

**Illinois Department of Revenue
Regulations**

Title 86 Part 700 Section 700.230 Interest Paid Taxpayers on Overpayments
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Section 700.230 Interest Paid Taxpayers on Overpayments (UPIA Section 3-2)

- a) *No interest shall be paid upon any overpayment of tax if the overpayment is refunded or a credit approved within 90 days after the last date prescribed for filing the original return, or within 90 days of the receipt of the processable return, or within 90 days after the date of overpayment, whichever is latest, as determined without regard to processing time by the Comptroller or without regard to the date on which the credit is applied to the taxpayer's account. (UPIA Section 3-2(d))*
 - 1) The reference to "credit" in UPIA Section 3-2, and throughout this Section, is to claims for credit granted under the various tax Acts.
 - 2) Under ROTA Section 3, the Department has been granted the authority to issue verified credits. A verified credit is an amount of tax overpaid in a prior period that may be rolled over and applied to a tax liability. The verified credit mechanism authorizes this procedure without the necessity of the formalities involved in the claim for credit procedures. Interest is not paid on verified credits. They appear on the Statement of Account.

- b) For purposes of this Section, UPIA Section 3-2(d) provides that the date of overpayment shall mean the date tax was paid, the original due date of the return or the date a processable return was received, whichever is later.
 - 1) When a return is unprocessable, and the Department issues a notice of that fact to the taxpayer within 90 days after the filing of the unprocessable return or within 90 days after the due date (whichever is later), interest will be allowed on any overpayment from the date the return was made processable by the taxpayer, but only if the refund or claim for credit on the overpayment is not approved within 90 days after the date on which the return was made processable.
 - 2) When a return is unprocessable and notice of that fact is not given to the taxpayer by the Department within 90 days after the filing of the unprocessable return, interest will be allowed from the latter of the date the tax was paid, the original due date of the return or the date the unprocessable return was originally received until the date of notice to the taxpayer by the Department that the return is unprocessable. Additional interest will be allowed from the date the return was made processable until the date the refund or claim for credit on the overpayment is approved, but only if the refund or claim for credit is not approved within 90 days after the date the return was made processable by the taxpayer. (See subsection (f).)

- c) For purposes of calculating interest on overpayments of tax, *a processable return is a return that;*
 - 1) *is in the form prescribed or approved by the Department;*

- 2) *is signed by the person authorized by law; and*
- 3) *contains all information, schedules, and support documents necessary to determine the tax due and to make allocations of tax as prescribed by law. (UPIA Section 3-2)*
- d) Any unprocessable return that is not corrected and made processable within the time period identified on the Department's notice will be considered a nonfiled return, subject to any and all applicable penalties. Being considered a nonfiler for any given period will also result in an extended or open time period for issuance of a Notice of Deficiency or Notice of Tax Liability.
- e) *For the purpose of computing interest, a return shall be deemed processable unless the Department notifies the taxpayer that the return is not processable within 90 days after the receipt of the return; however, interest shall not accumulate for the period following this date of notice. (UPIA Section 3-2) Notice by the Department must be in writing and is effective on the date mailed to the taxpayer at the last known address for the taxpayer according to Department records.*
- f) *Interest on amounts refunded or credited pursuant to the filing of an amended return or claim for refund shall be determined from the due date of the original return or the date of overpayment, whichever is later, to the date of the payment by the Department without regard to processing time by the Comptroller or the date of credit by the Department or without regard to the date on which the credit is applied to the taxpayer's account. (UPIA Section 3-2(d)) Interest on overpayments due pursuant to the filing of an amended return or claim for credit will be allowed as specified in this subsection (f) and subsection (b) except:*
 - 1) that interest will be allowed whether or not the overpayment is approved within the 90 day period after the amended return was filed (except if the refund or credit is issued within 90 days after receipt of the original processable return or the date of overpayment (see subsection (a))); or
 - 2) *If a claim for refund relates to an overpayment attributable to a net loss carryback as provided by IITA Section 207, the date of overpayment shall be the last day of the taxable year in which the loss was incurred. (UPIA Section 3-2) In this case interest accrues only from the last day of the taxable year in which the loss was incurred.*
- g) If the Department notifies the taxpayer that a return is unprocessable later than 90 days from the date the return is received, the Department will be required to pay interest only from the due date of the original return to the date of the Department's notice to the taxpayer that the return is unprocessable.

EXAMPLE 1: A corporate income tax return reflecting a refund of \$10,000 for the taxable year ending December 31, 1994 was filed on March 15, 1995. On June 1, 1995, notice was given that the return is not processable. The taxpayer responded on July 1, 1995 with information suitable to process the return. If a refund is approved by October 1, 1995, no interest will be allowed because notice was given within 90 days after the date the return was received and the refund was approved within 90 days after the date the return was made processable.

EXAMPLE 2: Same facts as in the preceding example except that notice was not given until June 16, 1995. In this case, interest will be allowed from March 15, 1995 through June 16, 1995.

EXAMPLE 3: Same facts as in Example 2 except that the refund is not approved until November 1, 1995. In addition to the interest provided in Example 2, interest will also be allowed from July 1, 1995 through November 1, 1995.

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