IT 99-0029-GIL 03/18/1999 SUBSTRACTION MODIFICATIONS - INTEREST ON U.S. GOVERNMENT OBLIGATIONS

General Information Letter: U.S. government obligation interest earned by a partnership and included in the adjusted gross income of a partner may be subtracted by the partner.

March 18, 1999

Dear:

This is in response to your letter dated March 17, 1999, to Representative xxxxx xxxxxxx, in which you request a letter ruling from the Department of Revenue. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. *See* 86 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter you have stated the following:

> I am requesting information regarding the Illinois Income Tax effect of a Schedule K-1-P received from a S Corporation Bank. The K-1-P received in 1998 reported the following information:
>
> | | |
> |---|---|
> | Line 20 -- Ordinary Income | $11,543 |
> | Line 32 -- Federal Tax Exempt interest | 17,238 |
> | Line 35a -- U.S. Treasury obligations included as business income | 89,917 |
>
> The question is, can the U.S. Treasury obligation of $89,917 be included as a subtraction on IL-1040 for 1998?

Response

An individual shareholder's share of the subtraction modifications allowed to a Subchapter S corporation, as reported to that shareholder by the Subchapter S corporation in Step 5 of the Schedule K-1-P, should be claimed as a subtraction modification on Line 9 of the shareholder's Form IL-1040. This would include interest income from U.S. Treasury obligations reported on Line 35a of the Schedule K-1-P, either in total (in the case of a resident shareholder) or to the extent apportioned to Illinois by the Subchapter S corporation (in the case of a nonresident).

As stated above, this is a general information letter which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Sincerely,

Paul S. Caselton
Associate Chief Counsel -- Income Tax