

**Illinois Department of Revenue
Regulations**

Title 86 Part 140 Section 140.701 Service Occupation Tax

**TITLE 86: REVENUE
CHAPTER I: DEPARTMENT OF REVENUE**

**PART 140
SERVICE OCCUPATION TAX**

SUBPART G: BOOKS AND RECORDS

Section 140.701 Books and Records – Requirements

- a) Every supplier required or authorized to collect the tax imposed under the Act, and every serviceman making sales or transactions that are subject to the Act, shall keep all sales invoices, purchase orders, merchandise records and requisitions, inventory records, credit memos, debit memos, bills of lading, shipping records, and all other records pertaining to any and all purchases and sales of goods whether or not the supplier or serviceman believes them to be taxable under the Act; and the supplier or serviceman shall also keep summaries, recapitulations, totals, journal entries, ledger accounts, accounts receivable records, accounts payable records, statements, tax returns, and other documents listing, summarizing or pertaining to those sales, purchases, inventory changes, shipments or other transactions.
 - 1) When the records are voluminous, the records must be kept in chronological order, or in some systematic order that is in accordance with the taxpayer's regular bookkeeping system.
 - 2) Records kept on punched cards, magnetic tape, and other mechanical or electronic record keeping methods are permitted, provided that the taxpayer makes available all necessary codes and equipment to enable the Department to audit those records, or provides a written transcript of those parts of the records that the Department wishes to examine.
- b) The books and records must clearly indicate and explain the complete information (deductions as well as cost price) that provide the basis for the information required for tax returns and shall, at all times during business hours of the day, be subject to inspection and audit by the Department or its duly authorized agents and employees. The books and records must be kept in the American language. The books and records must be kept in Illinois except in instances where a business has several branches, with the head office being located outside Illinois, and where all books and records have been regularly kept outside the State at the head office. The taxpayer must, within a reasonable time after notification by the Department, make all pertinent books, records, papers and documents available at some point within Illinois for the purpose of inspection and audit as the Department may deem necessary.
- c) When the nature of a business is such that a portion of sales are nontaxable for any reason, the records as will clearly indicate the information required in filing tax returns

must be kept. Entries in any books, records or other pertinent papers or documents of the taxpayer in relation thereto shall be in detail sufficient to show the name and address of each purchaser to whom a sale is made, the character of every such transaction (i.e., whether it is a sale for resale other than as an incident to a sale of service, a sale made within the protection of the Commerce Clause of the Constitution of the United States, etc.), the date of every such transaction and the amount of cost price involved in every such transaction.

- d) Books and records and other papers reflecting transactions during any period with respect to which the Department is authorized to issue Notices of Tax Liability as provided by Section 12 of the Act shall be preserved until the expiration of that period unless the Department, in writing, should authorize their destruction or disposal prior to expiration. This means that, in the absence of fraudulent returns or the willful refusal to file returns as to which there is no limitation, books for a given 6-month period from January through June, or from July through December, as the case may be, must be preserved for 3 years after the end of the 6-month period (e.g., books for January through June, 1962, must be preserved through June 30, 1965, etc.). However, if a Notice of Tax Liability has been issued, and if the questions raised thereby have not been completely disposed of, books and records reflecting information relevant to transactions that took place during the period covered by the Notice of Tax Liability must be preserved until the termination of all proceedings before the Department and before any court upon review.
- e) In all cases the Department may, in writing, authorize the destruction of books and records and other papers prior to the expiration of the periods of time during which the taxpayer, except for written authorization from the Department, is required to keep his or her books and records. (See 86 Ill. Adm. Code 130.825 (Retailers' Occupation Tax Regulations).)
- f) *Any person who fails to keep books and records or fails to produce books and records for examination, as required by Section 11 of the Act and this Part, is liable to pay to the Department, for deposit into the Tax Compliance and Administration Fund, a penalty of \$1,000 for the first failure to keep books and records or produce books and records for examination and a penalty of \$3,000 for each subsequent failure to keep books and records or produce books and records for examination, as required by Section 11 of the Act and this Part. The penalties imposed under Section 11 of the Act shall not apply if the taxpayer shows that he or she acted with ordinary business care and prudence. [35 ILCS 115/11] The provisions of 86 Ill. Adm. Code 130.801(i) that are not inconsistent with the Service Occupation Tax Act shall apply, as far as practicable, to the subject matter of this Part to the same extent as if those provisions were included in this Part.*

(Source: Amended at 43 Ill. Reg. 8889, effective July 30, 2019)