

**Illinois Department of Revenue  
Regulations**

**Title 86 Part 700 Section 700.210 Interest Rate Calculation**

**Section 700.210 Interest Rate Calculation (UPIA Section 3-2)**

- a) For periods prior to January 1, 2004, and periods after December 31, 2013, the rate of interest to be paid to taxpayers and to be charged taxpayers is *the underpayment rate established under IRC section 6621*. For periods after December 31, 2003, and prior to January 1, 2014, the rate of interest to be paid to taxpayers and to be *charged taxpayers is, for the one-year period beginning with the date of underpayment or overpayment, the federal short-term rate established under IRC section 6621, and, for the period beginning the day after that one-year period, the underpayment rate established under IRC section 6621*. (UPIA Section 3-2(a))
- b) This Section may be illustrated by the following examples:

EXAMPLE 1: Taxpayer is an individual whose taxable year is the calendar year. On April 15, 2003, Taxpayer timely filed her 2002 Illinois income tax return, but did not pay the tax shown due on the return. Under this subsection, interest on Taxpayer's underpayment for the period April 16, 2003 through December 31, 2003 is charged at the underpayment rate established under IRC section 6621. With respect to any portion of the underpayment that remains unpaid as of January 1, 2004, interest is charged at the federal short-term rate established under IRC section 6621 through April 15, 2004, one year after the April 15, 2003 date of underpayment. With respect to any portion of the underpayment that remains unpaid as of April 16, 2004, interest is charged at the underpayment rate established under IRC section 6621.

EXAMPLE 2: Corporation failed to pay its Illinois income tax liability for its calendar 2001 taxable year, due on March 15, 2002, before January 1, 2004. Under this subsection, for any portion of Corporation's underpayment that remains unpaid on and after January 1, 2004, interest is charged under this subsection at the underpayment rate established under IRC section 6621 because January 1, 2004 is more than one year after the March 15, 2002 date of underpayment.

EXAMPLE 3: Taxpayer is an individual who timely filed her calendar 2003 Illinois income tax return on the April 15, 2004 unextended due date, but did not pay the tax shown due on the return. Under this subsection, interest on the unpaid balance of Taxpayer's underpayment accrues for the period from April 16, 2004 through April 15, 2005 at the federal short-term rate established under IRC section 6621. With respect to any portion of the underpayment that remains unpaid on and after April 16, 2005, interest is charged at the underpayment rate established under IRC section 6621.

EXAMPLE 4. Taxpayer is an individual who timely filed his calendar 2004 Illinois income tax return on the April 15, 2005 unextended due date, showing an overpayment of \$400. Taxpayer requested a refund of the overpayment, which was paid on May 2, 2005. As the result of an audit by the Internal Revenue Service that was completed in 2007, Taxpayer's adjusted gross income for 2004 was

increased, causing Taxpayer's Illinois income tax liability to increase by \$500. \$100 of Taxpayer's deficiency was unpaid as of April 15, 2005 and accrues interest at the federal short-term rate established under IRC section 6621 for the period from the April 16, 2005 date of underpayment through April 15, 2006. The remaining \$400 of the deficiency did not become unpaid until the refund was issued on May 2, 2005 and accrues interest at the federal short-term rate established under IRC section 6621 for the period from the May 3, 2005 date of underpayment through May 2, 2006.

EXAMPLE 5: Corporation failed to timely pay its Illinois income tax liability for its calendar 2012 taxable year, due on March 15, 2013. Under this subsection, the underpayment accrues interest at the federal short-term rate through December 31, 2013. For any portion of Corporation's underpayment that remains unpaid on and after January 1, 2014, interest is charged at the underpayment rate established under IRC section 6621 because interest is not computed using the federal short-term rate established under IRC section 6621 for any period after December 31, 2013.

- c) The underpayment rate is the sum of the federal short-term rate plus 3 percentage points. The federal short-term rate is the rate determined by the Secretary of the Treasury based upon the average market yield (during any one month period selected by the Secretary of the Treasury and ending the calendar month in which the determination is made) on outstanding marketable obligations of the United States with remaining periods of maturity of 3 years or less. (See IRC section 6621.)
- d) *The interest rate shall be adjusted on a semiannual basis, on January 1 and July 1, based upon the underpayment rate or short-term federal rate going into effect on that January 1 or July 1 under IRC section 6621. (UPIA Section 3-2(b))*
- e) The Department will announce the interest rate and the semiannual adjustments of the interest rate to the public by publication on the Department's web site ([www.iltax.com](http://www.iltax.com)). Taxpayers may also contact the Department's Taxpayer Information Division for interest rate information.

(Source: Amended at 43 Ill. Reg.14342, effective November 26, 2019)