

September 2010

RE: ILLINOIS ENACTS SMALL BUSINESS JOB CREATION TAX CREDIT

Illinois has passed legislation to encourage hiring within small businesses. Eligible taxpayers may be able to claim a \$2,500 tax credit against payment of Illinois withholding taxes for each full-time employee hired during 7/1/2010 through 6/30/2011. The credits are limited to no more than \$50 million for all employers. This equals the creation of 20,000 new jobs in Illinois. If the applications exceed \$50 million, the credits will be allowed on a first-come-first-served basis.

Eligible employers must have no more than 50 full-time employees. An employer who has 50 full-time employees but also part-time positions may still be considered an eligible employer. There must be a net increase in the total number of full-time Illinois employees on 6/30/2011 compared to the same number on 7/1/2010 and the net increase must be sustained continuously for at least 12 months for an employer to be eligible to receive the credit. If a new employee terminates employment before the completion of the 12 month period, a replacement employee hired within a reasonable time for the same position will be treated as continuous employment.

The credit may not reduce withholding tax payments due to less than zero. Any excess may be carried forward and applied against the taxpayer's liability in the five succeeding calendar years.

Eligibility Requirements:

- The position must have been created between 7/1/10 and 6/30/11.
- The position must be filled by an eligible employee(s) for at least a year.
- The position must pay no less than \$13.75 per hour or the equivalent salary of \$25,025 annualized.
- The credit may be claimed for an hourly employee working an average of at least 35 hours per week or full-time salaried employee.
- The position cannot be filled by someone previously employed by the company between January 1, 2010 and June 30, 2010.
- The position cannot be filled by any individual who has direct or indirect ownership interest of at least 5% in the profits, capital or value of the business.
- The position may not be filled with an out-of-state employee.

Mechanics:

- Employers who are eligible to receive this credit are to register online at: <http://jobstaxcredit.illinois.gov/> as soon as the new, full-time Illinois employee is hired and begins providing services.
- After one year of continuous increased employment, application for the credit must be submitted online.
- The DCEO will issue a certificate to each applicant awarded a credit.
- A copy of the credit certificate awarded by the DCEO will be attached to the withholding return when the credit is claimed.

Please contact our office regarding any questions you may have. We look forward to being of service to you.