitary group in this tax year. Include persons who were members of this unitary group before the merger or liquidation and persons who were acquired by the unitary group in a transaction in which they were merged or liquidated.

Column B — Enter the name and FEIN of the member listed in Section A into whom this person merged or liquidated and the date of merger.

Section C — List all members who left the group during this tax year

Column A — Enter the name and FEIN of any member who was a member of this unitary group last year and left the group during this tax year.

Column B — Provide the name and FEIN of the company to whom the member in Column A was sold and the date of sale, if applicable.

Section D — Provide information about your excluded members

A unitary business group may not include any person whose business activity outside of the United States is 80 percent or more of its total business activity (the 80/20 rule). To determine whether a potential member is excluded by the 80/20 rule, you must use the factors normally required to apportion business income (under IITA Section 304), with three exceptions. First, the numerator of each factor will include business activity in the U.S. (the 50 states and the District of Columbia), rather than in Illinois alone. Second, if you use the single-sales factor formula in IITA Section 304(a) to apportion your business income, you cannot use the sales factor in applying the 80/20 rule. Instead, you must use only your payroll and property factors, computed in the same manner as these factors were computed for tax years ending prior to December 31, 2000. For example, if 85 percent of your property and 95 percent of your payroll is outside the United States, then 90 percent of your business activity is conducted outside the United States (85 percent plus 95 percent, divided by 2), and you cannot be included in a unitary business group even if 100 percent of your sales are made in the United States. Third, to determine the relevant apportionment factors, you should use gross figures without eliminations for transactions with other members of your group. Foreign corporations filing U.S. Form 1120F will meet the 80/20 test because only their domestic property and payroll figures will be used in the “everywhere” denominators, rather than worldwide “everywhere” figures.

Line 1 — Enter the total number of members excluded from the unitary group (not listed in Sections A through C) who are controlled directly or indirectly (through the ownership of more than 50 percent of their voting stock) by a member of the unitary business group but

- conducts more than 80 percent of its business activity outside the United States,
- is not unitary, or
- uses a different apportionment method than this group.

Note — If you have excluded members on Line 1, you **must** complete Step 5, Provide your affiliated company information.

Step 2 — Figure your federal taxable income

Head of Columns A, B, and C — Enter the FEIN for each member of the unitary group.

Columns A, B, and C — Complete Lines 1 through 30 for each member of the unitary business group listed in Step 1, Section A. Generally, these line amounts correspond to the line amounts from U.S. Form 1120. Use additional schedules, if necessary.

Computing federal taxable income (or net operating loss) — All members of the unitary business group must include their federal taxable income or loss in Step 2.

Federal taxable income or loss in Step 2 means “separate taxable income” that would be computed by each member for purposes of a federal consolidated return and its supporting statements in accordance with IRS Regulations, Section 1.1502-12. For Illinois income tax purposes, the federal taxable income or loss of each member of the unitary business group is entered on Line 30.

For S corporations, federal taxable income on Line 30 should equal the amount on Form IL-1120-ST, Step 3, Line 13.

For partnerships required to file a unitary return, federal taxable income on Line 30 should equal the amount on Form IL-1065, Step 3, Line 13.

Column D — Eliminations between group members and federal consolidated adjustments — Enter any consolidating adjustments made in combining the amounts in Columns A, B, and C. **Attach** an explanation of any adjustments made. Also, if a partnership is included

in this Schedule UB, eliminate the shares of each partnership item that are included in the income of partners who are included in this Schedule UB.

Column E — Combined totals — Enter the net total of Columns A, B, C, and D for each line. Combined taxable income (or combined NOL) should be determined by treating all members of the unitary business group as if they constitute a federal consolidated group and by applying the federal regulations for determining consolidated taxable income (see IRS Regulations, Section 1.1502-11) and consolidated NOL (see IRS Regulations, Section 1.1502-21(e)), but without applying the federal “separate return limitation year” or life-nonlife insurance company limitations.

Federal elections — In computing federal taxable income, each member is required to follow all elections it made (or that were made on its behalf) for federal income tax purposes.

Step 3 — Figure your combined business income

Generally, these items correspond to lines on Form IL-1120, Steps 2 and 3. Line reference charts are provided for Form IL-1120-ST and Form IL-1065 filers in the specific instructions for those filers at the end of these instructions. For specific line information, see the instructions for the return you are filing. Schedules used to compute any amounts shown **must** be attached to your return.

Head of Columns A, B, and C — Enter the FEIN of each unitary group member included in Step 2.

Columns A, B, and C — For each line item, enter the dollar amounts requested for each member of the unitary business group.

Column D — See specific instructions for Step 2, Column D, Eliminations between group members and federal consolidated adjustments.

Note — For Illinois purposes, all addition and subtraction modifications must be entered as positive figures. Therefore, the amount of eliminations should also be entered as positive figures.

Column E — Enter the net total of Columns A, B, C, and D for each line.

Line 1 — Enter the federal taxable income or loss for Illinois purposes from Step 2, Column E, Line 30.

Special instructions for Lines 24 and 25

Line 24 — Enter the amount of all nonbusiness income or loss from Illinois Schedule NB, Column A. Attach Illinois Schedule NB to your return.

Note — For **tax years beginning on or after January 1, 2003**, the designated agent may make an election to treat all of the unitary group’s income, other than compensation, as business income. For more information on making this election, see the instructions for the return you are filing. If the election is made, enter “0” on Line 24.

Line 25 — Enter the amount of all business income or loss (net of any eliminations or adjustments in Column D of Steps 2 or 3) received from any non-unitary partnership, any partnership included on this Schedule UB, any S corporation, and any trust or estate of which the corporation is a partner or beneficiary.

Note — If the activities of the corporation and the activities of a partnership of which the corporation is a partner constitute a unitary business relationship but the partnership is not included on this Schedule UB, the corporation’s shares of the partnership’s business income or loss and factors must be included in the business income and factors of the corporation. Any such income cannot be subtracted on Line 25. For more information, see Illinois Income Tax Regulations, Section 100.3380(d).

Step 4 — Figure your apportionment factor

Heads of Columns A, B, and C — Enter the FEIN for each member included in Step 2.

Line 1 — Enter the combined unitary business income or loss from Step 3, Column E, Line 27.

Note For each separate Line, 2 through 8, add the amounts in Columns A, B, and C, and enter the combined totals for each line in Column D.

Line 2 — Enter each member's "everywhere" net sales. Exclude any receipts eliminated in Column D of Step 2 or Step 3.

Note Line 2, Column D, cannot be less than zero.

Line 3 — Enter each member's Illinois net sales. Exclude any receipts eliminated in Column D of Step 2 or Step 3.

Note Line 3, Columns A through D, cannot be less than zero.

Line 4 — For each column, divide the amount on Line 3 by the amount in Column D, Line 2.

Note Round the amounts on Line 4 to the sixth decimal place.

Line 5 — For each column, multiply the amount on Line 4 by the amount in Column D, Line 1.

Line 6 — Enter the amount of the member's nonbusiness income or loss that is allocable to Illinois from Illinois Schedule NB, Column B. If an item of nonbusiness income or deduction allocable to Illinois by the member is eliminated in Column D of Step 2 or Step 3, exclude that item in figuring the amount on Line 6 allocable to Illinois by that member.

Line 7 — Enter the member's share of the amount of business income or loss apportioned to Illinois by a non-unitary partnership, a unitary partnership that is included in this Schedule UB, an S corporation, a trust, or an estate.

Line 8 — Enter the total of Lines 5, 6, and 7. For any member of the unitary business group that is not a C corporation, include this amount in Step 4, Column D, Line 9 of this Schedule UB.

Line 9 — Enter the total net income or loss from Line 8 of any member of the unitary business group that is not a C corporation.

Line 10 — Subtract Line 9 from Line 8. Enter the amount from Column D on Form IL-1120, Line 34.

Form IL-1120-ST and Form IL-1065 filers - Do not enter the amount from Column D on Form IL-1120-ST or Form IL1065. See the specific instructions for those return types for more information.

Note Complete Lines 11 through 13 **only** if Column D, Line 10 is negative. **Do not** include any amounts from members who are not C corporations.

Line 11 — Columns A through C — In each column, enter the amount from Line 8 for each member that is a C corporation. If the member is not a C corporation **or** the amount on Line 8 is **positive**, enter "0."

If the net income on Line 8 of every member of this unitary business group that is a C corporation is negative, you may skip Lines 11 and 12 and enter the amount from Line 8 on Line 13.

Column D — Enter the total of Columns A through C.

Line 12 — Columns A through C — For each column, divide the amount on Line 11 by the total amount on Line 11, Column D.

Column D — Enter the total of Columns A through C. This amount must equal 100 percent.

Line 13 — Columns A through C —

If the net income on Line 8 of every member of this unitary business group that is a C corporation is negative, enter the amount from Line 8 of each C corporation member here.

Otherwise, multiply Line 12 of each column by Line 10, Column D.

Column D — Enter the total of Columns A through C. This amount must equal the amount on Line 10, Column D.

Step 5 — Provide your affiliated company information

If you have any excluded members in Step 1, Section D, Line 1, you must complete this section. For each excluded member, you must provide the following information.

Column A — the name of the excluded company,

Column B — the FEIN of the excluded company, and

Column C — the reason that the member is excluded.

For an explanation of 80/20 companies, non-combination rule, and non-unitary members, see the instructions for Step 1, Section D.

Specific instructions for completing Form IL-1120

The amounts to be transferred to Form IL-1120 should be taken from Illinois Schedule UB, Steps 2 and 3, Column E, and Step 4, Column D. For specific line information, see Form IL-1120 Instructions.

Note You must complete **Step 1 of Form IL-1120** in its entirety.

Special Note You must complete **both** Step 4 of the Schedule UB and Step 4 of the Form IL-1120.

Step 2 of Form IL-1120

Lines 1 through 9 — Enter the combined amounts from Step 3, Column E, Lines 1 through 9.

Step 3 of Form IL-1120

Lines 10 through 23 — Enter combined amounts from Step 3, Column E, Lines 10 through 23.

Step 4 of Form IL-1120

Line 24 — Enter the combined amount from Step 3, Column E, Line 24.

Line 25 — Enter the combined amount from Step 3, Column E, Line 25.

Line 28 — Enter the combined "net sales everywhere" amount from Step 4, Column D, Line 2.

Line 29 — Enter the combined "net sales within Illinois" amount from Step 4, Column D, Line 3.

Lines 31, 32 and 33 — Enter the combined amounts from Step 4, Column D, Lines 5, 6, and 7.

Step 5 of Form IL-1120

Step 5, Line 38 — Illinois Schedule UB/NLD must be completed and attached to Form IL-1120 to claim an Illinois net loss deduction. See the instructions for Illinois Schedule UB/NLD for limitations in the amount of loss that may be applied to each member of the unitary group.

Step 6, Step 7, and Step 8 of Form IL-1120

Step 6, Lines 41 and 43, and Step 7, Lines 46 and 48 — The designated agent should compute any credit allowed or recaptured based on the combined activities of the eligible members and apply it against the combined liability of the eligible members. For more information, see Illinois Income Tax Regulations, Section 100.5270.

Note You **must** make payments on a combined basis under the designated agent's FEIN.

If you have any foreign insurer members and you completed Illinois Schedule UB/INS, follow the instructions for Schedule UB/INS and Form IL-1120 to report your tax reduction.

Specific instructions for completing Form IL-1120-ST

If an S corporation is

- unitary with a combined group and uses the same taxable year as the combined group, it should use the Schedule UB prepared by the combined group in completing its Form IL-1120-ST;
- unitary with a combined group, but it uses a different taxable year, it must complete a Schedule UB using its own taxable year; or
- not unitary with a group filing a combined return, it must complete its own Schedule UB using its own taxable year.

Steps 2 and 3 of each separately filed Form IL-1120-ST must be completed showing only the S corporation's separate-company items. The amounts on each member's Form IL-1120-ST, Lines 14 through 21 (less Line 20) and Lines 23 through 33 (less Line 24), shall be the combined totals shown in Schedule UB, Step 3, Column E.

Note The modifications for Form IL-1120-ST Lines 20 and 24 are not included as modifications on the Schedule UB. The amount on Form IL-1120-ST, Lines 20 or 24 must be computed on the Illinois Schedule B, Column E Worksheet, found in the Form IL-1120-ST Instructions. Carry the combined total amounts from Schedule UB, Step 3, Column E for each line item of the Column E Worksheet.

Use the Line 20 and Line 24 amounts to compute the S corporation's base income on Form IL-1120-ST, Step 5, Line 35. Check the box on Form IL-1120-ST, Step 5, Line 35 B and complete Form IL-1120-ST, Step 6 by subtracting

- on Line 36, the combined nonbusiness income of the entire unitary business group, minus the portion allocable to shareholders subject to replacement tax, and
- on Line 37, the amount received by the entire unitary business group from non-unitary partnerships, partnerships included on this Schedule UB, S corporations, trusts, and estates, minus the portion allocable to shareholders subject to replacement tax.

On Form IL-1120-ST, Step 6, Line 40, include the everywhere sales amount from Schedule UB, Step 4, Column D, Line 2. On Line 41 of Step 6 of Form IL-1120-ST, include only the S corporation's Illinois sales. On Form IL-1120-ST, Step 6, Lines 44 and 45, include only the nonbusiness income of the S corporation, and the business income or loss apportionable to Illinois received by the S corporation from trusts, estates, non-unitary partnerships, partnerships included on this Schedule UB, and S corporations minus the portion of those amounts allocable to shareholders subject to replacement tax.

Note You must complete **both** Step 4 of the Schedule UB **and** Step 6 of the Form IL-1120-ST.

Unitary members that are S corporations can use the line reference chart for Form IL-1120-ST below to help complete 2016 Form IL-1120-ST.

Schedules used to compute any amounts shown **must** be attached to Form IL-1120-ST.

If you need more information, visit our website at tax.illinois.gov to view the Illinois Income Tax Regulations referenced in these instructions.

Line Reference Chart for Form IL-1120-ST

| Schedule UB | Form IL-1120-ST | Schedule UB | Form IL-1120-ST |
|--|------------------|--|-----------------|
| Step 2, Line 30, Column E | Step 4, Line 14 | Step 3, Line 25, Column E (less any amounts allocable to shareholders subject to replacement tax) | Step 6, Line 37 |
| Step 3, Line 3, Column E | Step 4, Line 15 | Step 3, Line 26, Column E (less any amounts allocable to shareholders subject to replacement tax) | Step 6, Line 38 |
| Step 3, Line 4, Column E | Step 4, Line 16 | Step 3, Line 27, Column E (less any amounts allocable to shareholders subject to replacement tax) | Step 6, Line 39 |
| Step 3, Line 5, Column E | Step 4, Line 17 | Step 4, Line 2, Column D | Step 6, Line 40 |
| Step 3, Line 6, Column E | Step 4, Line 18 | Step 4, Line 3 (for each S corporation's Illinois' sales) | Step 6, Line 41 |
| Step 3, Line 7, Column E | Step 4, Line 19 | Step 4, Line 4 (for each S corporation's apportionment factor) | Step 6, Line 42 |
| Step 3, Line 8, Column E | Step 4, Line 21 | Step 4, Line 6 (for each S corporation's nonbusiness income or loss) | Step 6, Line 44 |
| Step 3, Line 10, Column E | Step 5, Line 23 | Step 4, Line 7 (for each S corporation's income from non-unitary partnerships, partnerships included on this Schedule UB, S corporations, trusts, and estates) | Step 6, Line 45 |
| Step 3, Line 11, Column E | Step 5, Line 25 | | |
| Step 3, Line 12, Column E | Step 5, Line 26 | | |
| Step 3, Line 13, Column E | Step 5, Line 27 | | |
| Step 3, Line 14, Column E | Step 5, Line 28 | | |
| Step 3, Line 15, Column E | Step 5, Line 29 | | |
| Step 3, Line 16, Column E | Step 5, Line 33* | | |
| Step 3, Line 17, Column E | Step 5, Line 33* | | |
| Step 3, Line 18, Column E | Step 5, Line 30 | | |
| Step 3, Line 19, Column E | Step 5, Line 31 | | |
| Step 3, Line 20, Column E | Step 5, Line 32 | | |
| Step 3, Line 21, Column E | Step 5, Line 33* | | |
| Step 3, Line 24, Column E (less any amounts allocable to shareholders subject to replacement tax) | Step 6, Line 36 | | |

* Enter the portion from Form IL-1120-ST, Line 33 (from line items on the Illinois Schedule M (for businesses)) that corresponds with the line item indicated on Schedule UB.

Specific instructions for completing Form IL-1065

If a partnership is required to file a unitary return, and is

- unitary with a group filing a combined return using the same taxable year as the combined group, it should use the Schedule UB prepared by the combined group in completing its Form IL-1065;
- unitary with a group filing a combined return, but it uses a different taxable year, it must complete a Schedule UB using its own taxable year and following the instructions on “What if there are different accounting periods?” in the General Information above; or,
- not unitary with a group filing a combined return, the group must complete its own Schedule UB for each member or set of members using a specific tax year.

Steps 2 and 3 of each separately filed Form IL-1065 must be completed showing only the partnership’s separate-company items. The amounts on each member’s Form IL-1065, Lines 14 through 22 (less Lines 20 and 21) and Lines 24 through 33 (less Line 27), shall be the combined totals shown in Schedule UB, Step 3, Column E. Items from these partnerships that are involved in the taxable incomes or modifications of other taxpayers included in this Schedule UB should be eliminated in Column D.

Notes concerning specific Form IL-1065 income modifications:

- The addition modification for guaranteed payments on Form IL-1065, Line 20, should be zero. This addition modification for all partnerships included on the Schedule UB is included in the “other additions” on Schedule UB, Step 3, Column E, Line 8, and so included in Line 22 of the Form IL-1065.
- The subtraction modifications for August 1, 1969, valuation limitation amounts on Form IL-1065, Line 25, and personal service income or reasonable allowance for compensation of partners on Form IL-1065, Line 26, should be zero. These subtraction modifications for all partnerships included on the Schedule UB are included in the “other subtractions” on Schedule UB, Step 3, Column E, Line 21, and so included in Line 33 of the Form IL-1065.

- The modifications for Form IL-1065 Lines 21 and 27 are not included as modifications on the Schedule UB. The amount on Form IL-1065, Lines 21 or 27 must be computed on the Illinois Schedule B, Column E Worksheet, found in the Form IL-1065 Instructions. Carry the combined total amounts from Schedule UB, Step 3, Column E, for each line item of the Column E Worksheet.

Use the Line 21 and Line 27 amounts to compute the partnership’s base income on Form IL-1065, Step 5, Line 35. Check the box on Form IL-1065, Step 5, Line 35 B and complete Form IL-1065, Step 6 by subtracting

- on Line 36, the combined nonbusiness income of the entire unitary business group, minus the portion allocable to partners subject to replacement tax, and
- on Line 37, the amount received by the entire unitary business group from non-unitary partnerships, partnerships included on this Schedule UB, S corporations, trusts, and estates, minus the portion allocable to partners subject to replacement tax.

On Form IL-1065, Step 6, Line 40, include the everywhere sales amount from Schedule UB, Step 4, Column D, Line 2. On Line 41 of Step 6 of Form IL-1065, include only the partnership’s Illinois sales. On Form IL-1065, Step 6, Lines 44 and 45, include only the nonbusiness income of the partnership, and the business income or loss apportionable to Illinois received by the partnership from trusts, estates, non-unitary partnerships, partnerships included on this Schedule UB, and S corporations minus the portion of those amounts allocable to partners subject to replacement tax.

Note If you are required to file Schedule UB, you must complete **both** Step 4 of the Schedule UB **and** Step 6 of the Form IL-1065.

Unitary members that are partnerships can use the line reference chart for Form IL-1065 on Page 8 to help complete their 2016 Form IL-1065.

Schedules used to compute any amounts shown **must** be attached to Form IL-1065.

If you need more information, visit our website at tax.illinois.gov to view the Illinois Income Tax Regulations referenced in these instructions.

**Continue to Page 8 for the
Form IL-1065 Line Reference Chart →**

Line Reference Chart for Form IL-1065

| Schedule UB | Form IL-1065 | Schedule UB | Form IL-1065 |
|---------------------------|----------------------------|--|-----------------|
| Step 2, Line 30, Column E | Step 4, Line 14 | Step 3, Line 21, Column E | Step 5, Line 33 |
| Step 3, Line 2, Column E | Include in Step 4, Line 22 | Step 3, Line 24, Column E (less any amounts allocable to partners subject to replacement tax) | Step 6, Line 36 |
| Step 3, Line 3, Column E | Step 4, Line 15 | Step 3, Line 25, Column E (less any amounts allocable to partners subject to replacement tax) | Step 6, Line 37 |
| Step 3, Line 4, Column E | Step 4, Line 16 | Step 3, Line 26, Column E (less any amounts allocable to partners subject to replacement tax) | Step 6, Line 38 |
| Step 3, Line 5, Column E | Step 4, Line 17 | Step 3, Line 27, Column E (less any amounts allocable to partners subject to replacement tax) | Step 6, Line 39 |
| Step 3, Line 6, Column E | Step 4, Line 18 | Step 4, Line 2, Column D | Step 6, Line 40 |
| Step 3, Line 7, Column E | Step 4, Line 19 | Step 4, Line 3 (for each partnership's Illinois' sales) | Step 6, Line 41 |
| Step 3, Line 8, Column E | Step 4, Line 22 | Step 4, Line 4 (for each partnership's apportionment factor) | Step 6, Line 42 |
| Step 3, Line 10, Column E | Step 5, Line 24 | Step 4, Line 6 (for each partnership's nonbusiness income or loss) | Step 6, Line 44 |
| Step 3, Line 11, Column E | Step 5, Line 28 | Step 4, Line 7 (for each partnership's income from non-unitary partnerships, partnerships included on this Schedule UB, S corporations, trusts, and estates) | Step 6, Line 45 |
| Step 3, Line 12, Column E | Include in Step 5, Line 33 | | |
| Step 3, Line 13, Column E | Step 5, Line 29 | | |
| Step 3, Line 14, Column E | Include in Step 5, Line 33 | | |
| Step 3, Line 15, Column E | Include in Step 5, Line 33 | | |
| Step 3, Line 16, Column E | Include in Step 5, Line 33 | | |
| Step 3, Line 17, Column E | Include in Step 5, Line 33 | | |
| Step 3, Line 18, Column E | Step 5, Line 30 | | |
| Step 3, Line 19, Column E | Step 5, Line 31 | | |
| Step 3, Line 20, Column E | Step 5, Line 32 | | |