



General Information

What is the purpose of this form?

The purpose of this form is to calculate penalties you may owe if you did not

- make timely estimated payments,
- pay the tax you owe by the original due date, or
- file a processable return by the extended due date.

Note Form IL-2220, Computation of Penalties for Businesses may only be used with original returns or corrected returns filed before the extended due date. If you are filing an amended return for any reason, you **cannot** use Form IL-2220 to calculate your penalties.

What is late-payment penalty?

Late-payment penalty is a penalty assessed for failure to pay the tax you owe by the due date. This penalty could result from two different underpayment situations and is assessed at either 2 percent or 10 percent of the unpaid liability based on the number of days the payment is late. This method of figuring penalties is for returns due **on or after January 1, 2006**.

For returns due before January 1, 2006, see Publication 103, Penalties and Interest for Illinois Taxes.

You will be assessed **late-payment penalty for unpaid tax** if you do not pay the total tax you owe by the original due date of the return. An extension of time to file does not extend the amount of time you have to make your payment.

You will be assessed a **late-payment penalty for underpayment of estimated tax** if you were required to make estimated tax payments and failed to do so, or failed to pay the required amount by the payment due date.

You **do not** owe the late-payment penalty for underpayment of estimated taxes if

- you are not filing Form IL-1120;
- you were not required to file Form IL-1120 for 2004; or
- your 2005 net tax liability (Form IL-1120, Step 8, Line 52) is \$400 or less.

What is late-filing or nonfiling penalty?

Late-filing or nonfiling penalty is a penalty assessed for failure to file a processable return by the extended due date. The penalty is the lesser of \$250 or 2 percent of the tax amount required to be shown due on your return, reduced by any payments made by the original due date and any credits allowed on your return.

An additional penalty will be assessed if you do not file a processable return within 30 days of the date we notify you that we are not able to process your return. This additional penalty is equal to the greater of \$250 or 2 percent of the tax shown due on your return, determined **without** regard to payments and credits, and may be assessed up to a maximum of \$5,000.

Do I need to complete this form if I owe penalties?

No, you do not need to complete this form if you owe penalties. You may choose to have us figure your penalties and send you a bill instead of completing and filing this form yourself. If you choose to have us figure your penalties, complete your return as usual and do not attach Form IL-2220. However, you must complete this form if you are using the annualized income installment method for late-payment penalty for underpayment of estimated tax in Step 6.

If you prefer to calculate your penalties, complete this form. For more information, see Publication 103, Penalties and Interest for Illinois Taxes. To receive a copy of this publication,

- visit our web site at www.tax.illinois.gov;
- call our 24-hour Forms Order Line at **1 800 356-6302**; or
- call our TDD (telecommunications device for the deaf) at **800 544-5304**.

What if I underpaid my estimated tax because of a change in the law during the tax year?

If a change in the IITA enacted during the tax year increased your liability and the new statute does not specifically provide for relief from penalties, you may reduce or eliminate your penalty for underpayment of estimated tax by using the annualized income installment method in Step 6 and computing your income and liability for each period according to the IITA in effect as of the end of that period. See Specific Instructions for Step 6.

Specific Instructions

Step 1: Complete the following information

Lines 1 through 4 — Follow the instructions on the form.

Step 2: Figure your required installments (Form IL-1120 filers only)

Line 5 — Write in Column A the total net income and replacement tax written on your 2005 Form IL-1120, Step 8, Line 52. Write in Column B the total net income and replacement tax written on your 2004 Form IL-1120, Part II, Line 3.

If the preceding year's return was for a short tax year, or you reported zero total net tax, write "N/A" in Column B.

Note For Columns A and B, if a corrected return was filed for either year on or before the automatic extension date, the corrected tax should be used. If an amended return was filed after the automatic extension date for either year, use the most current tax reported **prior** to that date.

Line 6 — Follow the instructions on the form.

Line 7 — If Column A, Line 5 is \$400 or less, write "0" and go to Step 3. Otherwise, write the lesser of Column A, Line 6, or Column B, Line 5. **If you wrote "N/A" in Column B, write the amount from Column A, Line 6.**

Lines 8 and 9 — Follow the instructions on the form.

Line 10 — Write the amount of your required installment for each due date. For most taxpayers, this is the amount shown on Line 8. However, if you are annualizing your income, write the amounts from Step 6, Line 47.

Note Annualized income installment method: If your income was **not** received evenly throughout the year, you may be able to lower or eliminate the amount of your required installment by using the annualized income installment method in Step 6.

If you choose to annualize your income in Step 6, you must use this method for all installments. When completing the worksheet, select the lesser of the annualized income installment or the regular installment to arrive at the amount of each required installment.

Line 11 —

Quarter 1 — Write the amount of credit carried forward from the prior year.

Line 12 —

Quarter 1 — Subtract Line 11 from Line 10 and write that amount here. If this amount is negative, use brackets.

Quarters 2 through 4 — Write the amount from Line 10.

Lines 13 and 14 — Complete Lines 13 and 14 of each quarter before proceeding to the next quarter. Follow the instructions on the form.

Step 3: Figure your unpaid tax

Line 15 — Write your total net income and replacement tax from:

- Form IL-1120, Step 8, Line 52;
- Form IL-1120-ST, Part II, Line 5;
- Form IL-1065, Part II, Line 9;
- Form IL-1041, Part II, Line 3;
- Form IL-1023-C, Part III, Line 9; or
- Form IL-990-T, Part IV, Line 5.

Line 16a and 16b — Follow the instructions on the form.

Line 17a — Write the amount and the date of your Form IL-505-B payment, made **on or before** your original due date.

Line 17b — Write the amount and the date of any other payment you made **on or before** your original due date.

Add Lines 17a and 17b.

Line 18 — Add Lines 16 and 17.

Line 19 — Subtract Line 18 from Line 15. If the amount is

- **positive**, write the amount here. You owe a late-payment penalty for unpaid tax. Continue to Step 4 and write this amount in Penalty Worksheet 1, Column C.
- **zero or negative**, write the amount here and, if negative, use brackets. You do not owe a late-payment penalty for unpaid tax. Continue to Step 4, skip Penalty Worksheet 1, and go to Penalty Worksheet 2.

Note — If this amount is negative, you may apply this overpayment if you have an underpayment when figuring your Penalty Worksheet 2. See the instructions for Penalty Worksheet 2, Column D.

Step 4: Figure your late-payment penalty

Use Penalty Worksheet 1 to figure your late-payment penalty for unpaid tax.

Use Penalty Worksheet 2 to figure your late-payment penalty for underpayment of estimated tax.

Note — You **must** follow the instructions in order to properly complete the penalty worksheets.

Penalty Worksheet 1 — Late-payment penalty for unpaid tax

Line 20 — Write the amount and the date of any payments you made after your original due date. List the payments in date order. If you need to list more than two, write them next to Lines 20a and 20b.

Line 21 — Follow the instructions on the form.

Column B — Write the original due date of your return.

Column C — Write the amount from Line 19.

Column D — Apply the payment from Line 20 with the earliest date.

Continue applying payments in date order until the unpaid amount in Column C has been satisfied (Column E is zero or an overpayment).

If you have no more payments to apply and Column C remains unpaid, write “0” in Column D and complete Columns E through I.

Note — See the example on Page 4.

Column E — Subtract the payment in Column D from the unpaid amount in Column C.

If this amount is

- **positive**, complete Columns F through I. Write this positive (unpaid) amount on the next line in Column C.

Continue applying payments in date order until the unpaid amount in Column C has been satisfied (Column E is an overpayment, zero, or you wrote “0” in Column D).

- **zero or negative**, you have paid your tax. Write the amount here and, if negative, use brackets. Complete columns F through I.

Note — If this amount is negative, you may apply this overpayment if you have an underpayment when figuring your Penalty Worksheet 2. See the instructions for Penalty Worksheet 2, Column D.

If you wrote “0” in Column D, write the amount from Column C here, and complete Columns F through I.

Column F — Write the date the payment in Column D was made. If Column D is “0,” do not write a date and skip to Column H.

Column G — Figure the number of days from the date in Column B to the date in Column F and write that number here. This is the number of days the payment was late.

Column H — Write the penalty rate that applies to the number of days you wrote in Column G. See the penalty rates listed at the top of Page 2 of the form, below the note.

If Column D is “0,” write 10 percent (.10).

Column I — Figure this amount using the **payment portion** in either Column C or Column D.

If Column D is “0” or if Column E is “0” or an “overpayment,” multiply **Column C** by Column H. Otherwise, multiply **Column D** by Column H and write the amount here.

Line 22 — Add Column I. This is your **late-payment penalty for unpaid tax**. Write the amount here and on Line 29a.

Penalty Worksheet 2 — Late-payment penalty for underpayment of estimated tax

If the amount on Line 14 is a positive number (greater than zero) for any quarter, you may owe a **late payment penalty for underpayment of estimated tax**. Use this worksheet to figure the penalty for any unpaid quarter.

Note — If you paid the required amount from Line 14 by the due date on Line 9 for each quarter, do not complete Penalty Worksheet 2.

Line 23 — Write the amount and the date of each estimated tax payment you made during the year. List the payments in date order. **Do not include** any payments already written on Lines 17 or 20.

Note — If you did not complete Penalty Worksheet 1, write any payment made after your due date on Line 23. Apply this payment to any amount in Column C that is unpaid after applying any overpayment from Line 19.

Line 24 — Follow the instructions on the form.

Column C — Write the underpaid amount from Line 14 on the first line of the appropriate quarter. Do not write any overpaid amounts in this column.

Column D — Apply to the first unpaid quarter, the estimated tax payment (from Line 23) with the earliest payment date.

Continue applying estimated tax payments in date order until all unpaid amounts in Column C have been satisfied (Column E is zero or an overpayment for all unpaid quarters) or you have no more estimated tax payments to apply.

Note — See the example on Page 4.

If you have applied all of your estimated tax payments and Column C remains unpaid for any quarter, you may apply

- any overpayment from Line 19, or
- any overpayment from Penalty Worksheet 1, Column E.

If you have applied all of your payments and overpayments and you still have an unpaid amount in Column C, write “0” here.

Complete Columns E through I.

Column E — Subtract the payment in Column D from the unpaid amount in Column C.

If this amount is

- **positive**, complete Columns F through I. Write this positive (unpaid) amount on the next line in Column C. Continue applying payments in date order until Column E is an overpayment, zero, or you have written “0” in Column D.
- **zero or negative**, you have paid this quarter. Write the amount here and, if negative, use brackets. Complete Columns F through I. Apply any negative (overpayment) amount in Column E to the next underpaid quarter.

If you wrote “0” in Column D, write the amount from Column C here, and complete Columns F through I.

Column F — Write the date of the estimated income tax payment you applied in Column D as shown on Line 23. If

- you are applying an overpayment from Line 19, write the date that corresponds to that payment, shown on either Line 17a or 17b.
- you are applying an overpayment from Penalty Worksheet 1, Column E, write the date that corresponds to that payment, shown on either Line 20a or 20b.
- Column D is “0,” do not write a date in Column F and skip to Column H.

Column G — Figure the number of days from the date in Column B to the date in Column F and write that number here. This is the number of days the payment was late.

Column H — Write the penalty rate that applies to the number of days you wrote in Column G. See the penalty rates listed at the top of Page 2 of the form, below the note.

If Column D is “0,” write 10 percent (.10).

Column I — Figure this amount using the **payment portion** in either Column C or Column D.

If Column D is “0” or if Column E is “0” or an “overpayment,” multiply **Column C** by Column H. Otherwise, multiply **Column D** by Column H and write the amount here.

Line 25 — Add Column I, Quarters 1 through 4. This is your **late-payment penalty for underpayment of estimated tax**. Write the total amount here and on Line 29b.

Step 5: Figure your late-filing penalty and your total penalties

Complete Lines 26 through 28 to figure your late-filing penalty **only** if

- you are filing your return after your extended due date; and
- your tax was not paid by the original due date.

Otherwise, you do not owe a late-filing penalty.

Line 26 — Write the amount of tax due from your annual return. Your tax due is tax minus any timely payments and credits.

Lines 27 and 28 — Follow the instructions on the form.

Line 29a — Write your late-payment penalty for unpaid tax from Line 22.

Line 29b — Write your late-payment penalty for underpayment of estimated tax from Line 25.

Line 29 — Add Lines 29a and 29b.

Line 30 — Add Lines 28 and 29. Write “penalty” and this amount to the left of the tax due line on your annual return. Include this penalty amount in your payment. If you are overpaid, your refund or credit to your 2006 estimated tax will be reduced by this amount.

Step 6: Complete the annualization worksheet for Step 2, Line 10

You should complete this worksheet if your income was **not** received evenly throughout the year, and you choose to annualize your income. If you complete this worksheet, check the box on Form IL-1120, Part II, under Line 7, and attach this form to your return.

Complete each column, Lines 31 through 47 before going to the next column.

If the IITA was amended during your tax year and changed how you compute your net income, and the amendment does not provide relief for taxpayers who computed their estimated tax obligations following the old law, use the old law to compute your net income for each period ending before the date the amendment became law.

For example, a law was passed on July 30, 2004, that disallows certain deductions allowed under prior law, for tax years ending on or after December 31, 2004. A taxpayer completing this form for calendar year 2004 should compute the amounts in Columns B and C, Line 31, and Columns A and B, Line 34, by treating the deduction as though no law changes were made. The amount in Column D, Line 31, and Columns C and D, Line 34, must be computed by adding back the deduction in accordance with the new law.

To figure your tax liability on Line 38 for a period before a new act became law, use the tax rates and credits under the old law.

For example, the Research and Development Credit was repealed by law, effective June 20, 2003, for tax years ending on or after December 31, 2003. The credit was reinstated July 30, 2004, for tax years ending on or after December 31, 2004. A calendar-year taxpayer could use the Research and Development Credit to reduce the tax liability on the 2003 Form IL-2220, in Columns A and B, Line 38, but not for Columns C or D.

The credit could be used again on the 2004 Form IL-2220, in Column D, Line 38, but not Columns A and B. The credit may be used in Column C of the 2004 Form IL-2220 only if the income used to compute the liability on Line 38 is the annualized amount for the first eight months of the year on Line 36. The credit may not be used if the annualized income for the first six months of the year on Line 33 is used, because the law restoring the credit was not in effect as of June 30, 2004.

Line 31 — In Columns B through D, calculate and write the **net** income that would have been shown on Form IL-1120, Step 5, Line 39, if you had completed a 2005 Form IL-1120 for the first three months, the first six months, and the first nine months of the tax year.

Note Net income from Form IL-1120, Step 5, Line 39, is base income after apportionment and Illinois net loss deduction.

Line 33 — Follow the instructions on the form.

Line 34 — In Columns A through D, calculate and write the **net** income that would have been shown on Form IL-1120, Step 5, Line 39, if you had completed a 2005 Form IL-1120 for the first three months, the first five months, the first eight months, and the first eleven months of the tax year.

Lines 36 through 37 — Follow the instructions on the form.

Line 38 — Using the net income on Line 37, calculate and write in each column the total net income and replacement tax that would have been shown on Form IL-1120, Step 8, Line 52, if you had completed a 2004 Form IL-1120 for each period.

Note Your total net income and replacement tax from Form IL-1120, Step 8, Line 52 is tax after recapture and all appropriate credits. (Refer to Form IL-1120, Steps 6 and 7.)

Lines 40 through 47 — Follow the instructions on the form.

Example

ABC Corporation's total Illinois income and replacement tax is \$1,875, as shown on their 12/2004 Form IL-1120, Part II, Line 3. The 2003 tax was \$2,600. The corporation filed their IL-1120 on September 1, 2005, and paid \$300 with the return.

The corporation made the following estimated payments:

\$100 4-15-05	\$750 9-13-05
\$200 6-16-05	\$250 12-20-05

Step 3: Figure your unpaid tax

- 15 Write the amount from Column A, Line 5. 15 1,875
- 16 Add your credit carried forward from the prior year and your total estimated tax payments made this year. Compare that total to either the amount written on Line 7, or, if you annualized, the total of Line 10, Quarters 1 through 4, and write the greater amount here. 16 1,688
- 17 Write other payments made on or before your original due date.
 a Write the amount and the date of your Form IL-505-B. 17a _____ / ____ / ____
 b Write the amount and the date of any other payment. 17b _____ / ____ / ____
 Add Lines 17a and 17b. 17 0
- 18 Add Lines 16 and 17. 18 1,688
- 19 Subtract Line 18 from Line 15. If this amount is
 —positive, write that amount here. Continue to Step 4 and write this amount in
 Penalty Worksheet 1, Column C.
 —zero or negative, write that amount here and, if negative, use brackets. Continue to Step 4,
 skip Penalty Worksheet 1, and go to Penalty Worksheet 2. You may apply this overpayment
 to any underpayment when figuring your Penalty Worksheet 2. See instructions. 19 187

Step 4: Figure your late-payment penalty

Use Penalty Worksheet 1 to figure your late-payment penalty for unpaid tax.
 Use Penalty Worksheet 2 to figure your late-payment penalty for underpayment of estimated tax.

NOTE → You must follow the instructions in order to properly complete the penalty worksheets.

Penalty rates

Number of days late	Penalty rate
1 - 30	.02
31 or more	.10

Penalty Worksheet 1 — Late-payment penalty for unpaid tax

20 Write the amount and the date of any payment you made after your original due date. See instructions.

Amount	Date paid
a <u>300</u>	<u>09/01/2006</u>
b _____	____ / ____ / ____

21 Write the amount from Line 19, on the first line of Column C below.

A Period	B Due date	C Unpaid amount	D Payment applied	E Balance due (Col. C - Col. D)	F Payment date	G No. of days late	H Penalty rate (see above)	I Penalty
Return	<u>03/15/2006</u>	<u>187</u>	<u>300</u>	<u>(113)</u>	<u>09/01/2006</u>	<u>170</u>	<u>.10</u>	<u>18.70</u>
					____ / ____ / ____			
					____ / ____ / ____			

22 Add Column I. This is your late-payment penalty for unpaid tax.

Write the total amount here and on Line 29a. 22 18.70

NOTE → You may apply any remaining overpayment in Column E above, to any underpayment when figuring Penalty Worksheet 2.

Penalty Worksheet 2 — Late-payment penalty for underpayment of estimated tax

23 Write the amount and the date of each estimated income tax payment you made. See instructions.

Estimated income tax payments					
Amount	Date paid	Amount	Date paid	Amount	Date paid
a <u>100</u>	<u>04/15/2005</u>	c <u>750</u>	<u>09/13/2005</u>	e _____	____ / ____ / ____
b <u>200</u>	<u>06/16/2005</u>	d <u>250</u>	<u>12/20/2005</u>	f _____	____ / ____ / ____

24 Write the unpaid amounts from Line 14, Quarters 1 through 4, on the first line of the appropriate quarters in Column C below.

A Period	B Due date	C Unpaid amount	D Payment applied	E Balance due (Col. C - Col. D)	F Payment date	G No. of days late	H Penalty rate (see above)	I Penalty
Qtr. 1	<u>04/15/2005</u>	<u>422</u>	<u>100</u>	<u>322</u>	<u>04/15/2005</u>	<u>0</u>		
		<u>322</u>	<u>200</u>	<u>122</u>	<u>06/16/2005</u>	<u>62</u>	<u>.10</u>	<u>20.00</u>
		<u>122</u>	<u>750</u>	<u>(628)</u>	<u>09/13/2005</u>	<u>151</u>	<u>.10</u>	<u>12.20</u>
Qtr. 2	<u>06/15/2005</u>	<u>422</u>	<u>628</u>	<u>(206)</u>	<u>09/13/2005</u>	<u>89</u>	<u>.10</u>	<u>42.20</u>
					____ / ____ / ____			
					____ / ____ / ____			
Qtr. 3	<u>09/15/2005</u>	<u>422</u>	<u>206</u>	<u>216</u>	<u>09/13/2005</u>	<u>0</u>		
		<u>216</u>	<u>250</u>	<u>(34)</u>	<u>12/20/2005</u>	<u>96</u>	<u>.10</u>	<u>21.60</u>
					____ / ____ / ____			
					____ / ____ / ____			
Qtr. 4	<u>12/15/2005</u>	<u>422</u>	<u>34</u>	<u>388</u>	<u>12/20/2005</u>	<u>5</u>	<u>.02</u>	<u>.68</u>
		<u>388</u>	<u>113</u>	<u>275</u>	<u>09/01/2006</u>	<u>260</u>	<u>.10</u>	<u>11.30</u>
		<u>275</u>	<u>0</u>	<u>275</u>	____ / ____ / ____		<u>.10</u>	<u>27.50</u>

25 Add Column I, Quarters 1 through 4. This is your late-payment penalty for underpayment of estimated tax.

Write the total amount here and on Line 29b. 25 135.48

Calculations

← (187 x .10 = 18.70)

← (200 x .10 = 20.00)

← (122 x .10 = 12.20)

← (422 x .10 = 42.20)

← (216 x .10 = 21.60)

← (34 x .02 = .68)

← (113 x .10 = 11.30)

← (275 x .10 = 27.50)

