

### **IL-1000 Correction (updated 1/23/09)**

The department has been informed of an error in calculating Form IL-1000, Line 1, based on the following scenario.

Partnerships are allowed a subtraction for either personal service income distributable to individual partners or a "reasonable compensation" for individual partners who perform services for the partnership. This is supposed to put partnerships on a par with S corporations, who can pay deductible salaries to their shareholders, while payments to partners for services to the partnership are treated as nondeductible distributions of partnership profits. Since, from the partners' point of view, these subtractions are still treated as partnership profits, there should be withholding on these amounts, too, if the partner is a nonresident.

### **Please adhere to the following instructions when completing Line 1.**

The subtraction allowed on Line 26 of the IL-1065 for personal service income distributable to a partner or reasonable compensation for services performed by a partner for the partnership is actually a special treatment of a portion of partnership profits distributable to the partners, and these profits should be included in business income of the partnership that is subject to pass-through entity withholding. The instructions to Line 1 of the IL-1000 for partnerships should read:

"Add Lines 26 and 27, and subtract Line 21. Multiply the result by Line 43, then add Lines 44 and 46."