



## ■ Reciprocal Agreement with Indiana Rescinded

### **TO:** Illinois Employers, Illinois and Indiana Taxpayers, and Tax Practitioners

Effective January 1, 1998, Illinois will no longer continue its reciprocal agreement with Indiana. This change requires

- Illinois residents that are employed in Indiana by an Indiana employer to pay Indiana Income Tax on any compensation received from that employer.
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### **What do I need to do if I am an Illinois employer and I employ an Indiana resident ?**

If you are an Illinois employer and you employ a resident of Indiana, you must

- have that employee complete Form IL-W-4, Employee's Illinois Withholding Allowance Certificate,

- withhold Illinois Income Tax from the compensation you pay to that employee beginning on January 1, 1998, and
- pay the Illinois Income Tax that you withheld to us.

### **What do I need to do if I am an Illinois resident employed in Indiana?**

If you are an Illinois resident and are employed in Indiana by an Indiana employer, any compensation you receive will be taxed by Indiana. Illinois Income Tax will no longer be withheld from your pay although you remain subject to Illinois Income Tax because you are an Illinois resident.

You should contact your Indiana employer to receive information concerning Indiana's withholding requirements.

Beginning in 1999 (*i.e.*, when you file your 1998 Form IL-1040, Illinois Individual Income Tax Return), you may be allowed to take a credit on your Form IL-1040 for the tax you paid to Indiana. To see if you qualify for a credit against Illinois Income Tax, you must complete an

Indiana Income Tax return and Schedule CR, Credit for Taxes Paid to Other States. If you qualify for a credit, attach your completed Schedule CR and a copy of your Indiana tax return to your Form IL-1040.

### **What do I need to do if I am an Indiana resident employed in Illinois?**

If you are an Indiana resident and are employed in Illinois by an Illinois employer, you **are required** to pay Illinois Income Tax on any compensation you receive from your Illinois employer. All compensation you receive in Illinois is subject to withholding of Illinois Income Tax.

Contact your employer to receive Form IL-W-4, Employee's Illinois Withholding Allowance Certificate. Complete this form and give it to your employer. Your completed Form IL-W-4 will allow your Illinois employer to withhold the correct amount of Illinois Income Tax from your pay. Otherwise, your Illinois employer will withhold Illinois Income Tax from your compensation without consideration for any exemption that you may be allowed.

Beginning in 1999 (*i.e.*, when you file your 1998 Form IL-1040), you

will need to complete a Form IL-1040 and attach a completed Schedule NR, Nonresident and Part-Year Resident Computation of Illinois Tax, to your return when you file. Schedule NR will allow you to calculate the correct amount of income tax that you must pay on any compensation earned in Illinois.

### **Questions?**

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the bottom of this bulletin.



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**For information  
or forms...**

Call us at 1 800 732-8866 or 217 782-3336.

Call our TDD (telecommunications device for the deaf) at 1 800 544-5304.

Write us at Illinois Department of Revenue, P.O. Box 19044, Springfield, IL 62794-9044.

Visit our Web site at <[www.revenue.state.il.us](http://www.revenue.state.il.us)>.

Call "Illinois Tax Fax," our fax-on-demand service, at 217 785-3400.

Call our 24-hour Forms Order Line at 1 800 356-6302.

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