State Tax Matters
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Income/Franchise:
Illinois DOR Appears to Decline "Convenience of Employer" Rule for Nonresident Withholding

General Information Letter IT-21-0008, Ill. Dept. of Rev. (10/1/21). Responding to a series of tax-related questions posed through a third-party survey, the Illinois Department of Revenue (Department) indicated that with respect to an employer's nonresident employees, if the assigned or primary office of a nonresident employee is in Illinois but the employee is working in another state for his or her convenience rather than the employer's necessity, Illinois would *not* source the wages to Illinois based on the location of the primary office – thus appearing to decline a "convenience of employer"-type rule for Illinois income tax withholding purposes. Other Department responses in the survey reflect legislation enacted in 2021 that amends several Illinois corporate tax provisions related to foreign dividends for tax years ending on or after June 30, 2021 [see Public Act 102-0016 (S.B. 2017 (2021)), and previously issued Multistate Tax Alert for more details on this legislation], including how Illinois decouples from:
URL: https://www2.illinois.gov/rev/research/legalinformation/letterrulings/it/Documents/2021/IT21-0008-GIL.pdf
URL: https://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=102-0016&GA=102
URL: https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-mta-illinois-fiscal-year-2022-state-budget-enacted.pdf

- The federal 100% foreign dividends received deduction,
- The federal deduction for global intangible low-taxed income (GILTI), and
- The deduction under Internal Revenue Code (IRC) section 243(e) for foreign dividends treated as domestic dividends.

The Department's responses also reflect new Illinois tax law that i) reinstates a $100,000 limitation on the net loss deduction for corporations for taxable years ending on or after December 31, 2021 and prior to December 31, 2024, and ii) decouples from all federal bonus depreciation allowance including 100% bonus depreciation and all future applicable bonus depreciation percentages under Internal Revenue Code section 168(k) for tax years ending on or after December 31, 2021. Please contact us with any questions.

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