Illinois Department of Revenue

2020 Schedule WC-I

Withholding Income Tax Credits Information and Worksheets

What's New for 2020?

- Public Act 101-001 creates the Minimum Wage Credit effective for tax quarters beginning on or after January 1, 2020.
- This schedule has been developed to assist all taxpayers who are claiming withholding income tax credits with understanding the withholding income tax credits and calculating the correct amount of credit to claim on Schedule WC.

General Information

If you are entitled to any of the following withholding income tax credits, use the instructions and worksheets in this schedule to determine the amount of credit to list in Column E, Credit Earned, of Schedule WC, Withholding Income Tax Credits:

- Minimum Wage Credit (See Pages 1-3)
- Economic Development for a Growing Economy Tax Credit Program (EDGE) (See Page 4)
- Illinois Small Business Job Creation Tax Credit (ILSBJC) (See Page 4)

Keep a copy of your worksheets or calculations and Schedule WC in your records. You may be required to submit further information to support your filing.

Specific Instructions

NOTE: This form is to be used to determine the amount of credit to list on your Schedule WC, Column E, ONLY for credits earned in the current quarter.

Use these instructions and the worksheets in this schedule to determine the correct amount of credit to list in Column E of Schedule WC for credits earned in the current quarter.

All figures should be rounded to whole dollars. To do this, drop any amount less than 50 cents and increase any amount of 50 cents or more to the next higher dollar.

Each credit has a four-digit code used to identify it on Schedule WC.

Credit Code	Income Tax Credit Name
0900	Minimum Wage Credit
5900	Economic Development for a Growing Economy Tax Credit Program (EDGE)
5910	Illinois Small Business Job Creation Tax Credit (ILSBJC)

Tax Credit that must be used in the current quarter

NOTE: This section is to be completed only for credits earned and used in the current quarter. Enter "0" on Schedule WC, Column A. This credit cannot be carried forward and cannot exceed the withholding reported for the quarter.

Minimum Wage Credit (Credit Code 0900)

35 ILCS 5/704A(i) For tax quarters beginning on or after January 1, 2020, and ending on or before December 31, 2027, each employer with 50 or fewer **full-time equivalent** employees during the reporting period may claim a credit against the payments due for each qualified employee in an amount equal to the maximum credit allowable. **NOTE:** If the Minimum Wage Credit exceeds the withholding amount, you may only claim the withholding amount as the credit. You will not be able to carry the remaining balance forward to future periods.

"Qualified employee" *is an employee earning the required minimum wage for the current reporting period whose average wage paid during the preceding four reporting periods was equal to or lesser than the currently required minimum wage.* **NOTE:** For purposes of determining the number of qualified employees, new employees hired during the reporting period and earning the currently required minimum wage are treated as having earned the required minimum wage in the preceding four reporting periods.

"Maximum credit" *means a percentage, listed below, of the difference between the amount of compensation paid in Illinois to employees who are paid no more than the required minimum wage during the current reporting period reduced by the amount of compensation paid in Illinois to employees who were paid less than the current required minimum wage during the final reporting period in 2019. If an employer pays an employee more than the required minimum wage, the employer may include the portion that does not exceed the required minimum wage as compensation paid in Illinois to employees who are paid not more than the required minimum wage.*

- *25 percent for reporting periods beginning on or after January 1, 2020, and ending on or before December 31, 2020.*

Step 1: Determine eligibility for the Minimum Wage Credit

To be eligible for the credit for this reporting period (A) an employer must have 50 or fewer full-time equivalent employees and (B) the average wage paid by the employer per employee for all employees making less than $55,000 must be greater than the average wage paid by the employer per employee for all employees making less than $55,000 during the same reporting period in 2019.

For the purposes of determining the number of full-time equivalent employees, a full-time employee works 520 hours in a reporting period (13 weeks in a reporting period x 40 hours per week).

An employee (such as a salaried employee) whose working hours are not tracked by the employer is treated as working 40 hours per week for the number of weeks (rounded to the nearest whole number, for partial weeks) during the reporting period for which he or she was employed.

For example, if such an employee works the entire reporting period, they are treated as working 520 hours during the reporting period.

A) Determine the number of full-time equivalent employees

1. Total the number of weeks (rounded to the nearest whole week), worked during the reporting period by all employees for which hours are not tracked (such as salaried employees);
2. Multiply the number of weeks computed above by 40 to determine the number of hours worked by employees for which hours are not tracked ("salaried employees");
3. Add the actual hours worked by all employees for whom those hours are tracked ("hourly employees") to the number of hours worked by salaried employees to get the total hours worked by all employees;
4. Divide the total of hours worked by all employees by the 520 hours a full-time employee would work in a reporting period.

FTE Formula:

$$\frac{\text{(\# of weeks worked by "salaried employees" x 40 hours) + (\# of hours worked by "hourly employees")}}{520} = \frac{\text{\# FTE employees}}{\textbf{Result A}}$$

If the result is greater than 50, the employer does <u>not</u> qualify for the credit.

B) Determine whether or not you meet the average wage requirements

1. Total the actual amounts paid to each employee who was paid less than $55,000 in the reporting period;
2. Total the number of weeks (rounded to the nearest whole week), worked during the reporting period by all employees for which hours are not tracked by the employer (such as salaried employees);
3. Multiply the number of weeks computed above by 40 to determine the number of hours worked by employees for which hours are not tracked ("salaried employees");
4. Total the actual hours worked by all those employees for whom hours are recorded by the employer ("hourly employees");
5. Add the total hours worked by "hourly employees" computed above and the total hours worked by "salaried employees" computed above.
6. Divide the total wages paid to all employees earning less than $55,000 in the reporting period by the total of hours worked by all employees during the reporting period.

NOTE: If the amount calculated for the current reporting period is **less than or equal to** the amount calculated for the same quarter in 2019, the employer **does not** qualify for the credit.

Continue to Page 3

Step 1: Determine eligibility for the Minimum Wage Credit - continued

Average Wage Formula:

B1) For the current reporting period:

Total wages paid to all employees who earned less than $55,000 for the current reporting period = Average Wage
(total # of weeks worked by "salaried employees" x 40) + (total actual hours worked by "hourly employees") **Result B1**

B2) For the same reporting period in 2019:

Total wages paid to all employees who earned less than $55,000 for the same reporting period in 2019 = _____
(total # of weeks worked by "salaried employees" x 40) + (total actual hours worked by "hourly employees") **Result B2**

Compare these results.

- **If the amount calculated for the current reporting period (Result B1) is less than or equal to the amount calculated for the same quarter in 2019 (Result B2), the employer does not qualify for the credit.**
- **If Result B1 is greater than the Result B2, the employer meets the average wage requirements for the credit.**

C) Determine whether or not you are eligible for the Minimum Wage Credit

Are both of the following statements true?

A) The number of full-time equivalent employees is 50 or fewer (Result A).

B) The amount calculated for the current reporting period (Result B1) is greater than the amount calculated for the same quarter in 2019 (Result B2).

If yes, you are eligible for the credit. Continue to Step 2 below.

Step 2: Determine the amount of Minimum Wage Credit

Enter the total number of hours worked by all **qualified** employees and multiply by the difference between the minimum wage required during this reporting period and the required minimum wage during the last reporting period of 2019. Multiply the result by the factor found under the definition of "maximum credit." See hourly minimum wage rates for more information. Use the applicable formula below.

# of hours worked by all qualified employees **x ($9.25-$8.25) x .25 = Total credit for 1Q and 2Q 2020**

# of hours worked by all qualified employees **x ($10-$8.25) x .25 = Total credit for 3Q and 4Q 2020**

The maximum amount of hours that could possibly be worked is 26,000 (**40 hours x 50 employees x 13 weeks**); therefore the maximum credit allowed in the first and second quarters of 2020 is $6,500. For the third and fourth quarters, the maximum credit is $11,375.

NOTE: The number of hours used to calculate the maximum credit cannot exceed the number of hours worked by employees making less than the current minimum wage during the final reporting period of the previous calendar year.

*For example, Employer A has 25 employees making less than $10.00 per hour in the fourth quarter of 2019. Those employees worked a combined 11,375 hours during the fourth quarter. In the first quarter of 2020, Employer A hired five additional minimum wage employees. For the third quarter of 2020, Employer A now has 30 qualified employees making the required minimum wage of $10.00 per hour who worked a combined 13,650 hours. Employer A's credit is limited to $4,977.00 (**11,375 x $1.75 x .25)** instead of $5,973.00 **(13,650 x $1.75 x .25)**.*

NOTE: An employer may not claim a credit for hours worked by a new qualified employee who was employed by the employer for fewer than 90 total consecutive days immediately preceding the reporting period. However, eligible work hours may accrue during the new qualified employee's first consecutive 90-day period. Accrued hours must be applied to the maximum credit calculation for the reporting period in which the employee reaches the 91st consecutive day.

For more information on how to calculate the Minimum Wage Credit, you can find additional resources at tax.illinois.gov.

Continue to Page 4

Tax Credits that can be carried for five years

How do I use my Illinois Department of Commerce and Economic Opportunity (DCEO) credits?

We receive notification from DCEO and apply credits when they become available. **Do not** claim these credits on your Form IL-941 **until** they are available for use per your tax credit certificate or your certificate of verification that you received from DCEO.

Account for these credits when you plan your payments so that your account remains in balance. Even if you use a DCEO credit, you still need to report the total amount you withheld from your employees or others on Step 4, Line 2, of Form IL-941. Your DCEO credits are applied to your tax liability before your payments. If you made payments that, when added with your DCEO credit, resulted in overpayment of your withholding taxes, you must file a Form IL-941-X, Amended Illinois Withholding Income Tax Return, along with the Schedules P and WC, to verify the overpayment. For additional information about DCEO credits, contact Illinois DCEO.

EDGE Tax Credit (Credit Code 5900)

You may take this credit if

- you have entered into an agreement with DCEO, either under the Economic Development for a Growing Economy Tax Credit Act or the Corporate Headquarters Relocation Act, and
- you meet the conditions stated in your agreement with DCEO.

You must apply and qualify with DCEO for this credit. If you are approved, DCEO will issue you an EDGE Tax Credit Certificate of Verification. This credit is not common.

The EDGE credit will be applied to the first liability period due after the "taxable quarter ending month day, quarter" on the certificate of verification. For example: If your credit certificate of verification states that it is for "taxable quarter ending December 31, 2019," the credit is applied to the first quarter of 2020 (IL-941 for period January 1 through March 31, 2020, due April 30, 2020).

NOTE: If a certificate is issued in the fourth quarter of 2020, the credit is available for use in the first quarter of 2021. To claim the credit, the entire amount should be entered in Column E for the first quarter of 2021. If there is any unused credit from the first quarter of 2021, that amount will be available for carry forward to the second quarter of 2021. Any carried forward amount will always be entered in Column F of Schedule WC.

Enter the amount of EDGE credit awarded to you by DCEO during your current tax quarter in Column E of your Schedule WC and Credit Code 5900 in Column B.

ILSBJC (Credit Code 5910)

You must apply and qualify with DCEO for this credit. If you are approved, DCEO will issue you a Tax Credit Certificate. This credit is applied to the first liability due after the tax credit certificate is issued, and before any IL-501 payments you have made. The federal employer identification number (FEIN) you use on your Form IL-941 must match the FEIN on the tax credit certificate you receive from DCEO.

This credit is applied to the first liability period due after the "tax credit issued" date on the tax credit certificate. For example: If your tax credit certificate states that the tax credit issued date is "February 24, 2020," the credit is applied to the first quarter of 2020 (IL-941 for period January 1 through March 31, 2020, due April 30, 2020).

Enter the amount of ILSBJC credit awarded to you by DCEO during your current tax quarter in Column E of your Schedule WC and Credit Code 5910 in Column B.

NOTE: If a certificate is issued in the third quarter of 2020, the credit is available for use in the third quarter of 2020. To claim the credit, the entire credit amount should be entered on Column E for the third quarter of 2020. If there is any unused credit from the third quarter of 2020, it will be available to be carried forward to the fourth quarter of 2020. Any carried forward amount should be entered on Column F of Schedule WC for the fourth quarter of 2020.