

**Illinois Department of Revenue
Regulations**

Title 86 Part 700 Section 700.350 Bad Check Penalty

Section 700.350 Bad Check Penalty (UPIA Section 3-7.5)

In addition to any other penalty provided in the UPIA, a penalty of \$25 is imposed on any person who issues a check or other draft to the Department that is not honored upon presentment. The penalty imposed under this Section shall be deemed assessed at the time of presentment of the check or other draft and shall be treated for all purposes, including collection and allocation, as part of the tax or other liability for which the check or other draft represented payment. (UPIA Section 3-7.5) The failure of the bank or financial institution to pay to the Department the full face amount of the instrument (for example, because of the imposition of a processing fee) is a dishonor of the check subject to penalty under this Section. The bad check penalty is applicable to any payment received in the form of a check, money order, cashier's check or other written order to pay money and that is not honored for any reason by the bank or financial institution upon which it is drawn. The bad check penalty is assessed on a per check basis, therefore, for every check or draft issued to the Department that is not honored when presented to the bank upon which it is drawn a separate \$25 penalty will be assessed against the drawer of the check or draft.

EXAMPLE: Taxpayer's ST-1 is due on April 20. Taxpayer does not file the return until May 1 and pays the tax due of \$2,000 with a check submitted with the return. Taxpayer's check is dishonored. The Department assesses Taxpayer with penalties totaling \$105. The penalties assessed include the following: a late filing penalty of \$40 ($\$2,000 \times 2\% = \40) for filing the return late, a late payment penalty of \$40 ($\$2,000 \times 2\% = \40) for failing to pay the tax by the due date, and a bad check penalty of \$25 for making payment to the Department with a bad check.

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