

+ AVOIDING PROBLEMS IN FILING WITHHOLDING TAX  
+ CHANGE IN WITHHOLDING REQUIREMENTS

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|TO:|All Withholding Agents - Do not use 1989 forms to transmit 1988 payments and vice versa. file information reports for payments over \$1,000.

Here is your 1989 Withholding Tax Coupon Booklet. Please take a moment to check it over to make sure that your forms show your correct name, address, and federal employer identification number (FEIN). - Use the correct IL-941 for each quarter. If you are an annual filer, use the fourth quarter IL-941. If these changes cause you to cease being a withholding agent, you must file a final IL-941 return for the fourth quarter of 1988. Be sure to check the "final return" box on the form.

+ How to Avoid Problems With Your Account

- If the FEIN in your coupon booklet is incorrect, call the number at the bottom of this bulletin and ask for Central Registration.

- If you permanently cease withholding as a withholding agent, file a final IL-941 and check the "final return" box on the form.

Reporting on Personal Service Contracts

A personal service contract is a written contract (not involving employees) which requires the presence, in Illinois, of a specific, named individual or individuals. Some examples are contracts involving artistic, musical, and athletic performances in Illinois, as well as contracts for professional consulting services.

+ Change in Withholding Requirements

If you never make payments for personal service contracts or for prizes and awards made to nonresidents, please disregard the rest of this bulletin.

If, in the ordinary course of business, the total payments under the contract will exceed \$1,000 during the calendar year, you must file an information report.

- Notify us of a change in business name or address by completing Form NUC-16, in the coupon booklet.

- Your coupon booklet contains different labels for IL941/IL501, NUC-16, and IL-W3. Use the correct label for each form and do not use labels from prior year's booklets.

If you make payments on or after January 1, 1989, for personal service contracts involving performance in Illinois by nonresidents or for prizes and awards made to nonresidents for their competitive performances, you no longer need to withhold. Instead, you will be required to

If the individuals in the contract certify they are Illinois

(over)

residents (on Form IL-W-5NR, or on any invoice or on the contract), you need not file an information report.

Reporting on Prizes and Awards

If, in the ordinary course of business, you pay prizes and awards to nonresidents that exceed \$1,000 (in cash or fair market value) for their participation in competitive contests staged in Illinois you must file an information report. These prizes and awards must be for the relative performance by an individual, or the animal or car of an individual. Such contests include sports events, game shows, amateur talent contests, dog or horse shows, etc.

If the contestants certify that they are Illinois residents (on Form IL-W-5NR or the contest application), you need not file an information report.

New Form for Reporting Payments

Use Form IL-1096-P to report payments for personal service contracts and prizes and awards, and attach U.S. Form 1099 to your IL-1096-P. You must file this form annually by March 15 of the year following the year for which the U.S. 1099's were issued. There is a penalty for failure to file this report.

Note: You should use the IL-W2-NR for reporting withholding payments made for personal service contracts and prizes and awards through December 31, 1988.

Questions?

You may find the provisions concerning information reporting on payments made for personal service contracts and prizes and awards in Sections 1405.2 and 1405.3 of the Illinois Income Tax Act (Ill. Rev. stats. 1987, ch. 120, para. 14-1405.2 and 1405.3).

If you have questions or need additional information, you may call or write us at the address and phone number listed at the bottom of this page.

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 FOR INFORMATION CALL: 1 800 732-866 or  
 1 217 782-3336  
 WRITE: Illinois Department of Revenue  
 101 W. Jefferson St., P.O. Box 19044  
 Springfield, IL 62794-9044  
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