How to Do Payroll in Illinois

Use this downloadable checklist to help you stay on track!

✔	TASK
	Step 1: Set up your business as an employer. At the federal level, you need your Employer ID Number (EIN) and an account in the Electronic Federal Tax Payment System (EFTPS). ☐ Applied for a Federal Employer Identification Number (EIN) ☐ Enrolled for the Electronic Federal Tax Payment System (EFTPS)
	Step 2: Register with Illinois. You can register online through MyTax Illinois, complete and mail Form REG-1, or visit a branch of the Illinois Department of Revenue (IDOR). If you mail the form, it can take six to eight weeks to process. The MyTax Illinois account also accepts state unemployment insurance taxes.
	Step 3: Set up your payroll. You'll need to decide how often, when, and how you will pay your employees—direct deposit and paper check are the most common methods. You'll also need to set a process for collecting payroll forms and other documents you'll need to run payroll. ☐ Do payroll yourself ☐ Use Excel payroll templates ☐ Sign up for a payroll service
	Step 4: Collect employee payroll forms. This is easiest if you do it during onboarding. Forms include: ☐ Federal Form W-4 ☐ Illinois State Form IL-W-4 ☐ I-9 ☐ Direct deposit authorization form

	Step 5: Collect, review, and approve time sheets. If you have hourly or nonexempt employees, you'll need a way to track employee work hours. Most small business owners create their own time sheets or use time and attendance software, some of which have free plans. ☐ A paper timesheet ☐ Free or low-cost time and attendance software ☐ A payroll service that has a time and attendance system
	Step 6: Calculate payroll and pay employees. You'll need to make several payroll calculations, including totaling hours worked (use our free timecard calculator to help), gross pay, paycheck deductions, tax withholdings, benefit premiums, etc. You'll also pay employees on schedule. An Excel payroll template or payroll software can help automate this step. ☐ Calculate Gross Pay ☐ Calculate FICA, FUTA, & Income Taxes to withhold/pay ☐ Perform any other payroll calculations, i.e., for expense reimbursement ☐ Calculate net payroll ☐ Decide to pay using check, paycard, direct deposit
	Step 7: File payroll taxes with the federal and Illinois state government. Follow the IRS instructions for federal taxes, including unemployment. • **Illinois Income Taxes:** You must file and pay these online at MyTax Illinois. If you are unable to do so, you must request a waiver from IDOR. Payments are due on the 15th of the following month for monthly payments. If you pay semiweekly, payments are due three to five days after payday. The Form IL-941 is due according to a set quarterly schedule—you can download the detailed schedule as a PDF. If you pay more than $500 per quarter, you need to file an IL-501. • **State Unemployment Taxes (SUTA):** You can pay for these online with MyTax Illinois or mail in a check with the payment coupon at the bottom of the UI-3/40 or collections coupon IDOR mails you. ☐ Pay federal taxes ☐ Pay Illinois state taxes

	Step 8. Document and store your payroll records. Illinois requires you to keep records on employees for at least five years—a bit longer than the federal recordkeeping requirements (three years for payroll records and four years for payroll tax documents).
	Step 9. Do year-end payroll tax reports. Send the federal Forms W-2s (for employees) and 1099s (for contractors) by Jan. 31 following the year for which you're reporting. You'll also need to send copies to the IRS along with a summary form for each. ☐ Distribute federal Forms W-2 forms (for employees) by Jan 31 ☐ File federal W-2 with IRS by Jan. 31 ☐ Distribute Illinois state W-2 forms by Jan. 31 ☐ File Illinois state W-2 forms with Illinois Dept. of Revenue by Jan 31 ☐ Distribute 1099 forms (for contractors) by Jan. 31 ☐ File 1099 form with IRS by Feb 28 if mailing—or by March 31 if filing electronically