

**Illinois Department of Revenue  
Regulations**

**Title 86 Part 100 Section 3100 COMPENSATION (IITA SECTION 302)**

**TITLE 86: REVENUE  
CHAPTER I: DEPARTMENT OF REVENUE**

**PART 100  
INCOME TAX**

**Section 100.3100 Compensation (IITA Section 302)**

- a) **General Definition**  
Compensation is defined in IITA Section 1502(a)(3) to mean wages, salaries, commissions and any other form of remuneration paid to employees for personal services. The term is thus comparable to the term "wages" as used in IRC Section 3401(a), except that the exceptions set forth in the Code section are inapplicable for purposes of Article 3 of the Act. (See Section 100.7000 for definition of compensation subject to withholding.)
- b) **Employee**  
Compensation is defined as remuneration for personal services performed by an "employee". If the employer-employee relationship does not exist, remuneration for services performed does not constitute "compensation." The term "employee" includes every individual performing services if the relationship between him or her and the person for whom he or she performs the services is the legal relationship of employer and employee. The term has the same meaning under the Illinois Income Tax Act as under IRC Section 3401(c) and 26 CFR 31.3401(c)-l.
- c) **Types of Compensation**  
The name by which remuneration for services is designated is immaterial. Thus, salaries, fees, bonuses, commissions on sales or on insurance premiums, and pensions and retired pay are compensation within the meaning of the statute if paid for services performed by an employee for his or her employer.
- d) **Past Services**  
Remuneration for personal services constitutes compensation even though at the time paid the relationship of employer and employee no longer exists between the person in whose employ the services were performed and the individual who performed them, so long as the relationship existed when the services were rendered.
- e) **Examples**  
The standards set forth in this Section may be illustrated, in part, by the following examples:
  - 1) **EXAMPLE 1:** A is a salesman for B corporation. B conducts a selling contest among its salesmen, first prize being a two-week vacation in Las Vegas. A is the winner of the contest and is awarded the vacation. The fair market value of the trip constitutes compensation.

- 2) EXAMPLE 2: C is employed by D corporation during the month of January 1970 and is entitled to receive remuneration of \$100 for services performed for D during the month. C leaves the employ of D at the close of business on January 31, 1970. On February 15, 1970 (when C is no longer an employee of D), D pays C the remuneration of \$100 for services performed in January. The \$100 is compensation.
  
- 3) EXAMPLE 3: The facts are the same as in Example 2, except that C is discharged by D at the end of January. In addition to the \$100 earned by C for services performed in January, D pays C \$50 severance pay. The \$50 constitutes compensation.

(Source: Amended at 44 Ill. Reg.10907, effective June 10, 2020)