

## Introduction

The Illinois Electronic Filing Program for the IL-1040, Individual Income Tax Return, offers two methods of electronic transmission - the independent filing method, and the federal/state filing method. The independent filing method is based on the Internal Revenue Service (IRS) independent program. The Illinois Department of Revenue (IDOR) also participates in the IRS Federal/State Electronic Filing Program.

With the independent filing method, electronic IL-1040 returns are transmitted via dial-up telephone lines directly to computers at IDOR in Springfield, Illinois. With the federal/state filing method, electronic IL-1040 returns are transmitted along with the federal return to the IRS, and are then made available by the IRS for retrieval by IDOR.

Regardless of the electronic transmission method used, IDOR checks each electronic IL-1040 return for completeness and accuracy. An electronic acknowledgment is created for each electronic IL-1040 return indicating whether it has been accepted or rejected. The acknowledgment is made available through the department's communications processor for retrieval by the transmitter. If the return is acknowledged as accepted, the return is sent into regular processing channels. If the return is acknowledged as rejected, the acknowledgment will contain error codes that identify the reasons for rejection.

Each electronic IL-1040 return requires a Form IL-8453, Illinois Income Tax Electronic Filing Declaration, as the non-electronic portion of the accepted return. This declaration must be signed and given to the taxpayer along with their IL-1040 copy and any associated support documents, including withholding documents [i.e. Form W-2, Wage and Tax Statement, Form W-2G, Certain Gambling Winnings, Form 1099-G, Certain Government Payments, Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRA's, Insurance Contracts, etc., out-of-state returns, and Form IL-1310, Statement of Person Claiming Refund Due a Deceased Taxpayer (if filing an IL-1040 return on behalf of a deceased taxpayer)].

IDOR establishes procedures for electronic filing of Illinois Individual Income Tax returns in the following documents:

- IL-1345, Illinois Electronic Return Procedures
- IL-1346, Illinois Electronic Return File Specifications and Record Layouts

To be accepted as a participant, all applicants must follow all of the electronic filing procedures, requirements, and specifications. Software Developer and Transmitter businesses must complete Form IL-8633-I, Application to File Illinois Individual Income Tax Returns Electronically for Software Developers and Transmitters. Electronic Return Originators approved in the IRS Electronic Filing Program, and in good standing, are automatically enrolled in the Illinois program.

IDOR reserves the right to limit the number of participants that can be accepted. We also reserve the right to suspend the electronic filing privilege of any accepted participant who varies from these requirements, specifications, and procedures, or who does not consistently transmit error-free returns.

# Independent vs. Fed/State Filing

Illinois offers two methods of IL-1040 electronic transmission. One method is independent filing and the other is IRS federal/state filing. The following information explains the similarities and differences between the two methods:

## Applications

To participate in the Illinois Electronic Filing Program all applicants go through the same application process, regardless of which transmission method they choose to use. Applicants are not required to declare which transmission method they will use when they apply. Once accepted in the program, participants are not required to inform the department if they are switching methods or adding a method. In all cases, however, the applicant is required to be accepted in the IRS Electronic Filing Program.

## Testing

All software developers who develop software to format or transmit electronic returns must pass testing with the department as part of the application process. This applies to developers for both methods of transmission.

Testing material is provided by the department in the IL-1347, Illinois Electronic Filing Test Package, which is used by all participants required to test with the department. The IL-1347 is available to participants who apply as software developers.

Testing with the department for the independent method may begin at the discretion of the participant. Testing for the federal/state method may not begin with the department until after the participant meets IRS testing requirements. For further information, refer to IRS Publication 1436, Test Package for Electronic Filers of Individual Income Tax Returns.

## Transmission of Returns

The independent method allows direct transmission of electronic IL-1040 returns to the department's communications processor via dial-up telephone lines. With this method, filing of an electronic IL-1040 return is not contingent upon the electronic filing of the federal return.

With the federal/state method, the electronic IL-1040 return is transmitted to the IRS as the "state packet" portion of the federal return (refer to the IRS Publication 1346, Section 12 - Federal/State Electronic Filing Specifications). Electronic IL-1040 state records accepted by the IRS are then made available for retrieval by the department.

Each method of transmission has its own unique format for the IL-1040 data and supporting documentation. These formats are different, although there are similarities in field identification and other components of the format. For further information regarding electronic IL-1040 return formats, refer to the IL-1346, Illinois Electronic Return File Specifications and Record Layouts.

## Acknowledgments

The department creates an acknowledgment for each electronic IL-1040 return filed, regardless of the transmission method used. All acknowledgments must be retrieved from the department's communications processor by the transmitter.

Acknowledgments for electronic IL-1040 returns filed using the independent method are created after returns are transmitted to the department. Acknowledgments for electronic IL-1040 returns filed using the federal/state method are created after the returns are retrieved from the IRS. Each acknowledgment indicates whether a return is accepted or rejected. If a return is rejected, error codes will be provided to identify the reason.

## **Reject Resolution Procedures**

If an electronic IL-1040 return is filed using the independent method and is rejected, the electronic IL-1040 return may be corrected and retransmitted to the department. If the return cannot be corrected for retransmission (e.g., it is excluded from electronic filing), the IL-1040 return must be filed on a paper Form IL-1040.

If an electronic IL-1040 return is filed using the federal/state method, there are two opportunities for rejection. The state packet may be rejected by the IRS at the time of transmission. In addition, once the state packet is accepted by the IRS, it may be rejected by the department after being retrieved from the IRS. Acceptance of the state packet by the IRS does not mean that the electronic IL-1040 return will be accepted by the department.

If the electronic state packet is rejected by the IRS, the electronic federal return is rejected also, and vice versa. In the case of IRS rejection, the department has no knowledge that the electronic state packet exists or was rejected. After IRS rejection, both the electronic federal return and electronic state packet can be retransmitted to the IRS, assuming any errors can be corrected. Once both electronic returns are accepted, the IRS will make the state record available to the department for retrieval.

If, after being retrieved, the electronic IL-1040 state record is then rejected by the department, the electronic IL-1040 return can be retransmitted provided the transmission software being used supports the transmission of state-only returns to the IRS. Otherwise, the IL-1040 return must be filed on paper unless the capability exists for the electronic IL-1040 return to be transmitted directly to the department, using the independent transmission method as an alternative.

## **Illinois Form IL-8453**

Except for on-line returns, each electronic IL-1040 return requires Illinois Form IL-8453 as the non-electronic portion of the return regardless of the transmission method used. For further information, see the IL-1345, Illinois Electronic Return Procedures.