



Informational

Bulletin

Brian Hamer, Director

Withholding Tax Changes

This bulletin summarizes the rate change for employers, payroll service providers, software developers, and those that pay gambling and lottery winnings; and summarizes changes to the Withholding Income Tax process.

This bulletin is written to inform you of recent changes; it does not replace statutes, rules and regulations, or court decisions.

For information or forms

Visit our web site at:
tax.illinois.gov

Call us at:
1 800 732-8866 or
217 782-3336

Call our TDD
(telecommunications device
for the deaf) at:
1 800 544-5304

— *Income tax rate decreasing effective January 1, 2015.*

The Illinois Income Tax rate for individuals has decreased from 5 percent to 3.75 percent, effective January 1, 2015.

The new rate of withholding applies to

- employee compensation (*i.e.*, wages and salaries) paid in Illinois,
- unemployment paid to an Illinois resident who has asked to have Illinois taxes withheld,
- gambling or lottery winnings in Illinois, and
- purchases of rights to Illinois Lottery winnings.

Booklet IL-700-T, Illinois Withholding Tax Tables, has been updated and is available on our website.

If you use an automated payroll method to figure your withholding, use the following formula:

$$.0375 \times \left(\text{Wages} - \frac{((\text{IL-W-4, Line 1 allowances} \times \$2,150) + (\text{IL-W-4, Line 2 allowances} \times \$1,000))}{\text{number of pay periods in a year}} \right)$$

— *The Illinois Department of Revenue is implementing measures to improve the process of filing and paying withholding income tax.*

- The Form IL-941 and instructions have been updated to explain what information is requested on each line and how to use credits.
- Taxpayers are encouraged to review their returns and make sure to include the correct tax and payment amounts.
- To prevent credits from being used erroneously, taxpayers will not be able to use a credit from a withholding overpayment on their current IL-941 return until the overpayment has been approved by the Department. The Department will notify taxpayers in writing if the overpayment is verified and is approved as an available credit (referred to as IDOR-approved credit on the return).
- Most overpayments will require filing Form IL-941-X, Amended Illinois Withholding Income Tax Return, to verify the credit.
- Taxpayers can contact the Department in writing to have a payment moved that was applied in error.

— If you are required to electronically submit your Form W-2s, you must submit them by February 15, 2015, per 86 Ill. Adm. Code 100.7300.

The Illinois Department of Revenue filed an emergency rule December 22, 2014, effective immediately, requiring taxpayers who are required to submit their Form W-2s electronically, to submit them on or before February 15. Taxpayers who transmit W-2 and W-2c returns to Illinois electronically include:

- **Mandatory withholding taxpayers — Payroll providers** who file payroll returns and complete W-2s for employers of any size, and **all employers who are required** to electronically transmit W-2s to the federal government (Social Security Administration) are required to file their W-2s by February 15.
- **Voluntary withholding taxpayers** — Employers who do not meet the above requirements but choose to file their W-2s electronically are encouraged to file their W-2s by February 15.

For calendar years 2014 and forward, copies of W-2s must be submitted to the Illinois Department of Revenue no later than **February 15** of the year following the year of the withholding.

If the IRS has granted an extension of time to file a federal information return due to a natural disaster or other approved reasons, an employer must submit copies of its W-2s to the Illinois Department of Revenue on or before the extended due date of the federal information return. Taxpayers who are granted a federal extension for information returns due on or before February 15 and who file their W-2 information with us on or before the federal extended due date will not be penalized.

Businesses that make a reasonable and good faith effort to comply with the February 15 deadline will not be penalized.

For more information or forms

- Refer to Publication 110, Form W-2 Electronic Transmittal Requirements
- Visit our website at **tax.illinois.gov**
- Call 1 866 440-8680 or 217 524-4767
- Call our TDD (telecommunications device for the deaf) at 1 800 544-5304