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ILLINOIS STATE COMPTROLLER

PAYROLL BULLETIN

To: All State Agencies, Boards and Commissions
From: Ellen Andres, Assistant Comptroller – Operations
Date: November 8, 2019
Subject: State Income Tax Withholding for Employees Residing in Other States
Number: 3-19

SAMS Manual Procedures 23.20.10 and 23.20.50 identify four states, Iowa, Kentucky, Michigan, and Wisconsin, that have entered into reciprocal agreements with Illinois to allow State of Illinois employees and retirees residing in those states to withhold taxes at the resident state's rate. Because of the number of employees and retirees living in Indiana, they have been given an exception and will be allowed to withhold taxes at the Indiana rate. Effective for payrolls issued after 12/31/2019, the Illinois Office of Comptroller (IOC) will not be withholding taxes at other State rates for any employees or retirees that reside in a state that does not have a reciprocal agreement or exception with Illinois. Agencies should inform employees or retirees affected by this change in practice and withhold Illinois state income tax for these employees.

As a reminder, employees may make changes to their federal and state tax withholding allowances by completing a new W-4 form. Agencies can access the W-4 form on the Comptroller's website at <https://illinoiscomptroller.gov/agencies/resource-library/accounting-forms/c-25-employees-federal-and-illinois-withholding-allowance-certificate/>. In addition, the Illinois Department of Revenue requires that employees residing in a state that has a reciprocal agreement with Illinois (Iowa, Kentucky, Michigan, and Wisconsin) and claim "exempt" from paying Illinois income taxes must complete form IL-W-5-NR, Employee's Statement of Nonresidence in Illinois. This form can be found at <https://www2.illinois.gov/rev/forms/withholding/Documents/currentyear/il-w-5-nr.pdf>. All withholding allowance forms must be kept on file by the employing agency.

Agencies may access this and other Payroll, SAMS, and Accounting Bulletins on the IOC's website at www.illinoiscomptroller.gov/agencies. If you have questions regarding this bulletin, please contact the IOC payroll office at (217) 782-4758.