



# Illinois Department of Revenue

## Illinois Audit Information

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The tax laws administered by the Illinois Department of Revenue (IDOR) require taxpayers to self-assess tax amounts they owe. The audit program is essential in order to promote voluntary compliance, deter tax evasion, educate taxpayers so they can complete and file required tax returns properly, collect deficiencies and delinquencies, and facilitate refunds.

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### What are my rights during an audit?

You have the right to

- fair, equitable, courteous, and professional treatment during the audit process.
- an accurate determination that the correct amount of tax has been reported and paid, including overpayments, underpayments, and any errors made.
- understand why we might request additional information, how this information will be used, and what will happen if you fail to furnish it.

### How does IDOR select taxpayers for audit?

We select taxpayers for audit using several methods, including random selection, referrals, nature of business, audit history, and tax issues.

### What are standard audit methods and procedures?

We verify the procedures you used to figure your tax base, any exemptions and deductions claimed, and the overall accuracy of tax returns you filed. Methods and procedures used in an audit will vary because of the different tax types and business categories that exist. For example, the methods used in a sales tax audit for a flower shop will be different from the methods used in a sales tax audit of a manufacturer. Both businesses are being audited for sales tax, but the way of doing business is different for each business.

Auditing methods and procedures for sales and excise taxes and fees include testing and detailed reviews of source documents and general ledger accounts. Similarly, income tax auditing methods and procedures include detailed reviews of federal or consolidated returns and associated schedules, in comparison to the returns and schedules filed for Illinois purposes.

### What records does IDOR need for an audit?

In general, we need access to records that support the line-by-line items reported on your tax returns. We may require your records in samples or in detail. We may also require you to keep specific records that will help us decide if you have a liability for a given tax type. As a rule, we will not tell you how to keep your records. However, we may require you to keep certain records for future review, as provided by law.

For more information about books and records, see the following regulations.

- **sales and excise taxes and fees** - 86 Ill. Adm. Code 130.801, 130.805, 130.810, and 130.815
- **income taxes** - 86 Ill. Adm. Code 100.9530

**Failure to produce the requested records may result in a penalty, up to \$3,000 per filing period.** See 35 ILCS 120/7 and 86 Ill. Adm. Code 130.801.

### Where does an audit usually take place?

Traditionally, audits take place at your business or the office of your authorized representative. However, technology now allows you to view and respond to correspondence, as well as transmit documents and records electronically using our Virtual Audit Room (VAR) or your MyTax Illinois account. If you do not have a MyTax Illinois account, find out if you qualify by visiting our website at [mytax.illinois.gov](http://mytax.illinois.gov).

### How long does an audit take?

An audit may last from one day to many months. Some of the factors affecting the length of an audit are the size and type of business you operate, the availability and condition of your records, your record-keeping procedures, and the level of your cooperation with the auditor.

### Who may represent me during an audit?

You may represent yourself or authorize any other person of your choice to represent you through the power of attorney (POA) process. To authorize a representative to work with the auditor on your behalf, submit a completed Form IL-2848, Power of Attorney, by email to [REV.poa@illinois.gov](mailto:REV.poa@illinois.gov) and copy your auditor. **Note:** You may also need to file Forms IL-2848-A, Power of Attorney Additional Information, or IL-2848-B, Power of Attorney Specific Authority Granted.

To execute a POA, you must be included in IDOR's registration records as an owner, officer, member, or partner of the organization. Requests are processed in three business days, and you will receive confirmation once your request has been approved. You can find the Form IL-2848 series on IDOR's website at [tax.illinois.gov](http://tax.illinois.gov).

### How do I request a waiver of penalty through reasonable cause?

If we charge you a penalty but you believe you have reasonable cause for not complying with the tax laws, you may request a penalty abatement. Discuss the process with your assigned auditor. Reasonable cause requests must be submitted in writing to your auditor, providing a detailed explanation of your current circumstances and any documentation that supports your position. We will consider your request and respond in writing. For more information about reasonable cause, see 86 Ill. Adm. Code 700.400.

## What are the audit late payment penalties?

Liabilities shown on returns due on or after January 1, 2005, that were not paid prior to the audit initiation date, will have a 15 percent late payment penalty imposed.

The late payment penalty rate increases to 20 percent if any liability is not paid within 30 days of the date of issuance on the Notice of Audit Results.

**Income taxes:** This penalty does not apply to income tax liabilities due as a result of a timely filed report of a federal change.

**All other tax types:** The auditor's report constitutes an amended return for purposes of the Uniform Penalty and Interest Act, Section 3-3.

## How do I resolve issues after my audit?

**Fast Track Resolution (FTR)** - FTR is an IDOR initiative that attempts to mediate and resolve disputed audit issues while the case is still under the authority of the Audit Bureau through the use of an FTR facilitator. If you apply for FTR and are not accepted, or you are accepted but resolution cannot be reached, you retain your statutory rights to

- request review by the Informal Conference Board of any proposed liability, deficiency, or claim denial, and
- formally protest any final deficiency, liability, or claim denial.

For more information, see the Fast Track Resolution Fact Sheet or Informational Bulletin FY2021-01, Expanded Audit Fast Track Resolution (FTR) Program Now Available. **Note:** FTR is not an option available for Motor Fuel Tax (IFTA).

**Informal Conference Board (ICB)** - You qualify for the right to request a review by ICB if the auditor has issued a notice of proposed audit results and you disagree with any adjustments made. You must request an ICB review within 60 days of the issuance of a Notice of Proposed Deficiency, Liability, Claim Denial, or Notice of Proposed Liability and Claim Denial.

### Note: You waive your rights to seek review by ICB

- if you sign any auditor's report, waiver of restrictions, or Acceptance of Revised Claim for Refund, or
- to the extent you make a payment (i.e., agreement) of any **tax** amount shown due as a result of a notice of proposed deficiency, tax liability, or claim denial.

**Note:** Unpaid (i.e., unagreed) amounts may be reviewed by ICB, as long as the request is made within the 60-day timeframe.

For more information, see PIO-58, Informal Conference Board Review.

### Administrative Hearings or Independent Tax Tribunal -

The following notices grant you formal protest rights and directions for filing a protest for any unagreed amounts shown on the notice: Notice of Tax Liability, Notice of Deficiency, Notice of Claim Denial, or Notice of Tentative Audit Denial of Claim.

**Note:** The following taxes are not covered under the Illinois Independent Tax Tribunal and may only be protested by requesting an administrative hearing with IDOR.

- Adult Use Cannabis Cultivation Privilege Tax
- Cigarette Machine Operators' Occupation Tax
- Chicago Home Rule Municipal Soft Drink Occupation Tax
- Illinois Telecommunications Access Corporation Assessment
- Live Adult Entertainment Facility Surcharge
- Medical Cannabis Cultivation Privilege Tax
- Metropolitan Pier and Exposition Authority Food & Beverage Tax
- Rental Purchase Agreement Occupation and Use Tax
- Renewal Energy Resources and Coal Technology Development Assistance Charge
- Bingo Tax
- Charitable Games Tax
- Dry-Cleaning Solvent Tax
- Illinois Hydraulic Fracturing Tax
- Liquor Taxes
- Parking Excise and Use Tax
- Private Party Vehicle Use Tax
- Real Estate Transfer Tax
- Cannabis Purchaser Excise Tax
- County Motor Fuel Tax
- Energy Assistance Charge
- Municipal Motor Fuel Tax
- Prepaid Wireless E911 Surcharge
- Pull Tabs Tax
- Tire User Fee
- Water/Sewer Assistance Charge

- **Tax Tribunal** - Petition for your protest **if the amount of tax, excluding penalty and interest, is more than \$15,000, or if no tax is assessed but the total penalties and interest is more than \$15,000.**

See 35 ILCS 1010/1-1, *et seq.* for rules of practice and procedures provided by the tribunal. The tribunal will issue a final decision.

- **Administrative Hearings - In all other cases,** request an administrative hearing with IDOR. An administrative hearing is a formal legal proceeding conducted in a manner defined by the rules adopted by IDOR and is presided over by an administrative law judge. After the hearing, a recommendation will be submitted to the director and you will receive final notice of the administrative decision. See 86 Ill. Adm. Code 200.101 *et seq.* for rules of practice and procedure for administrative hearings.

### Circuit court/appellate court

1. In any case other than claim denials, you may elect to bypass the administrative hearing or tax tribunal process by paying the total amount due under protest. To complete this process, you must file a complaint in circuit court, obtain a preliminary injunction, and serve the preliminary injunction on IDOR and the Illinois State Treasurer within 30 days of making your protest payment.

For more information, see Form RR-374, Notice of Payment Under Protest, and Sections 2a and 2a.1 of the State Officers and Employees Money Disposition Act (30 ILCS 230/2a, 230/2a.1).

2. If you went through the administrative hearing or tax tribunal process and do not agree with the outcome, you may appeal the decision in the Illinois courts.

#### Decisions issued by:

- IDOR/Admin. Hearings
- Illinois Tax Tribunal

#### File your appeal with:

- Illinois circuit court
- Illinois appellate court

**Note: With the exception of payments under protest,** payments made for Illinois taxes and surcharges are considered assessed on the date the payment is received. Making a payment also may impact your right to contest your audit findings, **including any protest rights,** through Administrative Hearings, the Independent Tax Tribunal, and the Illinois Circuit Court. Consult the statutory and regulatory provisions cited above for directions on how to protect your protest rights.

**Board of Appeals (BOA)** - In general, you may not go to BOA until all other forms of protest have been exhausted or the time allowed for taking such action has expired. The purpose of BOA is to ensure that we have treated you fairly and provided relief when appropriate. BOA has the authority to waive penalties and interest based on reasonable cause and to reduce a final liability if it is likely the full debt cannot be collected.