

**Illinois Department of Revenue
Regulations**

Title 86 Part 100 Section 100.5280 Combined Return Issues Related to Audits

TITLE 86: REVENUE

**PART 100
INCOME TAX**

SUBPART P: COMBINED RETURNS

Section 100.5280 Combined Return Issues Related to Audits

- a) If, on audit, the Department determines that two or more corporations are members of a unitary business group for which no combined return was filed:
- 1) For taxable years ending on or after December 31, 1985 and before December 31, 1993, any audit liabilities determined by the Department will be proposed and processed on a separate unitary return basis. If Notices of Deficiency are issued, they will be issued to each Illinois taxpayer and will reflect that taxpayer's Illinois income tax liability computed on a separate return basis.
 - 2) For taxable years ending on or after December 31, 1993, any audit liabilities determined by the Department will be processed on a combined return basis. Because each member of a combined group is jointly and severally liable for the tax liability of the entire group, if any Notices of Deficiency are issued:
 - A) the Notices of Deficiency shall reflect the combined return income and liability of the entire combined group; and
 - B) a separate Notice of Deficiency will be issued to each Illinois taxpayer, unless a designated agent has been appointed under Section 100.5220(g) of this Part, in which case the Department may issue a Notice of Deficiency solely to the designated agent and to any corporation which has requested the Department to be allowed to represent itself pursuant to Section 100.5220(f)(2) of this Part.
- b) If two or more corporations have filed a combined return and, on audit, the Department determines that one or more additional corporations belonged to the combined group and should have joined in the filing of the combined return, any audit liabilities shall be proposed and processed as follows:
- 1) If, prior to the issuance of a Notice of Deficiency, any of the corporations which did not join in the combined return and the designated agent of the combined group agree that such corporation is a member of the combined group or the designated agent pays all audit deficiencies, the audit liabilities related to that corporation and the combined group will be proposed and processed on a combined return basis. In this instance, the designated agent will be treated as having corrected the combined return in accordance with Section 100.5210(b) of this Part.

2) If the designated agent of the combined group, or any corporation which did not join in the combined return, does not agree that such corporation is a member of the combined group prior to the issuance of a Notice of Deficiency, the audit liabilities for that corporation will nevertheless be proposed and processed on a combined return basis. Because each member of a combined group is jointly and severally liable for the tax liability of the entire group, if any Notices of Deficiency are issued:

A) the Notices of Deficiency shall reflect the combined return income and liability of the entire combined group; and

B) a separate Notice of Deficiency will be issued to the designated agent and to each corporation which did not join in the filing of the combined return, but which the Department is asserting is a member of the combined group. Each Notice of Deficiency shall state that the designated agent shall represent each corporation whose membership in the combined group is in dispute unless such corporation requests the Department to be allowed to represent itself pursuant to Section 100.5220(f)(2) of this Part.

(Source: Amended at 22 Ill. Reg. 19033, effective October 1, 1998)