



Illinois Department of Revenue Schedule K-1-P(1) (R&D)

Instructions for Partnerships and S Corporations Completing Schedule K-1-P (R&D)

What's new for 2016?

Public Act 100-0022 has retroactively restored the Research and Development Credit for tax years ending after December 31, 2015. Originally, the credit had sunset for these tax years and had therefore been removed from the original release of the 2016 Illinois Income Tax forms.

The supplemental Schedule K-1-P (R&D) has been designed to allow you to pass the 2016 Research and Development Credit to your partners or shareholders, if applicable. See the Step-by-Step Instructions for more information.

General Information

What is the purpose of Schedule K-1-P (R&D)?

The purpose of Schedule K-1-P (R&D), Partner's or Shareholder's Share of 2016 Research and Development Credit Supplemental Schedule, is for you to supply each individual or entity who was a partner or shareholder at any time during your tax year with that individual's or entity's share of the 2016 Research and Development Credit.

For Illinois Income Tax purposes, you **must** give a completed Schedule K-1-P (R&D) **and** a copy of the Schedule K-1-P(2) (R&D), Partner's and Shareholder's Instructions, to each partner or shareholder. This must be done by the due date, including any extended due date, of your Form IL-1065 or Form IL-1120-ST.

These instructions explain how to distribute the 2016 Research and Development Credit to your partners and shareholders due to the retroactive restoration of the credit. See Schedule K-1-P(1), Instructions for Partnerships and S Corporations Completing Schedule K-1-P and Schedule K-1-P(3), for more information on how to distribute other amounts to your partners and shareholders.

K-1-P (R&D) Step-by-Step Instructions

Note You must enter your tax year ending in the space provided on the front of the Schedule K-1-P (R&D). Failure to provide this information will result in processing delays for your partner and shareholder.

Step 1 — Identify your partnership or S corporation

Line 1 - Check the appropriate box to identify yourself as a partnership or an S corporation.

Line 2 - Enter the name of your partnership or S corporation as shown on your Form IL-1065 or Form IL-1120-ST.

Line 3 - Enter your federal employer identification number (FEIN). If you are a foreign entity and do not have a FEIN, leave Line 3 blank. If you leave this line blank, you may be contacted for further information.

Step 2 — Identify your partner or shareholder

Line 4 - Enter the name of the partner or shareholder to whom you will issue the Schedule K-1-P (R&D).

Line 5 - Enter the mailing address of the partner or shareholder.

Line 6 - Enter the Social Security number or FEIN of the partner or shareholder.

Line 7 - Enter the percentage that represents this partner's or shareholder's share of income, gain, loss, deduction, or credit that was allocated among the members as required by the Internal Revenue Code (IRC) Section 704 for partners, and IRC Section 1366 for shareholders. In the event that the partnership agreement provides for a specific allocation of certain items that differs from that used to allocate income or loss, report the special items and percentage allocation on a separate sheet and attach it to this schedule.

Line 8a - Check the appropriate box to identify this partner or shareholder as an individual, a partnership, a corporation, an S corporation, a trust, or an estate.

If this partner or shareholder is

- an exempt organization and is taxed as a corporation, check the corporation box on this Schedule K-1-P (R&D).
- an exempt organization and is taxed as a trust, check the trust box on this Schedule K-1-P (R&D).
- a grantor trust or other disregarded entity, check the box on this Schedule K-1-P (R&D) that corresponds to the tax type of the grantor or owner.

Line 8b - Do not check the grantor trust or disregarded entity checkbox, or enter a name or identification number on this line. These are available for your partner or shareholder to complete, as applicable.

Step 3 — Figure your partner's or shareholder's share of your 2016 Research and Development Credit

Line 9 - Research and Development Credit - The 2016 Research and Development Credit is calculated and reported by you on your Illinois Schedule 1299-A (R&D). You must complete Schedule K-1-P (R&D), Line 9, to pass the 2016 Research and Development Credit through to your partners or shareholders. Multiply the amount reported on your Illinois Schedule 1299-A (R&D), Line 9, by the partner's or shareholder's share percentage shown on Step 2, Line 8 and enter the result on that partner's or shareholder's Schedule K-1-P (R&D), Line 9.

You must then supply each partner or shareholder with a copy of their Schedule K-1-P (R&D) and Schedule K-1-P(2) (R&D) along with their Schedule K-1-P and Schedule K-1-P(2).