

**Illinois Department of Revenue
Regulations**

Title 86 Part 475 Section 170	Local Workforce Tax Rate Reduction
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TITLE 86: REVENUE
CHAPTER I: DEPARTMENT OF REVENUE

PART 475
ILLINOIS HYDRAULIC FRACTURING TAX ACT

Section 475.170 Local Workforce Tax Rate Reduction

- a) *The rate of tax imposed on working interest owners of a well under Section 2-15 of the Tax Act shall be reduced by 0.25% for the life of the well when a minimum of 50% of the total workforce hours on the well site are performed by Illinois construction workers being paid wages equal to or exceeding the general prevailing rate of hourly wages. (See Section 475.1105(b).)*

- b) *When more than one well is drilled on a well site, total workforce hours shall be determined on a well-by-well basis. If the operator intends to drill more than one well on a production unit, workforce hours for common costs, such as building lease roads and a well pad to be used by multiple wells, shall be allocated to the first well drilled on the production unit. If an operator files documentation to claim the Local Workforce Tax Rate Reduction for multiple wells on a production unit no later than the 6 months after the date of the first purchase of oil or gas from the first well on the production unit for which the reduction is claimed, the operator may allocate the common costs equally between the multiple wells.*

- c) *Any operator that intends to claim the reduction provided for in this Section on his or her behalf, or on the behalf of the working interest owners, shall be responsible for obtaining from all construction contractors working on a well site, records to document the claim for the reduction in tax rate.*
 - 1) *Operators shall, at a minimum, obtain from construction contractors, in writing:*
 - A) *the total number of construction workers that performed work under the contract;*
 - B) *the number of Illinois construction workers that performed work under the contract, whether oral or written, between the operator and the construction contractor;*
 - C) *the hours worked by each construction worker; and*
 - D) *the wage paid to each construction worker for the hours of work performed on the well site.*

- 2) *The operator shall obtain and retain any other records the Department determines are necessary to verify a claim for a reduction in the tax. The operator shall make the records available to the Department upon request.*
 - 3) *For the purposes of this Section, each construction contractor, upon written request from the operator, shall retain the following records:*
 - A) *each worker's name, address, and telephone number, if available;*
 - B) *years of residency in Illinois;*
 - C) *the type of work the workers perform;*
 - D) *the hourly wages paid each worker; and*
 - E) *the number of hours worked by each worker for the term of the contract.*
 - 4) *The construction contractor shall retain any other records the Department determines are necessary to verify a claim for a reduction in the tax. The construction contractor shall make the records available to the operator and Department upon request. The operator and construction contractors shall retain the records for 3 years.*
 - 5) *No later than the 6 months after the date of the first purchase of oil or gas from a well, the operator shall file with the Department, in the form and manner required by the Department, a report and documentation to support that the working interest owners qualify for the reduction in the rate of tax provided for in this Section. The report shall be signed by the operator, or an officer, employee, or agent of the contractor, and state under oath that he or she has examined the report and documentation and the report and documentation are true and accurate. The Department shall keep the records submitted in accordance with this subsection for a period of not less than 3 years from the date of filing.*
- d) *No later than 60 days after receipt of a report and complete documentation to support that the working interest owners qualify for the reduction in the rate of tax, the Department shall notify the first purchaser and the operator when the working interest owners qualify for a reduction in the tax under this Section and state the amount of the reduction. The reduction shall be effective the date of first production. The first purchaser or operator may take a credit for any retroactive reduction in the tax rate on a return filed under Sections 2-45 and 2-50 of the Tax Act.*
 - e) *Reports shall be filed on forms furnished and prescribed by the Department and shall contain any other information the Department may reasonably require. [35 ILCS 450/2-17]*