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# MEMORANDUM

**To:** Monica Harris, Executive Director  
Reaching Across Illinois Library System

**From:** Julie A. Tappendorf  
Eugene Bolotnikov

**Subject:** Newly Hired Independent Contractor Reporting Requirements under  
Unemployment Insurance Act

**Date:** January 12, 2024

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## **I. Introduction**

The Unemployment Insurance Act (“*Act*”) requires all Illinois employers, including RAILS and its member libraries, to file a report with the Illinois Department of Employment Security (“*IDES*”) with certain information about “newly hired employees.”

On July 28, 2023, Governor Pritzker signed [Public Act 103-0343](#) into law, which amended the Act’s definition of “newly hired employee” to also include an individual under an independent contractor arrangement who (i) has not previously been employed by the employer or (ii) who was previously employed by the employer but has separated from that prior employment for at least 60 consecutive days. 820 ILCS 405/1801.1(D). This new reporting obligation took effect on January 1, 2024.

## **II. What Independent Contractors Must Be Reported to IDES?**

Under the recent amendment to state law, all employers in Illinois, including RAILS and its member libraries, are required to report to IDES all “newly hired employees,” which now include self-employed independent contractors that perform work under an IRS 1099 Form. So, for example, if RAILS or its member libraries hire performers who are self-employed and report income on a 1099 form (rather than a W-2), RAILS or its member libraries would have to report the performer as an independent contractor under this change to the law.

However, the new reporting obligation would not require an employer who contracts with a company for work performed by that contracting company’s own employees to include those employees on the reporting form. Instead, the contracting company would have the reporting obligation over its own employees. The new law is intended to capture individuals who would not otherwise be reported to the IDES because they are self-employed and operate under a 1099 rather than a W-2.

### **III. How and When is the Report Filed with IDES?**

The report required under the Act must be filed with IDES not later than 20 days after the date the “newly hired employee” or independent contractor operating under a 1099 form is employed or hired. Each report should be made on an IRS Form W-4 or, at the option of the employer, an equivalent form, and transmitted by first class mail or electronically. To file the report electronically on the IDES website, you can visit this IDES [link](#).

### **IV. Penalties for Violations of Act’s Reporting Requirements**

If an employer knowingly fails to report “newly hired employees,” including self-employed independent contractors, the Act imposes a civil penalty of \$15 for each person that the employer failed to report. Also, the Act makes it a Class B misdemeanor and imposes a fine of \$500 per employee for any person that knowingly conspires with a newly hired employee to cause an employer to fail to report or file a false or incomplete report regarding required newly hired employee information under the Act.

### **V. Conclusion**

Please contact us to discuss any questions about the Act’s reporting requirements or if you have questions about the types of independent contractors that must be reported to the IDES.