



## 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.

### How does IDOR select taxpayers for audit?

We select taxpayers for audit using several methods, including selection at random, by referral, by nature of business, by past audit history, and by tax issue.

### What are normal audit methods and procedures?

We verify the procedures you used to figure your tax base, any exemptions and deductions you claimed, and the overall accuracy of tax returns you filed.

The 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. Even though both businesses may be undergoing a sales tax audit, the way of doing business is different for each business.

In general, 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 general rule, we will not tell you how to keep your records. We may require you to keep certain records for future review, as provided by law. Failure to produce the requested records may result in a penalty, up to \$3,000 per filing period, as provided in 35 ILCS 120/7 and 86 Ill. Adm. Code 130.801. For issues related to sales and excise taxes and fees, see 86 Ill. Adm. Code 130.801, 130.805, 130.810, and 130.815. For income tax issues, see 86 Ill. Adm. Code 100.9530.

### 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.

### Where does an audit usually take place?

An audit usually takes place where you maintain most of your books and records; it is normally at your business location. However, if you designate an outside representative, an audit may be conducted at your representative's office. In some instances, audits may also be conducted at one of our offices.

### Who may represent me during an audit?

You may represent yourself, or you may be represented by your employee, accountant, attorney, or any other person whom you have authorized to represent you in matters before IDOR.

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](mailto:REV.poa@illinois.gov) and copy your auditor. To execute this power of attorney form, you must be an owner, officer, member, or partner listed in the IDOR's registration information with the organization. These requests will be processed in three business days, and you will receive confirmation once your request has been approved. You can find Form IL-2848 on IDOR's website at [tax.illinois.gov](http://tax.illinois.gov).

### What are my rights during an audit?

You have the right to fair and equitable treatment during an audit. We will treat you courteously and professionally throughout the audit process. The audit function is to determine whether the correct amount of tax has been reported and paid. Therefore, we acknowledge tax overpayments and underpayments, as well as any errors on our part.

We may ask you to provide additional information to verify amounts shown on your returns. You have the right to know why we are asking for this information, how it will be used, and what will happen if you fail to furnish it.

### 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. To request penalty abatement due to reasonable cause, discuss the process with your assigned auditor. Any reasonable cause request must be submitted in writing, providing a detailed explanation of your current circumstances and any documentation that supports your position to your auditor. We will consider your request and will respond in writing.

# Illinois Audit Information

## What are my options to resolve issues after my audit?

### **Informal Conference Board (ICB)**

You may request that the ICB conduct an informal review within 30 or 60 days (depending on the tax type, refer to the notice for this information) 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.

However, if you sign or pay any amount shown on Form IL-870, Waiver of Restrictions, or sign the audit report as a result of a proposed liability, deficiency, or claim denial, you waive your right to seek review by the ICB.

### **Administrative Hearings/Independent Tax Tribunal**

Once 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 notice.

- **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**, you have the right to file a petition with the Illinois Independent Tax Tribunal. Your petition must be in accordance with the rules of practice and procedure provided by the Tribunal (35 ILCS 1010/1-1, *et seq.*). The Tribunal will issue a final decision.
- **In all other cases**, you have the right to protest and request an administrative hearing with IDOR. An administrative hearing is a formal legal proceeding conducted pursuant to 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.

**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 Tax
- Bingo Tax
- Cannabis Excise Tax
- Cigarette Machine Operators' Occupation Tax
- Charitable Games Tax
- Chicago Home Rule Municipal Soft Drink
- County Motor Fuel Tax
- Dry Cleaning Solvent Tax
- Energy Assistance Charge Electric and Gas
- Illinois Telecommunications Access Corporation (ITAC) Assessment
- Illinois Hydraulic Fracturing Tax
- Liquor Taxes

- Live Adult Entertainment Facility Surcharge
- Medical Cannabis Cultivation Privilege Tax
- Metropolitan Pier and Exposition Authority (MPEA) Food & Beverage 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 Housing Support Program Surcharge
- Rental Purchase Agreement Occupation and Use Tax
- Tire User Fee

### **Circuit court/appellate court**

1. If you went through the administrative hearing or tax tribunal process and do not agree with the outcome, you may appeal the decision. Decisions of the administrative hearings with IDOR may be appealed to the Illinois circuit court. Decisions of the Illinois Independent Tax Tribunal may be appealed to the Illinois appellate court.
2. 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 with a completed Form RR-374, Notice of Payment Under Protest, or a written protest letter in the format specified in Sections 2a and 2a.1 of the State Officers and Employees Money Disposition Act (30 ILCS 230/2a, 230/2a.1). To complete this process, you must file a complaint in circuit court, obtain a preliminary injunction, and serve the preliminary injunction on IDOR and Illinois State Treasurer within 30 days of making your protest payment.

### **Board of Appeals (BOA)**

In general, you may not go to the BOA until all other forms of protest have been exhausted (*i.e.*, administrative hearing or Tax Tribunal decision and any appeal of that decision to the courts) or the time allowed for taking such action has expired. The purpose of the BOA is to ensure that we have treated you fairly and provided relief when appropriate. The 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.