



Illinois Department of Revenue

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IDOR Reminds Illinois Businesses of Minimum Wage Tax Credit Available This Year

Small Businesses Can Offset Up to 25 Percent of Wage Increase on Withholding Taxes

The Illinois Department of Revenue (IDOR) is reminding small businesses they can utilize the Minimum Wage Credit starting January 1, 2020. The new tax credit is designed to help small businesses offset the state's minimum wage rate that will gradually increase to \$15 an hour over the next six years. Businesses can claim now the credit on their quarterly Illinois Withholding Income Tax Returns.

"Illinois small businesses should take advantage of this tax credit," said acting Director David Harris. "Raising the wage for hardworking Illinois families was one of Governor Pritzker's top priorities and he worked to ensure that small businesses and nonprofits remain competitive during the transition period. Along with a new capital bill and tax credits for apprenticeship programs and research investments, this measure will help fulfill this administration's goal of fostering an environment that will grow jobs and reward hardworking families."

Beginning this year, businesses and nonprofits with 50 full-time equivalent employees or less are eligible to offset a portion of the minimum wage increase cost from their withholding income taxes. The maximum credit amount allowed is 25 percent of the difference between the new minimum wage and what each employee was paid previously. The percentage allowed each proceeding year will decrease before sunsetting in 2026 for most small businesses. Eligible businesses can claim this credit by filing Form IL-941, Illinois Withholding Income Tax Return, and a new schedule.

Illinois' minimum wage was last raised in 2010 (to \$8.25). Raising the wage to \$15 an hour is estimated to impact 1.4 million Illinoisans, according to the Illinois Economic Policy Institute at the University of Illinois.

Visit IDOR's website tax.illinois.gov for information on how to calculate this credit, as well as additional resources, including IDOR's withholding income tax Information Bulletin FY2020-13 and Frequently Asked Questions (FAQs).

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