Publication 130

February 2026

Who is Required to Withhold Illinois Income Tax

About this publication

Publication 130, Who is Required to Withhold Illinois Income Tax, is about Illinois income tax withholding requirements. The objectives of this publication are to identify

- who is an employer or payer;
- who is an employee or payee;
- when withholding must occur;
- other withholding requirements for payments of lottery or gambling winnings and purchases of rights to lottery winnings;
- what forms you must give to employees, payees, and lottery or gambling winners; and
- what records you should keep.

Related publications:

- **Publication 131**, Withholding Income Tax Payment and Filing Requirements;
- **Booklet IL-700-T**, Illinois Withholding Income Tax Tables, to calculate withholding;
- **Publication 110,** W-2, W-2c, W-2G, and 1099 Filing and Storage Requirements for Employers and Payers, including 1099-K Electronic Filing Requirements.
- **Publication 121,** Illinois Income Tax Withholding for Household Employees.
- **Publication 131-D,** I Withholding Income Tax Payment and Return Due Dates

The information in this publication is current as of the date of the publication. Please visit our website at tax.illinois.gov to verify you have the most current revision.

This publication is written so the tax information is easier to understand. As a result, we do not directly quote Illinois statutes and the Illinois Administrative Code. The contents of this publication are informational only and do not take the place of statutes, rules, and court decisions. For many topics covered in this publication, we have provided a reference to the applicable section or part of the Illinois Administrative Code for further clarification or more detail. All of the sections and parts referenced can be found in Title 86 of the Code.

Taxpayer Bill of Rights

You have the right to call the Illinois Department of Revenue (IDOR) for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to IDOR notices by asking questions, paying the amount due, or providing proof to refute the IDOR's findings.

You have the right to appeal IDOR decisions, in many instances, within specified time periods, by asking for department review, by filing a petition with the Illinois Independent Tax Tribunal, or by filing a complaint in circuit court.

If you have overpaid your taxes, you have the right, within specified time periods, to a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other IDOR procedures, you may write us at the following address:

PROBLEMS RESOLUTION OFFICE
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19014
SPRINGFIELD IL 62794-9014

Get Illinois Department of Revenue forms and information at tax.illinois.gov

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General Information

Who is required to withhold Illinois Income Tax?

Generally, you must withhold Illinois Income Tax from payments you make for

- employee compensation (*i.e.*, wages and salaries including bonus, overtime, and commission pay) that is paid in Illinois and from which you are required to withhold federal income tax, usually reported to a payee on Form W-2,
- non-wage income such as pensions, annuities, employment income, and sick pay, that you have agreed to voluntarily withhold, usually reported to a recipient on Form 1099,
- gambling winnings greater than $5,000 from an Illinois casino or race track, including sports wagering winnings, from which you are required to withhold federal income tax, usually reported to a payee on Form W-2G,
- Illinois lottery winnings of $1,000 or greater usually reported to a payee on Form W-2G, or
- the purchase of the rights to Illinois lottery winnings, usually reported to the purchaser on Form 1099-MISC.

However, there are some situations that do not require you to withhold Illinois Income Tax. See **"When am I not required to withhold Illinois Income Tax?"** for more information. We do not require a separate agreement for payments covered by a federal voluntary withholding agreement. If requested by a payee, you can enter into a voluntary agreement and withhold Illinois Income Tax on Illinois income such as individual retirement accounts (IRAs) or pensions. **Note:** If you agree to a voluntary withholding agreement, you are required to withhold Illinois income tax.

Note: As a withholding agent (person who withholds income tax), you are liable for the taxes that you are required to withhold and that you volunteer to withhold. Because we are required to collect taxes and issue assessments when these taxes are not paid, Illinois law states that the amounts required to be withheld and paid to us, along with any penalties and interest, are considered to be a tax on **you.**

Who is an employer or payer?

You are an **employer** if you are:

- a person or organization who has an office or transacts business in Illinois for whom a worker performs a service as an employee and you are the person who is liable to withhold and pay federal income taxes to the Internal Revenue Service (IRS).
- a person or organization who has an office or transacts business in Illinois and who has control of the payment of wages for employee services, if the employer does not have control of the payment of wages.
- a payer who has an office or transacts business in Illinois and who makes payments from which federal income taxes are withheld (*e.g.*, gambling or lottery winnings).

You are a **payer** if you are any of the following:

- a person or organization who pays non-wage income such as pensions, annuities, employment income, and sick pay, that you have agreed to voluntarily withhold;
- a person or organization that pays gambling or lottery winnings; or
- a person or organization who purchases the rights to lottery winnings.

See IRS Publication 15 Circular E, Employer's Tax Guide, for more information.

Who is an employee or payee?

An **employee** is either

- a person who performs services subject to the legal control and direction of an employer, or
- an Illinois resident who receives payments on which federal income tax is withheld by the employer.

A **payee** is a person who receives non-wage income, gambling or lottery winnings, or a lump sum payment for rights to lottery winnings.

See IRS Publication 15 Circular E, Employer's Tax Guide, for more information.

Must I register to withhold Illinois Income Tax?

If you are required to or voluntarily withhold Illinois Income Tax for your Illinois employees or payees, you must register with IDOR and tell us the date your Illinois payroll will begin. *Exception: Household employers should refer to* Publication 121, Illinois Income Tax Withholding for Household Employees.

To register your business you have the following options:

- register electronically with the online Illinois Business Registration Application on **MyTax Illinois** (registration confirmation generally available in 1-2 days) at **mytax.illinois.gov**,
- complete and mail Form REG-1, Illinois Business Registration Application (registration confirmation generally available in 6-8 weeks) and any necessary schedules, or
- visit one of our regional offices-

You will receive a temporary tax account number unless you already have received your federal employer identification number (FEIN).

What happens after I register?

If you are a new registrant you are assigned to the monthly payer and quarterly return schedule. See Publication 131, Withholding Income Tax Payment and Filing Requirements. Visit our website at **tax.illinois.gov** for more information regarding our electronic options.

What should I do if I move or change my business name?

If your business name or address has changed from your last return without changing owners, check the appropriate box on Form IL-941, Step 1, and enter your new business name and address in Step 1. File your completed Form IL-941 by its due date. You also can make changes to your business name by completing and submitting Form REG-3-C, Business Information Update, and updates to your address on **MyTax Illinois.**

What should I do if I sell or transfer ownership of my business?

If you sell or transfer your business, you must file a final return (Form IL-941) at the end of the final filing period. You may also be required to file Form CBS-1, Notice of Sale, Purchase, or Transfer of Business Assets, at least 10 days prior to the sale.

What if I no longer have employees or payees from whom I withhold Illinois income tax or my business has closed?

If your business has permanently stopped withholding because it has closed or you no longer pay wages, complete Step 2, Line B, on Form IL-941, check the box to indicate that this is a final return, and enter the date you stopped paying wages. You also can cease your account on **MyTax Illinois.**

What if I am a seasonal employer?

If you are a seasonal business and have ceased paying wages temporarily (*e.g.,* you will be rehiring employees during the next year), continue to file your returns. Even if you do not pay any wages or withhold any tax, you still must file Form IL-941 and complete a Schedule P, Illinois Withholding Schedule, for each reporting period. If you had no withholding for the filing period, report zero on Line 2 of Form IL-941. On the Schedule P, you will enter your business name, FEIN, and zeros in both the income and withholding columns.

Withholding Illinois Income Tax for My Employees

When must I withhold Illinois Income Tax from my employee's compensation?

You must withhold Illinois Income Tax when you withhold federal income tax from compensation you paid in Illinois. Compensation is paid in Illinois when the employee's services are "localized" in Illinois. This statement applies to all individuals except qualifying residents of Iowa, Kentucky, Michigan, and Wisconsin, and military spouses. For further information, see **"When am I not required to withhold Illinois Income Tax?"**

When is compensation paid in Illinois?

The following are general rules for when compensation is paid in Illinois.

1. If the employee's service is localized in Illinois because all of the service is performed in Illinois, then compensation is considered paid in Illinois and subject to Illinois income tax withholding.
2. If some of the employee's services are performed outside Illinois, but the services outside Illinois are **incidental** to the services performed inside Illinois, then compensation is considered paid in Illinois and subject to Illinois income tax withholding.

   The term "incidental" means any service which is necessary to or supportive of the primary service performed by the employee or which is temporary or transitory in nature or consists of isolated transactions. The incidental service may or may not be similar to the individual's normal occupation so long as it is performed within the same employer-employee relationship. That is, an individual who normally performs all of his service in Illinois may be sent by his employer to another state to perform service which is totally different in nature from his usual work or he may be sent to do similar work. So long as the service is temporary or consists merely of isolated transactions, it will be considered to be incidental. In every case, the ultimate determination to be made is

   - whether the individual's service was intended to be and was in fact principally performed within Illinois **and**
   - whether any service which was performed in another state was of a temporary or transitory nature or arose out of special circumstances at infrequent intervals.

   The amount of time spent or the amount of service performed outside Illinois, in itself, should not be regarded as decisive in determining whether such service is incidental to service performed within Illinois.

3. If the employee is an Illinois resident and
   - neither of the rules above apply and
   - no other state's taxes are withheld,

   then compensation is considered paid in Illinois and is subject to Illinois income tax withholding.
4. If the employee's compensation is
   - not localized to any state under any of the rules above and
   - the employee performs significant service within Illinois for **more than 30 working days,** and
   - the service performed within Illinois is **nonincidental** to the employee's service performed outside Illinois,

   then a portion of compensation is considered paid in Illinois and subject to Illinois income tax withholding. The portion of compensation subject to Illinois withholding equals the total compensation paid to the employee multiplied by a fraction equal to the number of working days the employee spent within Illinois during the year divided by the total working days of the year.

   "Working day" means all days during the tax year in which the individual performs duties on behalf of his or her employer. Days in which the individual performs no duties on behalf of his or her employer (e.g., weekends, vacation days, sick days, and holidays) are not working days.

   A **working day** is spent within Illinois if:

   - the individual performs service on behalf of the employer and a greater amount of time on that day is spent by the individual performing duties on behalf of the employer within Illinois, without regard to time spent traveling, than is spent performing duties on behalf of the employer outside of Illinois; or
   - the only service the individual performs on behalf of the employer on that day is traveling to a destination within Illinois, and the individual arrives on that day.

   Example: Mary is an Missouri resident who earned $60,000 in wages from her employer for the tax year. During the year, she performed services for her employer for 35 days in Illinois out of 250 total working days for the year. Accordingly, 14 percent (35 working days divided by 250) of Mary's wages, or $8,400, was paid in Illinois and is subject to Illinois income tax withholding.

   Working days spent within Illinois **do not** include any day in which the employee is performing services in Illinois during a disaster period solely in response to a request made to his or her employer by the government of Illinois, by any political subdivision of Illinois, or by a person conducting business in Illinois to perform disaster or emergency-related services in Illinois.

   "Declared State disaster or emergency" means a disaster or emergency event

   - *for which a Governor's proclamation of a state of emergency has been issued; or*
   - *for which a Presidential declaration of a federal major disaster or emergency has been issued.*

   "Disaster period" means a period that begins 10 days prior to the date of the Governor's proclamation or the President's declaration (whichever is earlier) and extends for a period of 60 calendar days after the end of the declared disaster or emergency period.

   "Disaster or emergency-related services" means repairing, renovating, installing, building, or rendering services or conducting other business activities that relate to infrastructure that has been damaged, impaired, or destroyed by the declared State disaster or emergency.

   "Infrastructure" means property and equipment owned or used by a public utility, communications network, broadband and internet service provider, cable and video service provider, electric or gas distribution system, or water pipeline that provides service to more than one customer or person, including related support facilities. "Infrastructure" includes, but is not limited to, real and personal property such as buildings, offices, power lines, cable lines, poles, communications lines, pipes, structures, and equipment
5. For compensation for services performed by a nonresident as a member of a professional athletic team, the amount that is paid in Illinois is the total compensation for services performed for the team during the year, multiplied by a fraction equal to the number of duty days spent within Illinois by the total number of duty days spent performing services for the team. See Section 304(a)(2)(B)(iv) of the Illinois Income Tax Act (IITA) for more guidance.

Limited exceptions to the general rules:

There are three limited exceptions when you are **not** required to withhold Illinois Income Tax. These exceptions are described as follows.

1. The employee works for an employer under the jurisdiction of the Surface Transportation Board (STB) and performs regularly assigned duties in more than one state. Do not withhold Illinois Income Tax unless the employee is an Illinois resident.
2. The employee works on an aircraft for an air carrier and performs regularly assigned duties in more than one state. Do not withhold Illinois Income Tax unless the employee is an Illinois resident, or, if the employee is not an Illinois resident, the employee earns more than 50 percent of the compensation in Illinois (Illinois flight miles versus all flight miles). Illinois flight miles do not include miles flown over Illinois without taking off or landing.
3. The employee works on a vessel and performs regularly assigned duties in more than one state. Do not withhold Illinois Income Tax unless the employee is an Illinois resident.

Examples of compensation paid in Illinois:

1. Your company employs an Indiana resident to make sales for your company. You control your employee's services, all of which are performed in Illinois. Compensation is paid in Illinois because all of your employee's services are performed in Illinois.
2. Your airline company employs a Missouri resident to fly to various destinations in the United States. Your employee reports to and flies out of a terminal in Illinois. According to your records, 58 percent of your employee's compensation (flight time in Illinois versus flight time to other destinations) is earned in Illinois. Therefore, you must withhold Illinois Income Tax on compensation paid in Illinois to this employee because more than 50 percent of your employee's compensation was earned in Illinois. Illinois flight miles do not include miles flown over Illinois without taking off or landing.

NOTE: For film production projects beginning on or after December 12, 2025, Public Act (P.A.) 104-0453 amends the Illinois Income Tax and Film Production Services Tax Credit Acts to specify the responsibilities of production companies, or its authorized payroll service, and loan-out companies for the payment and reporting of Illinois Income Tax withheld on compensation for services performed in Illinois. For more information, see **FY 2026-16, Changes to Withholding Income Tax for Film Production and Loan-Out Companies.**

When am I <u>not</u> required to withhold Illinois Income Tax?

Unless you enter into a voluntary withholding income tax agreement, you are **not** required to withhold Illinois Income Tax from the following:

- compensation paid to residents of **Iowa, Kentucky, Michigan,** and **Wisconsin** (due to reciprocal agreements with each of these states);
- compensation paid to a non-military employee whose spouse is in the military, both of whom are residents of the same state (other than Illinois), and are only in this state because the spouse is stationed here by the military or where the non-military spouse does not live in the same state as the servicemember but elects to use their servicemember spouse's state of residence for tax purposes as allowed by the Veterans Benefits and Transition Act of 2018;
- compensation paid to a nonresident employee who has performed less than 31 days of service in Illinois and whose compensation is not localized in Illinois under paragraphs one and two in the section "**When is compensation paid in Illinois?**"
- compensation paid to a nonresident employee whose service is performed entirely in another state;
- compensation paid to an Illinois resident whose service is performed entirely in another state, **and** the compensation is subject to withholding in another state;
- qualifying payments made for personal service contracts or prizes awarded from contests conducted in Illinois (Sections 1405.2 and 1405.3 of the IITA);
- compensation that will not be included in the recipient's base income (*e.g.*, annuity payments received from qualified employee benefit plans);
- payments subject to withholding under IRC, Sections 3405 or 3406;
- compensation paid by an employer under the jurisdiction of the Surface Transportation Board (STB), rail and motor carriers, to a nonresident employee who performs regularly assigned duties in more than one state;
- nonresident employees who work on aircraft for an air carrier, perform regularly assigned duties in more than one state, and do not earn more than 50 percent of the compensation in Illinois (Illinois flight miles versus all flight miles). Illinois

flight miles do not include miles flown over Illinois without taking off or landing;

- compensation paid to a master or seaman on a vessel in the foreign, coastwise, intercoastal, interstate, or noncontiguous trade, or an individual employed on a fishing vessel or any fish processing vessel;
- compensation paid to an employee whose compensation is exempt from federal withholding requirements (*e.g.*, "wages" paid to certain types of ministers); or
- compensation paid to **household employees** as defined by the IRS. (For more information, visit www.irs.gov and refer to IRS Publication 926.) **Note:** Pursuant to a voluntary federal agreement, if you withhold federal income tax from your household employees, Illinois withholding is required. Also, you may enter a voluntary Illinois withholding agreement. *If you do withhold Illinois income tax,* you may report and pay these taxes annually on Form IL-1040, Illinois Individual Income Tax Return, Line 20 (No registration is required), or you may file Form IL-941 quarterly (requires registration as a withholding agent). For more detailed information, see Publication 121, Illinois Income Tax Withholding for Household Employees.

Examples for when withholding is not required.

1. Your company, headquartered in Missouri, hires an Illinois resident to install computer networks for your Missouri-based clients. Your employee travels to your clients' branch offices in Illinois to complete network installation for a total of 20 working days. Compensation is not paid in Illinois because your company headquarters/base of operations is in Missouri and your employee performed services in Illinois for less than 31 working days. Therefore, you do not withhold Illinois Income Tax.
2. Your company's main office is in Indiana. You employ an Illinois resident to honor copy machine routine maintenance contracts. Your employee works out of the main office and has clients in both Illinois and Indiana. Your employee spent 21 working days in Illinois. You are not required to withhold Illinois Income Tax because your employees spent less than 31 working days in Illinois.

Note: Although in these two examples you are not required to withhold Illinois Income Tax, your employees' income **will** be taxed by Illinois because they are Illinois residents. Therefore, your employees will file returns in both states. We will give your employees a credit for taxes paid to the other state. If the amount of tax paid to the other state does not cover the Illinois tax liability, your employees may need to make estimated income tax payments to Illinois.

Am I required to withhold income tax for another state if my employee is not an Illinois resident?

If your employee is "paid in Illinois" and is a resident of Iowa, Kentucky, Michigan, or Wisconsin, you may, but are not required by Illinois law, withhold income tax for the other state.

If your employee is a resident of a state with whom Illinois does not have a reciprocal agreement, you must withhold Illinois Income Tax on all income that is paid in Illinois. You may be required to withhold tax for another state in which the employee works or resides. You should contact those states to determine if you are required to register as a withholding agent.

What forms must my employee complete?

Form IL-W-4

Your employee must complete Form IL-W-4, Employee's Illinois Withholding Allowance Certificate. This is your record of the number of allowances that your employee is entitled to claim and would only be disregarded for the following circumstances:

- An employee claims total exemption from Illinois Income Tax withholding, but has not filed a federal Form W-4, Employee's Withholding Certificate, claiming total exemption.
- The IRS has instructed you to disregard the employee's federal Form W-4.

If a completed Form IL-W-4 is not filed, or you are required to disregard Form IL-W-4, you must withhold Illinois Income Tax with no allowances.

Note: Most retirement income is exempt from Illinois Income Tax and no withholding is required, even if federal income tax is withheld. However, retired taxpayers may wish to enter into voluntary withholding agreements to avoid having to pay estimated taxes on their taxable income. Retired taxpayers who enter into such voluntary withholding agreements must also complete Form IL-W-4.

If an employee claimed exemption from withholding on federal Form W-4, you still may be required to withhold Illinois Income Tax if the employee's pay is greater than the Illinois allowance amount.

Before **December 1** of each year, have your employee review his or her Form IL-W-4. If your employee's Illinois withholding allowances change, the employee must complete a new Form IL-W-4.

Example:

Sam is single, does not have any dependents, and cannot be claimed on another person's tax return. He works for you part-time. Sam expects to earn $4,000 this year.

Last year Sam earned $3,000, did not have a federal tax liability, and received a total refund of the federal income tax that was withheld from his pay. Sam does not expect to owe any federal income tax this year. Therefore, he claims exemption from withholding on his federal Form W-4 for this year.

Although Sam may not owe federal income tax, he will owe Illinois Income Tax because he is entitled to only one withholding allowance. The exemption for this allowance is less than his total pay. Therefore, you must withhold Illinois Income Tax from Sam's pay.

Form IL-W-5

Form IL-W-5, Certificate of Residence in Illinois, is completed by an Illinois resident (not your employee) with whom you have a written contract who

- is paid for performing personal services (*e.g.*, artistic or musical performances, or professional consulting services) and the income earned is taxable under Section 1405.2 of the IITA, or
- receives payment for prizes and awards from a contest conducted entirely in Illinois (*e.g.*, game shows, amateur talent contests, dog or horse shows) and the income earned is taxable under Section 1405.3 of the IITA.

You are not required to provide annual information reports of the amounts you pay in either of these situations. You must, however, keep this information in your records and provide it to us if we request.

Note: Instead of completing Form IL-W-5, the recipient may file a certificate of in-state residence on any invoice, billing statement, or contest application submitted to the withholding agent.

Form IL-W-5-NR

To be exempt from Illinois Income Tax withholding requirements you must complete Form IL-W-5-NR, Employee's Statement of Nonresidence in Illinois, if

- you are a resident of a state (Iowa, Kentucky, Michigan, and Wisconsin) with whom Illinois has a reciprocal agreement, or
- your spouse is in the military, you and your spouse are both residents of the same state (other than Illinois), and you are in Illinois only because your spouse is stationed here by the military or you do not live in the same state as your servicemember spouse, but you have elected to claim their state of residence for tax purposes as allowed by the Veterans Benefits and Transition Act of 2018.

If your employee does not complete this form, you must withhold Illinois Income Tax. If your employee moves out of the state of residence designated on the original Form IL-W-5-NR, the employee must notify you of the change within 10 days and file a new Form IL-W-5-NR, if applicable.

Form IL-W-6 and Worksheet

Form IL-W-6, Certificate of Days Worked in Illinois for Non- Residents, is completed by a nonresident who is paid for performing services within Illinois for more than 30 working days during the taxable year on your employer's behalf.

Employers are required to have a copy of the certificate and worksheet on file for each nonresident employee who is expected to work more than 30 working days in Illinois and you do not maintain a time and attendance system which

- requires the employee, on a contemporaneous basis, to record the work location for every day worked outside of the state where the employment duties are primarily performed;
- and allows the employer to allocate the employee's wages for income tax purposes among all states in which the employee performs services.

You are not required to submit this form to IDOR. You must, however, keep this information in your records and provide it upon request.

Do I owe other Illinois employment taxes?

Check with the Illinois Department of Employment Security (IDES) for more information about unemployment insurance contributions for employers. Visit ides.illinois.gov or call the IDES Employer Hotline at 1 800 247-4984.

What forms must I give my employee?

Before January 31 of each year, you must give your employee three copies of federal Form W-2, Wage and Tax Statement, or, if applicable, any version of **Form 1099** (*e.g.*, Form 1099-MISC, Form 1099-INT, Form 1099-R).

If your employee permanently discontinues employment before the close of the calendar year or you terminate a federal voluntary withholding agreement, you must give the employee (or other person receiving payments subject to withholding) a

completed federal Form W-2 within 30 days of the last payment for which withholding was required. You must keep records of all employment records, including undeliverable Forms W-2 and Forms 1099, for at least four years after the date you are required to give the form to the employee.

What forms must I submit to the Illinois Department of Revenue?

You are **required** to electronically file Form IL-941, Illinois Withholding Income Tax Return, **quarterly**. See Publication 131 for more information on filing and payment requirements.

For information on due dates of electronic submission of Forms W-2, W-2c, W-2G, and 1099, see Publication 110, Forms W-2, W-2c, W-2G, and 1099 Filing and Storage Requirements for Employers and Payers, including 1099-K Electronic Filing Requirements.

If you are unable to file your forms electronically, you may request Form IL-900-EW, Waiver Request, through our Taxpayer Assistance Division at **1 800 732-8866** or **217 782-3336**. The Waiver Request must be completed and submitted back to IDOR. You will be notified if the Waiver Request is approved or denied.

What if the due date falls on a weekend or recognized holiday?

Any time a due date falls on a weekend or state recognized holiday, we adjust the due date to the next business day.

How do I complete Form W-2 for my employee showing income and withholding for Illinois?

For Illinois purposes when completing Form W-2, Box 16, enter the amount of wages paid in Illinois or paid to an Illinois resident employed in a reciprocal state (Iowa, Kentucky, Michigan, or Wisconsin), under the rules in the section **"When is compensation paid in Illinois?"**even if you withheld other states' tax on some of those wages or withheld Illinois tax on a different amount. If none of the employee's wages were paid in Illinois or for an Illinois resident's employment in a non-reciprocal state, report zero in Box 16 even if you withheld Illinois income tax from those wages. Illinois residents who pay income tax to other states need this information in order to correctly compute the credit allowed for those taxes. Make sure that the sum of the state wages in Box 16 are equal to Box 1.

Example 1: Tom is an Illinois resident who works only in Indiana (a non-reciprocal state). His employer is voluntarily withholding Illinois taxes because the Schedule CR credit Tom receives from his Indiana income will not cover his Illinois tax liability. His gross wages are $33,165. The Form W-2 should be completed as follows:

15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
IN	36-XXXXXXX	$33,165	$994.95	SAMPLE		
IL	36-XXXXXXX	$0	$829.13			

Form **W-2** **Wage and Tax Statement** 2025 Department of the Treasury—Internal Revenue Service

Copy 1—For State, City, or Local Tax Department

How do I complete Form W-2G or Form 1099 for my payee showing withholding for Illinois?

For Illinois purposes when completing federal Forms W-2G, or any Forms 1099, you must include any Illinois income tax withheld on the line for "State income tax withheld" or "State tax withheld." Follow the Instructions for the form. ***Make sure to use the prefix "IL."***

Form W-2G sample:

13 State/Payer's state identification no.	14 State winnings
IL 36-XXXXXXX	$ *2000.00*
15 State income tax withheld	**16** Local winnings
$ SAMPLE	$ *50.00*

Form 1099-MISC sample:

14	15 Nonqualified deferred compensation $ SAMPLE
16 State tax withheld $ 50.00 $	17 State/Payer's state no. IL 36-XXXXXXX
18 State income $ 2000.00 $	

m1099MISC Department of the Treasury - Internal Revenue Service

Form 1099-R sample:

14 State tax withheld $ 50.00 $	15 State/Payer's state no. IL 36-XXXXXXX	16 State distribution $ $
17 Local tax withheld $ $	18 Name of locality SAMPLE	19 Local distribution $ $

Department of the Treasury - Internal Revenue Service

Form 1099-INT sample:

12 Bond premium on Treasury obligations $	13 Bond premium on tax-exempt bond $ SAMPLE		
14 Tax-exempt and tax credit bond CUSIP no.	15 State IL	16 State identification no. 36-XXXXXXX	17 State tax withheld $ 50.00 $

www.irs.gov/Form1099INT Department of the Treasury - Internal Revenue Service

Withholding Illinois Income Tax for Lottery or Gambling Winnings

When must I withhold Illinois Income Tax from lottery winnings?

You must withhold Illinois Income Tax each time you make a single payment of Illinois lottery winnings of $1,000 or more. It does not matter that several individuals may jointly hold the winning ticket and each person's "share" is less than $1,000. You must withhold Illinois Income Tax for both residents and nonresidents.

When must I withhold Illinois Income Tax from gambling winnings?

You must withhold Illinois Income Tax from gambling winnings, including sports wagering winnings, you pay any time the winnings are subject to federal income tax withholding requirements and are not subject to another state's withholding requirements.

In general, winnings that currently are subject to federal income tax withholding include proceeds of more than $5,000 in a single payment from

- a wager placed in a sweepstakes, wagering pool, or lottery (other than a state-conducted lottery); or
- all other wagering transactions, including a wagering transaction in a parimutuel pool with respect to horse races, dog races, or jai alai, if the amount of the proceeds is at least 300 times as large as the amount wagered.

Bingo, keno, and slot machine winnings are subject to federal withholding requirements for amounts of $2,000 or more. See 26 USCA 3402(q) of the Internal Revenue Code and the IRS' instructions for federal Forms 5754 and W-2G for more information.

What forms must a winner complete?

Each time you pay Illinois lottery winnings of $1,000 or more or gambling winnings of more than $5,000 in a single payment, the winner must complete Form IL-5754, Statement by Person Receiving Gambling Winnings. This form helps you identify which winners are Illinois residents. Keep this form in your records to show who received winnings and to whom the winnings are taxable. You will use this information when you prepare federal Form W-2G.

What forms must I give each recipient?

By **January 31** of each year, you must give each recipient two copies of federal **Form W-2G.**

Note: You must keep any undeliverable Form W-2G for at least three years after the date you are required to give the form to the recipient.

Withholding Illinois Income Tax for Purchases of the Rights to Lottery Winnings

Do I have an obligation to withhold Illinois Income Tax from purchased lottery winnings?

You must withhold Illinois Income Tax from the purchase price of rights to future Illinois lottery winnings that you purchased from another entity. The Illinois Lottery notifies us of the purchase and we send instructions to you on how to remit the Illinois withholding to us. Make sure to follow the instructions you are sent and use the account number we assign to you.

When must I withhold Illinois Income Tax from purchased lottery winnings?

You must withhold Illinois Income Tax at the time you purchase the lottery rights. You must register and report the withholding for each purchase on Form IL-941. For more information, refer to Informational Bulletin FY 2014-08. The tax is withheld at the current income tax rate.

Continued on next page

Illinois Income Tax Forms for Determining Withholding from Employees and Lottery or Gambling Winners

If	employee/payee completes	and for Illinois purposes, you withhold
you withhold federal income tax for an employee or other whose compensation is paid in Illinois	Form IL-W-4	based on the number or allowances claimed.
you enter into a voluntary withholding agreement with your employee or payee	Form IL-W-4	based on the number or allowances claimed.
you pay an Illinois resident for personal services, and the income is reportable under Section 1405.2 of the Illinois Income Tax Act	Form IL-W-5	zero.
you pay an Illinois resident prizes and awards from a contest entirely in Illinois and the income is reportable under Section 1405.2 of the Illinois Income Tax Act	Form IL-W-5	zero.
your emloyee is a resident of Iowa, Kentucky, Michigan, or Wisconsin or is a nonresident spouse of a military servicemember and is only in Illinois because the service member is stationed here	Form IL-W-5-NR	zero.
you are a nonresident Illinois Illinois employee and you expect to perform non-incidental services for more than 30 working days within Illinois on your employer's behalf during the calendar year	Form IL-W-6	based on the number or allowances claimed.
you pay Illinois lottery winnings of $1,000 or more to an Illinois resident or nonresident	Form IL-5754	the full rate of tax (no exceptions).
you pay gambling, pari-mutuel wagering, and sports wagering winnings more than $5,000 that are subject to federal withholding	Form IL-5754	the full rate of tax (no exceptions).
you purchase rights to Illinois Lottery Winnings and withhold Illinois income tax from the purchase price	None	the full rate of tax (no exceptions).

What if I need help?

Contact information:

- Visit our website at **tax.illinois.gov**.
- For specific phone number and email contacts see our **Contact Us** page.
- Call us at **1 800 732-8866**, **217 782-3336** or **1 800 544-5304** (TTY).
- Write us at Illinois Department of Revenue, PO Box 19001, Springfield, IL 62794-9001.
- Call our 24-hour Forms Order Line at **1 800 356-6302**.

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