

**Illinois Department of Revenue
Regulations**

Title 86 Part 700 Section 700.500 Payment Application
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Section 700.500 Payment Application (UPIA Section 3-9)

- a) *Payments received from a taxpayer shall be applied against the outstanding liability of the taxpayer, or to an agreed portion of the outstanding portion of the outstanding liability, in the following order: the principal amount of the tax, then penalty, and then interest. (UPIA Section 3-9(d))*

- b) A taxpayer may direct payment to a particular liability at the time payment is made to the Department by indicating the tax type and the tax period for which the payment is made, in writing on the check or other draft by which the payment is made, in a writing accompanying that check or other draft, or, in the case of an electronic payment, in the manner prescribed for identifying the specific method of payment. If a taxpayer has multiple liabilities to the Department, either based upon multiple taxes or multiple reporting periods, the taxpayer should make separate payments of each liability and identify the liability to which payment is to be directed. The excess of any payment over the amount of the liability to which the payment is directed shall be treated as a payment for which no direction was provided.

- c) In the absence of direction from the taxpayer as to which of a taxpayer's outstanding liabilities a payment is to be applied, the payment shall be applied to the outstanding liability that became due and payable first, with payment applied first to the principal amount of the liability and any excess then applied to penalty and then to interest. If there remain funds after application of the payment to the oldest outstanding liability, the remainder shall then be applied to the liability that next became due and payable, in the same manner. For purposes of this subsection, the determination of when a liability is due and payable shall be made without regard to due dates for accelerated payments.

- d) Application of Overpayments of Tax
 - 1) Section 2505-275 of the Department of Revenue Law [20 ILCS 2505] provides that:
 - A) *In the case of overpayment of any tax liability arising from an Act administered by the Department, the Department may credit the amount of the overpayment and any interest thereon against any final tax liability arising under that or any other Act administered by the Department.*
 - B) *The Department may enter into agreements with the Secretary of the Treasury of the United States (or his or her delegate) to offset all or part of an overpayment of such a tax liability against any liability arising from a tax imposed under Title 26 of the United States Code.*

 - 2) *Section 2505-650 of the Department of Revenue Law provides that, upon certification of past due child support amounts from the Department of Healthcare and Family Services, the Department of Revenue may collect the delinquency in any manner authorized for the collection of any tax administered by the*

Department of Revenue.

- 3) Section 2505-655 of the Department of Revenue Law provides that, *upon certification by the Clerk of the Circuit Court of the amounts of delinquent court fees, the Department of Revenue may collect the past due fees by intercepting the tax refund of any person owing the fees.*
 - 4) Section 10 of the Illinois State Collection Act of 1986 [30 ILCS 210] provides that the Department's Debt Collection Bureau *shall serve as the primary debt collecting entity for the State and in that role shall collect debts on behalf of agencies of the State, using all legal authority available to the Department to collect debt referred to it by other agencies of this State.*
 - 5) IITA Section 911.2 provides that a tax officer of another state of the United States may request that the Department withhold payment of a refund claimed by a taxpayer under the IITA for application against a delinquent income tax liability owed by the taxpayer to that state.
- e) Order of Application of Tax Overpayments. IITA Section 911.3 provides standards for determining in which order an overpayment will be applied when more than one of the provisions in subsection (d) is applicable. Pursuant to these provisions:
- 1) In the case of an overpayment for which the taxpayer has requested a refund or credit, the Department may credit the overpayment against any final tax liability arising under any Act administered by the Department. The overpayment shall be applied first to the outstanding final liability arising under the same Act as the overpayment that first became due and payable, with payment applied first to the principal amount of the liability and any excess then applied to penalty and then to interest, and any remaining amount of the overpayment shall then be applied to the final liability arising under the same Act as the overpayment that next became due and payable, in the same manner, until all those liabilities are paid or the entire amount of the overpayment has been used.
 - 2) Any amount of overpayment remaining after application of subsection (d)(1) shall then be applied first to the unpaid final tax liability arising under any other Act that first became due and payable, first to the liability, then to penalty, and then to interest, and then to the unpaid final tax liability that next became due and payable in the same manner, until all those liabilities are paid or the entire amount of the overpayment has been used.
 - 3) For purposes of this subsection (e), the determination of when a liability is due and payable shall be made without regard to due dates for accelerated payments.
 - 4) Any amount of overpayment remaining after application of subsections (d)(1) and (2) is applied in the following order:
 - A) against any existing, applicable request to withhold a refund to collect certified past due child support amounts under Section 2505-650 of the Department of Revenue Law;
 - B) against any existing, applicable request to withhold a refund to collect any debt owed to the State;

- C) against any existing, applicable request made by the Secretary of the Treasury of the United States, or his or her delegate, to withhold a refund to collect any tax liability arising from Title 26 of the United States Code;
- D) against any refund withholding request made by the Secretary of the Treasury of the United States, or his or her delegate, to collect any nontax debt owed to the United States as authorized under Section 10(i-1) of the Illinois State Collection Act of 1986;
- E) against any existing, applicable refund withholding request made pursuant to IITA Section 911.2; and
- F) against any existing, applicable request to withhold a refund to collect certified past due fees owed to the Clerk of the Circuit Court as authorized under Section 2505-655 of the Department of Revenue Law.

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