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Bulletin

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

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Illinois Withholding Income Tax Guidance - Minimum Wage Credit

**To: All tax practitioners and businesses eligible for
the new Minimum Wage Credit**

Public Act 101-001 creates the Minimum Wage Credit that may be used against Illinois withholding income tax payments. For tax quarters beginning January 1, 2020, and ending December 31, 2027, each employer with 50 or fewer full-time equivalent employees during the reporting period may claim a credit due for each qualified employee, in an amount equal to the maximum credit available.

What is the maximum credit I can claim?

The “maximum credit” means the percentage listed below of the difference between the amount of compensation paid in Illinois to employees who are paid not more than the required minimum wage reduced by the amount of compensation paid in Illinois to employees who were paid less than the current required minimum wage during the reporting period prior to each increase in the required minimum wage on January 1.

If an employer pays an employee more than the required minimum wage and that employee previously earned less 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.

If the Minimum Wage Credit exceeds the withholding amount, you may only claim the withholding amount as credit and you will not be able to carry the remaining balance forward to future periods.

The following percentages are allowed for the reporting periods as described below:

- 25 percent for reporting periods beginning on or after January 1, 2020, and ending on or before December 31, 2020.
- 21 percent for reporting periods beginning on or after January 1, 2021, and ending on or before December 31, 2021.
- 17 percent for reporting periods beginning on or after January 1, 2022, and ending on or before December 31, 2022.
- 13 percent for reporting periods beginning on or after January 1, 2023, and ending on or before December 31, 2023.

- 9 percent for reporting periods beginning on or after January 1, 2024, and ending on or before December 31, 2024.
- 5 percent for reporting periods beginning on or after January 1, 2025, and ending on or before December 31, 2025.
- The maximum amount may continue to be claimed for reporting periods beginning on or after January 1, 2026, and
 - ending on or before December 31, 2026, for employers with more than 5 employees; or
 - ending on or before December 31, 2027, for employers with no more than 5 employees.

EXAMPLE 1: For March 2020, an employer has 10 employees who were all paid \$9.25 (the current required minimum wage).

In December 2019, all 10 employees were paid \$8.25 (\$1.00 less than the current required minimum wage).

In total, the 10 employees worked 2000 hours combined for the March 2020 quarter.

The multiplier for 2020 is .25, so the credit is \$500.00 for March 2020.

$$0.25 \times (2000 \times (\$9.25 - \$8.25)) = \$500.00$$

EXAMPLE 2: For March 2020, an employer has one employee who is paid \$9.75 (more than the current required minimum wage).

In December 2019, the employee was paid \$8.25 (\$1.00 less than the current required minimum wage so the additional \$0.50 is irrelevant). In total, the employee worked 200 hours for the March 2020 quarter.

The multiplier for 2020 is .25, so the credit is \$50.00 for March 2020.

$$0.25 \times (200 \times (\$9.25 - \$8.25)) = \$50.00$$

What is a qualified employee?

A “qualified employee” is an employee currently 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.

[For more information about the hourly minimum wage, refer to the Illinois Department of Labor’s website.](#)

How do I claim the Minimum Wage Credit?

If you are eligible for the Minimum Wage Credit, complete and attach the new Schedule WC, Withholding Income Tax Credits, to your Form IL-941, Illinois Withholding Income Tax Return.

To calculate the Minimum Wage Credit, see the Schedule WC Instructions and Schedule WC-I, Withholding Income Tax Credits Information and Worksheets, available at our website at tax.illinois.gov.

Are there any other changes to Form IL-941?

For tax quarters beginning January 1, 2020, all withholding taxpayers will be **required** to complete and attach the Schedule P, Illinois Withholding Payroll Schedule, to Form IL-941 to verify Illinois income and withholding records.