



**Roland W. Burris**

Comptroller  
State of Illinois

201 State House  
Springfield, Illinois 62706  
217/782-6000

TO: Chief Fiscal Officers of All State Agencies

DATE: October 28, 1988

SUBJECT: Changes in Illinois Income Tax Withholding Requirement

Section 14 of Public Act 85-299 repeals Sections 708 and 709 of the "Illinois Income Tax Act" effective January 1, 1989, eliminating the requirement to withhold State income taxes from the following two types of payments:

1. Payments pursuant to personal service contracts involving performance in Illinois by nonresidents specifically named in the contract.
2. Prizes and awards (excluding lottery prizes) made to nonresidents for their participation in competitive contests staged in Illinois.

Instead of withholding, informational returns (Forms 1099) will be required to be filed with the Illinois Department of Revenue for the above types of payments. These forms will be generated and filed by the Office of the Comptroller from information on the Contractual Service Vouchers for payments made beginning in calendar 1989.

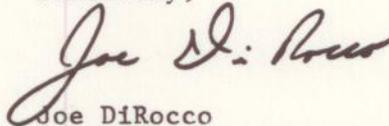
To eliminate State tax withholding and instead provide Form 1099 information, please utilize the following procedures for completing the C-02 voucher for the above two types of payments effective January 1, 1989:

- Block 15 Continue to enter "S" regardless of marital status.
- Block 16 Enter "E" meaning the payment is exempt from State withholding.
- Block 18 Leave blank or enter ".00".
- Block 30 Continue to enter "5" which will indicate the payment is for nonresidents other than lottery payments.

The remainder of the Contractual Service Voucher should be completed as currently indicated in CUSAS Procedure 17.20.55. This Procedure will be changed in the next revision to reflect these new guidelines and procedures.

If you have any questions concerning this matter, please call Ms. Brenda Drabant who may be reached at (217) 782-8279.

Sincerely,

A handwritten signature in cursive script that reads "Joe DiRocco".

Joe DiRocco  
Manager, Contract/Voucher Division