

A G R E E M E N T

between

Director of Revenue for the State of Illinois and the Commissioner of Revenue of the Commonwealth of Kentucky, relating to the Exemption of Nonresident Individuals from Income Tax and the Sharing of Information.

1. Statement of Purpose.

It is the intention of this agreement and the parties hereto:

A. To relieve employers and employees in the Commonwealth of Kentucky and the State of Illinois from the withholding of Illinois income tax on compensation (salaries and wages) paid in Illinois to residents of Kentucky, and from the withholding of Kentucky income tax on compensation (salaries and wages) paid in Kentucky to residents of Illinois;

B. To relieve Kentucky residents from liability for Illinois income tax and the requirement for filing a tax return with regard to compensation (salaries and wages) paid in Illinois;

C. To relieve Illinois residents from liability for Kentucky income tax and the requirement for filing a tax return with regard to compensation (salaries and wages) paid in Kentucky;

D. To establish procedures to assist each party in the enforcement of the withholding provisions of the income tax laws of his state against employers in the other party's state; and

E. To establish procedures to assist each party in the enforcement of his state's income tax laws with regard to multistate taxpayers; in each case, to the fullest extent consistent with the laws of the parties' respective states, which provide for such agreements.

II. Agreement:

In furtherance of their above-stated intention, the parties agree as follows:

A. Agreements Respecting Withholding.

1. No Illinois or Kentucky employer shall be required to withhold Illinois income tax from compensation (salaries and wages) paid in Illinois to a resident of Kentucky.

2. No Illinois or Kentucky employer shall be required to withhold Kentucky income tax from compensation (salaries and wages) paid in Kentucky to a resident of Illinois.

3. Every Kentucky employer who is subject to the jurisdiction of Illinois shall, to the extent provided by the Illinois Income Tax Act, be liable to the State of Illinois for the withholding of Illinois income tax from compensation (salaries and wages) paid to residents of Illinois.

4. Every Illinois employer who is subject to the jurisdiction of Kentucky shall, to the extent provided by the Kentucky Income Tax Act, be liable to the Commonwealth of Kentucky for the withholding of Kentucky individual income tax from compensation (salaries and wages) paid to residents of Kentucky.

5. Illinois will encourage Illinois employers, who are not subject to the jurisdiction of Kentucky, to withhold and remit Kentucky income tax for residents of Kentucky employed in Illinois.

6. Kentucky will encourage Kentucky employers, who are not subject to the jurisdiction of Illinois, to withhold and remit Illinois income tax for residents of Illinois employed in Kentucky.

7. For purposes of this agreement, "compensation (salaries and wages) paid in Illinois" is defined in the Illinois Income Tax Act, Section 304(a)(2)(B).

8. For purposes of this agreement, "compensation (salaries and wages) paid in Kentucky" is defined in Income Tax Regulation IW-1.

9. For purposes of this agreement, the term "Kentucky employer" means an employer who is subject to the jurisdiction of the Commonwealth of Kentucky, and the term "Illinois employer" means an employer who is subject to the jurisdiction of the State of Illinois.

B. Agreements Respecting Liability for Individual Income Tax and Tax Return Filing.

1. No Kentucky resident shall be required to pay Illinois income tax or to file an Illinois income tax return on compensation (salaries and wages) paid in Illinois.

2. No Illinois resident shall be required to pay Kentucky income tax or to file a Kentucky income tax return on compensation (salaries and wages) paid in Kentucky.

3. For purposes of this agreement, the term "Kentucky resident" means an individual who is a resident under the laws of the Commonwealth of Kentucky, and the term "Illinois resident" means an individual who is a resident as defined in the Illinois Income Tax Act.

4. Nothing in this agreement shall be interpreted to exempt a resident of Kentucky or Illinois who was a part-year resident of the other state from liability for payment of income tax or filing an income tax return with regard to compensation (salaries and wages) received while a resident of the other state.

C. Agreements Respecting Exchange of Information.

Each of the parties hereto agrees to furnish the other with the following information at such time or times and in such manner as may be agreed upon between them:

1. The name, address and federal taxpayer identification number of each individual filing an income tax or information return in such party's state, which shows an address for such individual in the other party's state.

2. The amount of income tax shown on each return referred to in subparagraph 1 of this paragraph.

3. The amount and nature of any adjustments made in any item affecting the tax liability of the individual in such party's state.

4. Such other information as the parties hereto may from time to time agree upon and as shall be set forth in writing.

III. Other Matters.

A. If for any reason, either party is unable to comply with any one or more of the terms of this agreement, the parties shall mutually agree on the extent to which this agreement shall continue in effect or, in the absence of such mutual agreement, this agreement shall become null and void in its entirety without prejudice, however, to any action previously taken hereunder.

B. Each of the parties signatory hereto hereby states and represents that he is authorized to enter into this agreement and to furnish the information and assistance contemplated hereby, and that the fulfillment of his obligations hereunder will not violate any provision of his

State's constitution or laws including, without limitation, provisions respecting confidentiality of state information.

IV. Effective Date.

This agreement is made this 28<sup>th</sup> day of January, 1971, and shall become effective and operative upon the parties with respect to taxable years beginning after December 31, 1970.

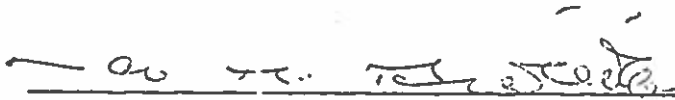
DEPARTMENT OF REVENUE  
Commonwealth of Kentucky

  
\_\_\_\_\_  
J. E. Lockett, Commissioner

DEPARTMENT OF REVENUE  
State of Illinois

  
\_\_\_\_\_  
George E. Mahin, Director

ATTORNEY GENERAL  
Commonwealth of Kentucky

  
\_\_\_\_\_  
John B. Breckinridge