



Illinois Department of Corrections

Administrative Directive

Number: 02.99.110	Title: Reporting Individual in Custody Earnings to the IRS	Effective: 11/1/2021
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Authorized by:	<i>[Original Authorized Copy on File]</i> Rob Jeffreys Director
Supersedes:	02.99.110 effective 11/1/1997

Authority: 730 ILCS 5/3-2-2	Related ACA Standards: 5-ACI-1B-01, 03, 5-ACI-7A-13
Referenced Policies: 05.03.103	Referenced Forms:

I. POLICY

The Department shall report individual earnings of individuals in custody which equal or exceed \$600 during the calendar year to the Internal Revenue Service (IRS).

II. PROCEDURE

A. Purpose

The purpose of this directive is to establish a procedure for preparing and reporting individual earnings of individuals in custody to the IRS.

B. Applicability

This directive is applicable to all correctional facilities within the Department and to Correctional Industries.

C. Facility Reviews

A facility review of this directive shall be conducted at least annually.

D. General Provisions

1. The IRS in an opinion dated March 15, 1978, exempts the Department from withholding Federal income taxes from earnings of individuals in custody due to the lack of an employee employer relationship. However, the Department is required to report to the IRS individual earnings of individuals in custody of \$600 or more during a calendar year in accordance with this directive.
2. The Department, as the payor, shall exercise diligence in obtaining and reporting the individual in custody's correct name and social security number when reporting compensation or be subject to a penalty. The certification or verification of the individual in custody's correct social security number required by Administrative Directive 05.03.103 shall document the Department's reasonable attempt to obtain the individual in custody's correct name and social security number.
3. In the event the IRS notifies the Department that an individual in custody's social security number is invalid or incorrect, that individual in custody's assignment or pay or both shall be immediately changed or restricted, in accordance with Administrative Directive 05.03.103, to an amount that will ensure he or she will not earn \$600 or more during the current calendar year until verification is received from the Social Security Administration.

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E. Requirements

1. Individual earnings of individuals in custody which equal or exceed \$600 during one calendar year shall be reported to the IRS by January 31 of the subsequent year. Individual earnings shall be recorded on IRS Form 1099 MISC and a summary of the total number of forms shall be recorded on IRS Form 1096. The Information Services Unit shall produce an electronic file, and printed IRS 1096 form and 1099 MISC form, and shall distribute the required documentation as follows:
 - a. The 1096 form and Copy A of the 1099 MISC form shall be forwarded to:

Department of the Treasury
Internal Revenue Service
Kansas City, Missouri 64999
 - b. The electronic file shall be submitted via upload on the IRS website.
 - c. Copies B and C of the 1099 MISC form shall be returned to the appropriate facility Business Office.
 2. Upon receipt of Copies B and C of the 1099 MISC forms, the facility Business Office shall distribute Copy B of the forms to the respective individuals in custody. The form for any individual in custody who is no longer at the facility shall be forwarded to the individual in custody by the facility Business Office. Copy C shall be retained by the Business Office responsible for transmitting the forms.
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