

General Information Letter: Reasons the Department requests copies of Forms W-2 from some electronic filers explained.

July 16, 2010

Dear:

This is in response to your letter dated May 5, 2010 in which you state the following:

We were instructed to prepare a correspondence to address an outstanding issue that did not get resolved by an Illinois Department of Revenue agent. What we would like is an explanation to the following issue which has caused problems with our current clients the past few years:

Our clients have been receiving recurring notices for tax due liabilities and requesting copies of W-2's to support their Illinois withholding. Our knowledge is that if the tax returns are filed electronically, the W-2s are confirmed electronically by the State of Illinois.

When notices are received by our clients, they direct their questions to us wanting an explanation of why this is occurring. Unfortunately, we do not have an explanation because we cannot get an explanation or reason from the Illinois Department of Revenue agents as to why these notices keep recurring.

Electronically filed tax returns are supposed to save time for us, clients, and the State of Illinois. However, receiving these unnecessary notices is wasting more time and energy for everyone.

We would like someone at the State of Illinois to address this matter and respond to us in writing.

According to the Department of Revenue ("Department") regulations, the Department may issue only two types of letter rulings: Private Letter Rulings ("PLR") and General Information Letters ("GIL"). The regulations explaining these two types of rulings issued by the Department can be found in 2 Ill. Adm. Code §1200, or on the website <http://www.tax.illinois.gov/LegalInformation/regs/part1200>.

Due to the nature of your inquiry and the information presented in your letter, we are required to respond with a GIL. GILs are designed to provide background information on specific topics. GILs, however, are not binding on the Department.

When taxpayers file electronic returns, each electronic IL-1040 return is checked for completeness and accuracy before an electronic acknowledgment is generated either accepting or rejecting the return. The situation you describe in your letter seems to involve returns that have been acknowledged by the Illinois Department of Revenue as "accepted." An acknowledgement that a return has been "accepted" simply means that the return has been sent into the regular processing channels and that no "fatal errors" were found in the electronic transmission of information. Perhaps an easier example would be to view the electronic transmission similar to that of putting the return in the mail: both methods of delivery are still subject to processing. This means the information on both paper and electronic returns must be verified and may be edited if necessary.

Illinois regulations address the responsibilities of electronic filers in 86 Illinois Administrative Code

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105, specifically Section 105.230. One of many responsibilities of electronic filers is to retain copies of the electronically transmitted material such as Forms W-2, W-2G, and 1099-R until December 31 of the filing year for verification purposes.

Your letter indicates that your clients have been receiving recurring notices for tax due liabilities along with requests for copies of W-2's to support their Illinois withholding. The liability notices cannot be resolved until your clients submit the necessary documentation supporting their Illinois withholding. Please keep in mind that the issues could be as simple as data entry errors when submitting electronic returns. We encourage you to instruct your clients to comply with the notice requests for information as diligently as possible.

As stated above, this is a general information letter which does not constitute a statement of policy that either applies, interprets or prescribes tax law. It is not binding on the Department. Should you have additional questions, please do not hesitate to contact our office.

Sincerely,

Heidi Scott
Staff Attorney -- Income Tax