



Illinois Department of Revenue

Illinois Audit Information

The tax laws administered by the Illinois Department of Revenue (IDOR) require taxpayers to self-assess tax amounts they owe. The audit program is essential in order to promote voluntary compliance, deter tax evasion, educate taxpayers so they can complete and file required tax returns properly, collect deficiencies and delinquencies, and facilitate refunds.

What are my rights during an audit?

You have the right to

- fair, equitable, courteous, and professional treatment during the audit process.
- an accurate determination that the correct amount of tax has been reported and paid, including overpayments, underpayments, and any errors made.
- understand why we might request additional information, how this information will be used, and what will happen if you fail to furnish it.

How does IDOR select taxpayers for audit?

We select taxpayers for audit using several methods, including random selection, referrals, nature of business, audit history, and tax issues.

What are standard audit methods and procedures?

We verify the procedures you used to figure your tax base, any exemptions and deductions claimed, and the overall accuracy of tax returns you filed. Methods and procedures used in an audit will vary because of the different tax types and business categories that exist. For example, the methods used in a sales tax audit for a flower shop will be different from the methods used in a sales tax audit of a manufacturer. Both businesses are being audited for sales tax, but the way of doing business is different for each business.

Auditing methods and procedures for sales and excise taxes and fees include testing and detailed reviews of source documents and general ledger accounts. Similarly, income tax auditing methods and procedures include detailed reviews of federal or consolidated returns and associated schedules, in comparison to the returns and schedules filed for Illinois purposes.

What records does IDOR need for an audit?

In general, we need access to records that support the line-by-line items reported on your tax returns. We may require your records in samples or in detail. We may also require you to keep specific records that will help us decide if you have a liability for a given tax type. As a rule, we will not tell you how to keep your records. However, we may require you to keep certain records for future review, as provided by law.

For more information about books and records, see the following regulations.

- **sales and excise taxes and fees** - 86 Ill. Adm. Code 130.801, 130.805, 130.810, and 130.815
- **income taxes** - 86 Ill. Adm. Code 100.9530

Failure to produce the requested records may result in a penalty, up to \$3,000 per filing period. See 35 ILCS 120/7 and 86 Ill. Adm. Code 130.801.

Where does an audit usually take place?

Traditionally, audits take place at your business or the office of your authorized representative. However, technology now allows you to view and respond to correspondence, as well as transmit documents and records electronically using our Virtual Audit Room (VAR) or your MyTax Illinois account. If you do not have a MyTax Illinois account, find out if you qualify by visiting our website at mytax.illinois.gov.

How long does an audit take?

An audit may last from one day to many months. Some of the factors affecting the length of an audit are the size and type of business you operate, the availability and condition of your records, your record-keeping procedures, and the level of your cooperation with the auditor.

Who may represent me during an audit?

You may represent yourself or authorize any other person of your choice to represent you through the power of attorney (POA) process. To authorize a representative to work with the auditor on your behalf, submit a completed Form IL-2848, Power of Attorney, by email to REV.poa@illinois.gov and copy your auditor. **Effective September 11, 2020**, you may also need to file Forms IL-2848-A, Power of Attorney Additional Information, or IL-2848-B, Power of Attorney Specific Authority Granted.

To execute a POA, you must be included in IDOR's registration records as an owner, officer, member, or partner of the organization. Requests are processed in three business days, and you will receive confirmation once your request has been approved. You can find the Form IL-2848 series on IDOR's website at tax.illinois.gov.

How do I request a waiver of penalty through reasonable cause?

If we charge you a penalty but you believe you have reasonable cause for not complying with the tax laws, you may request a penalty abatement. Discuss the process with your assigned auditor. Reasonable cause requests must be submitted in writing to your auditor, providing a detailed explanation of your current circumstances and any documentation that supports your position. We will consider your request and respond in writing. For more information about reasonable cause, see 86 Ill. Adm. Code 700.400.

Illinois Audit Information (continued)

What are the audit late payment penalties?

Liabilities shown on returns due on or after January 1, 2005, that were not paid prior to the audit initiation date, will have a 15 percent late payment penalty imposed.

Income taxes: The late payment penalty rate increases to 20 percent if any liability is not paid within 30 days of the date of issuance on the Notice of Audit Results. **Note:** This penalty does not apply to income tax liabilities due as a result of a timely filed report of a federal change.

All other tax types: The late payment penalty rate increases to 20 percent if any liability is not paid **and** the auditor's report is not signed within 30 days of the date of issuance on the Notice of Audit Results. The auditor's report constitutes an amended return for purposes of the Uniform Penalty and Interest Act, Section 3-3.

How do I resolve issues after my audit?

Fast Track Resolution (FTR) - FTR is an IDOR initiative that attempts to mediate and resolve disputed audit issues while the case is still under the authority of the Audit Bureau through the use of an FTR facilitator. If you apply for FTR and are not accepted, or you are accepted but resolution cannot be reached, you retain your statutory rights to

- request review by the Informal Conference Board of any proposed liability, deficiency, or claim denial, and
- formally protest any final deficiency, liability, or claim denial.

For more information, see the Fast Track Resolution Fact Sheet or Informational Bulletin FY2021-01, Expanded Audit Fast Track Resolution (FTR) Program Now Available. **Note:** FTR is not an option available for Motor Fuel Tax (IFTA).

Informal Conference Board (ICB) - You qualify for the right to request a review by ICB if the auditor has issued a notice of proposed audit results and you disagree with any adjustments made. You must request an ICB review within 60 days of the issuance of a Notice of Proposed Deficiency, Notice of Proposed Liability, Notice of Proposed Claim Denial, or Notice of Proposed Liability and Claim Denial.

Note: You waive your rights to seek review by ICB if

- **you sign any auditor's report, waiver of restrictions, or** Acceptance of Revised Claim for Refund (all tax types), or
- pay any **income tax** amount shown as a result of a proposed deficiency or claim denial.

For more information, see PIO-58, Informal Conference Board Review.

Administrative Hearings or Independent Tax Tribunal -

If we issue a Notice of Tax Liability, Notice of Deficiency, Notice of Claim Denial, or Notice of Tentative Audit Denial of Claim and you do not agree, you may contest the amounts shown on the notice. These notices provide specific instructions for your protest options.

- **Tax Tribunal** - Petition for your protest **if the amount of tax, excluding penalty and interest, is more than \$15,000, or if no tax is assessed but the total penalties and interest is more than \$15,000.**

See 35 ILCS 1010/1-1, *et seq.* for rules of practice and procedures provided by the tribunal. The tribunal will issue a final decision.

- **Administrative Hearings** - In all other cases, request an administrative hearing with IDOR. An administrative hearing is a formal legal proceeding conducted in a manner defined by the rules adopted by IDOR and is presided over by an administrative law judge. After the hearing, a recommendation will be submitted to the director and you will receive final notice of the administrative decision.

Circuit court/appellate court

1. In any case other than claim denials, you may elect to bypass the administrative hearing or tax tribunal process by paying the total amount due under protest. To complete this process, you must file a complaint in circuit court, obtain a preliminary injunction, and serve the preliminary injunction on IDOR and the Illinois State Treasurer within 30 days of making your protest payment.

For more information, see Form RR-374, Notice of Payment Under Protest, and Sections 2a and 2a.1 of the State Officers and Employees Money Disposition Act (30 ILCS 230/2a, 230/2a.1).

2. If you went through the administrative hearing or tax tribunal process and do not agree with the outcome, you may appeal the decision in the Illinois courts.

Decisions issued by:

- IDOR/Admin. Hearings
- Illinois Tax Tribunal

File your appeal with:

- **Illinois circuit court**
- **Illinois appellate court**

Board of Appeals (BOA) - In general, you may not go to BOA until all other forms of protest have been exhausted or the time allowed for taking such action has expired. The purpose of BOA is to ensure that we have treated you fairly and provided relief when appropriate. BOA has the authority to waive penalties and interest based on reasonable cause and to reduce a final liability if it is likely the full debt cannot be collected.

Note: The following taxes are not covered under the Illinois Independent Tax Tribunal and may only be protested by requesting an administrative hearing with IDOR.

- Adult Use Cannabis Cultivation Privilege Tax
- Bingo Tax
- Cannabis Purchaser Excise Tax
- Cigarette Machine Operators' Occupation Tax
- Charitable Games Tax
- Chicago Home Rule Municipal Soft Drink Occupation Tax
- County Motor Fuel Tax
- Dry-Cleaning Solvent Tax
- Energy Assistance Charge
- Illinois Telecommunications Access Corporation Assessment
- Electric and Gas Tax
- Illinois Hydraulic Fracturing Tax
- Liquor Taxes
- Live Adult Entertainment Facility Surcharge
- Metropolitan Pier and Exposition Authority Food & Beverage Tax
- Medical Cannabis Cultivation Privilege Tax
- Parking Excise and Use Tax
- Prepaid Wireless E911 Surcharge
- Private Party Vehicle Use Tax
- Pull Tabs Tax
- Real Estate Transfer Tax
- Renewal Energy Resources and Coal Technology Development Assistance Charge
- Rental Purchase Agreement Occupation and Use Tax
- Tire User Fee