



Illinois Small Business Owners Get Tax Break for Hiring

Use an easy, online system to register your newly created jobs

Wondering if the time is right to add the next position to grow your small business? Act now and earn a tax credit.

Small businesses are the foundation of a great economy. To help spur on your success, the State of Illinois is offering tax credits when you create a new, full-time position. After hiring the employee, your business can apply online to receive a \$2500 tax credit against withholding taxes which will be awarded after July 1, 2011. The credits are available on a first-come, first-served, basis.

To apply, simply go online to jobstaxcredit.illinois.gov. You'll need to provide basic information including your FEIN. In a year, eligible companies will receive a tax credit certificate.

Eligible Businesses

- As of June 30, 2010, had 50 or fewer full-time employees (counting all locations).

Eligible Jobs

- Created between July 1, 2010 - June 30, 2011.
- Position pays no less than \$13.75/hour or equivalent with minimum \$25,025 annually.
- Position sustained for at least one year (not necessarily held by the same individual for the year).
- Withholding tax goes to Illinois.
- Hourly or full-time, but not partners or independent contractors.

“There are 500,000 small businesses across Illinois. If every small business was able to create just one additional local, sustainable job, Illinois’ unemployment rate would drop by five percent.” - *Governor Pat Quinn*



Illinois Small Business Job Creation Tax Credit

Frequently Asked Questions

What is the purpose of the Illinois Small Business Job Creation Tax Credit? Public Act 096-0888 creates this Tax Credit to help reverse the trend of high unemployment in Illinois and to help spur the economy to recovery, by assisting and encouraging small businesses in the creation of local, sustainable, new jobs.

What businesses are eligible for this tax credit? The business must locate within the State of Illinois and must be engaged in interstate or intrastate commerce.

Eligible employers must have 50 or fewer total employees on June 30, 2010.

The determination of whether an employer has 50 or fewer employees on June 30, 2010, will include all employees in every location, which includes both in Illinois and out of state employment totals.

Calculation of the net increase in the number of Illinois employees is based on the employer's number of Illinois employees as of June 30, 2010. If the business hires 10 new people but lay off 12, it wouldn't receive any credits.

New small businesses hiring their first Illinois employee(s) may qualify for the credit.

How much is the tax credit worth? The credit is for \$2,500 per job (that can be carried forward) on withholding tax for employers with 50 or fewer total employees who hire new, full-time Illinois employees during the 12-month period beginning July 1, 2010.

A credit can be taken against a company's withholding tax liability.

The program is capped at \$50 million worth of credits issued.

What are the guidelines for the new position to be eligible for the credit? The position must have been created between July 1, 2010 and June 30, 2011.

The position must pay no less than \$13.75 per hour or the equivalent salary for a new employee for a minimum of \$25,025 annualized.

Eligibility for the credit does not require that a particular individual employee be retained for one year, only that a new, full-time Illinois job be created and sustained for one year.

The credit may be claimed for an hourly employee working an average of at least 35 hours per week or for a full-time salaried employee, but not for a partner or an independent contractor.

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 a direct or indirect ownership interest of at least 5% in the profits, capital or value of the business.

How will companies apply for the tax credit and how will it work? Eligible companies must register that they have created a new position online at www.JobsTaxCredit.illinois.gov.

Online registration for the credit may be made as soon as a new, full-time Illinois employee is hired and begins providing services.

Approximately one year after filling the new position, the business will provide supporting data as requested online in order to be issued its tax credit certificate(s). The credit certificates will be issued beginning July 1, 2011.

Tax credits granted will not change the recognition of withholding tax paid for either employer or employee.

What will be the impact of the credit? Small businesses are the backbone of the Illinois economy. 95% of Illinois businesses have fewer than 50 employees. This tax credit encourages small businesses to hire today, instead of next year, to get their business and the economy growing again. The credit could be awarded for the creation of up to 20,000 jobs.

Who will manage the program? Will it require more money or employees? DCEO will work with the Department of Revenue as it does with various other tax credit programs already in place. An analysis of the cost to administer this tax credit by DCEO is underway and has yet to be completed.

Are any small businesses been exempted? No.

Is the tax credit limited to a particular industry? Does it exclude retail or restaurants? No, as long as the position created is FT and the position pays no less than \$13.75 per hour or the equivalent salary for a new employee for a minimum of \$25,025 annualized.

Are there any salary requirements? The position must pay no less than \$13.75 per hour or the equivalent salary for a new employee for a minimum of \$25,025 annualized.

The legislation says "at least \$25,025" salary. Will the State offer the tax credit on a sliding scale, meaning that wages far above \$25,025 a year will earn a larger tax credit than \$2500? No, the \$2500 tax credit is a fixed amount. The tax incentive is the same for a \$25,025 job as it is for a \$100,000 job. There is no "sliding scale" based on wage.

Does a person need to have been previously unemployed for the company to receive the credit? No. However, the person must not have been employed by the business between January 1, 2010 and June 30, 2010.

How will you verify these jobs have actually been created? These will be verified based on tax and employee information which companies must submit when they register for the credit upon creating the job(s); and after July 1, 2011 when they apply to claim the credit. Audits will also be completed just as with other State tax credit programs.

Does it matter how the company is structured legally? Since the relief is credited against the company's withholding tax, any company that pays payroll is eligible and it does not matter what their legal classification is.

IL has reciprocal agreements with other border states, such as Indiana and Kentucky. Can I create a FT position and fill it with an out-of-state employee and still receive the tax credit? No, that goes against the intent of the legislation.

If my company has 50 FT jobs, but a few more part-time jobs, do I fit the criteria for "small business"? Yes. The statute refers to eligible companies having no more than 50 "full-time positions" at the beginning of the incentive period on July 1, 2010.

How does this credit apply if I hire a new waitress whose wage comes primarily from tips? When reporting the position, the restaurant will have to report the position's tips to ensure it reaches the \$25,025 threshold.

Will the State review the applications for "quality" of jobs and make its decisions based on "better" jobs? This program is first-come, first-served. As long as the position meets the criteria of 1) FT position filled by an eligible employee(s) for at least a year; 2) making no less than \$13.75 per hour or the equivalent salary for a minimum of \$25,025 annualized 3) withholding taxes going to Illinois, then the company completing their application before the funds run out will receive their credit.