



informational

Bulletin

Constance Beard, Director

Withholding Tax Rate and Personal Exemption Amount Changes

To: Employers, payroll service providers, software developers, and payers of gambling and lottery winnings who withhold Illinois Income Taxes

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

This bulletin summarizes the income tax rate change and the exemption amount change for certain employees per P.A. 100-0022.

You must now immediately adjust withholding tax rates.

The Illinois Income Tax rate for individuals has increased from 3.75 percent (.0375) to 4.95 percent (.0495), effective July 1, 2017.

The new income tax rate applies to Illinois income tax withholding (either required or by voluntary agreement) on Illinois income, including, but not limited to:

- Wages and other employee compensation including bonus, overtime, and commission pay, usually reported to the recipient on a Form W-2.
- Non-wage income such as pensions, annuities, unemployment income, and sick pay that you have agreed to voluntarily withhold, usually reported to a recipient on a Form 1099.
- Gambling and lottery winnings (paid by the entity issuing the winnings such as the Illinois Lottery or a casino), usually reported to a recipient on a Form W-2G.
- Amounts paid to purchase rights to Illinois lottery winnings reported on a Form 1099-MISC.

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:

$$.0495 \times \left(\text{Wages} - \left(\frac{(\text{IL-W-4, Line 1 allowances} \times \$2,175) + (\text{IL-W-4, Line 2 allowances} \times \$1,000)}{\text{number of pay periods in a year}} \right) \right)$$

What are the changes to the personal exemption amount that affect withholding?

For tax years beginning on or after January 1, 2017, the personal exemption allowance may not be claimed if the taxpayer's adjusted gross income for the taxable year exceeds \$500,000 for returns with a federal filing status of married filing jointly, or \$250,000 for all other returns. Employees who exceed these income amounts may complete a new Form IL-W-4, Employee's and other Payee's Illinois Withholding Allowance Certificate, to update their exemption amounts and increase their Illinois withholding.

For information or forms

Visit our website at:
tax.illinois.gov

Publications and Forms:

- FY 2018-01
- FY 2018-02
- IL-W-4 (R-07/17)
- IL-700-T (R-07/17)

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