

**Illinois Department of Revenue
Regulations**

Title 86 Part 100 Section 100.8010 Failure to Pay Estimated Tax (IITA Sections 804 and 806)

Section 100.8010 Failure to Pay Estimated Tax (IITA Sections 804 and 806)

- a) **Penalty Imposed.** Except as otherwise provided, IITA Section 804(a) imposes a penalty, computed in the manner and at the rate prescribed under Section 3-3 of the Uniform Penalty and Interest Act, upon an underpayment of an installment of estimated tax. See 86 Ill. Adm. Code 700.300 for the penalty rates applicable to a particular taxable year.

- b) **Definitions.** For purposes of this Section:
 - 1) **Underpayment.** An underpayment of an installment of estimated tax means the excess of the required installment (as determined under subsection (d)) over the amount of that installment paid on or before the due date for that installment.

 - 2) **Tax.** For purposes of this Section, the term "tax" means the total regular income tax and replacement tax imposed under IITA Section 201 for the taxable year, including the amount of any credit required to be recaptured under the IITA, less the amount of any credit allowed against that tax for the taxable year. Amounts withheld pursuant to IITA Article 7, or paid by or on behalf of the taxpayer on account of that tax, including a payment of estimated tax, shall not be considered a credit against that tax for purposes of this Section. (See IITA Section 804(g).)

 - 3) The "tax shown on the taxpayer's return" shall be the amount of tax as shown on the original tax return for the taxable year (including any corrected return for the taxable year filed on or before the due date of the original return, including extensions). The "tax shown on the taxpayer's return" does not include the tax shown on an amended return filed subsequent to the due date of the original return for the taxable year, including extensions.

- c) **Installment Due Dates**
 - 1) **In General**
 - A) **Individuals.** When the taxable year consists of a calendar year, IITA Section 803(d) requires installments of estimated tax to be made on or before each of the following dates:
 - i) The 1st installment is due April 15 of that taxable year;
 - ii) The 2nd installment is due June 15 of that taxable year;
 - iii) The 3rd installment is due September 15 of that taxable year; and

- iv) The 4th installment is due January 15 of the immediately succeeding taxable year.
- B) Corporations. The due dates prescribed for the payment of an installment of estimated tax by a calendar year corporation shall be the same as in the case of an individual under subsection (c)(1)(A), except that the 4th installment is due December 15 of the taxable year rather than January 15 of the immediately succeeding taxable year. (See IITA Section 803(d).)
- C) Fiscal Year. When the taxable year consists of a fiscal year (i.e., a 12-month taxable year commencing on any date other than January 1), IITA Section 803(g) requires installments of estimated tax to be made on or before each of the following dates:
- i) The 1st installment is due on the 15th day of the 4th month of that taxable year;
 - ii) The 2nd installment is due on the 15th day of the 6th month of that taxable year;
 - iii) The 3rd installment is due on the 15th day of the 9th month of that taxable year; and
 - iv) The 4th installment is due the 15th day of the 12th month of that taxable year (in the case of a corporation) or of the 1st month of the immediately succeeding taxable year (in the case of an individual).
- 2) Due Date of Required Installment on a Saturday, Sunday or Holiday. See Section 100.5000(b) if the due date of a required installment of estimated tax occurs on a Saturday, Sunday or Holiday.
- d) Amount of Required Installment
- 1) General Rule. *Except as otherwise provided by this Section, the amount of any required installment shall be 25% of the required annual payment (as defined by subsection (d)(1)(A)). (IITA Section 804(c)(1)(A))*
- A) *Required Annual Payment. The required annual payment means the lesser of:*
- i) *90% of the tax shown on the taxpayer's return for the taxable year or, if no return is filed, 90% of the tax for that year; or*
 - ii) *if a return showing a liability for tax was filed for the preceding taxable year, and that taxable year consisted of a period of 12 months, 100% of the tax shown on the taxpayer's return for that preceding taxable year. (IITA Section 804(c)(1)(B))*
- B) When an individual taxpayer filed a joint return for the preceding taxable year but does not file a joint return with the same spouse for the current taxable year, the individual's tax shown on the return for the preceding

taxable year under this subsection (d)(1) shall be that portion of the tax shown on the joint return that bears the same ratio to the whole of the tax that the amount of the tax for which the taxpayer would have been liable had a separate return been filed for the preceding taxable year bears to the sum of the taxes for which the taxpayer and his spouse would have been liable had each spouse filed a separate return for the preceding taxable year.

- C) When a married couple files a joint return for the current taxable year, but did not file a joint return with each other for the preceding taxable year, the tax shown on the return for the preceding taxable year shall be the sum of the taxes shown on the separate returns of each spouse for that preceding taxable year or of the amount determined under subsection (d)(1)(B) for each spouse that filed a joint return in the preceding taxable year.

2) Annualized Income Installment

- A) Annualized Income Installment as Required Installment. *With respect to any required installment, if the taxpayer establishes that the annualized income installment (determined in accordance with this subsection (d)(2)) is less than the required installment computed under subsection (d)(1), then the annualized income installment shall be deemed to be the required installment.* (ITA Section 804(c)(2)(A))
- B) For purposes of this subsection (d)(2), *any reduction in a required installment resulting from the application of this subsection (d)(2)(B) shall be recaptured by increasing the amount of the next required installment determined under subsection (d)(2)(A) by the amount of that reduction, and by increasing subsequent required installments to the extent that the reduction has not previously been recaptured under this subsection (d)(2)(B).* (ITA Section 804(c)(2)(A)(ii))

EXAMPLE 1

Taxpayer, an individual whose taxable year is the calendar year, determines his or her required annual payment under subsection (d)(1) to be \$13,648. Accordingly, the required installment under subsection (d)(1) for the 1st installment due April 15 of the taxable year equals \$3,412 (i.e., 25% of \$13,648). Taxpayer determines that his or her annualized income installment for that 1st installment period under this subsection (d)(2) is only \$1,278. Accordingly, Taxpayer pays \$1,278 as the required installment on April 15.

When Taxpayer determines the required installment for the 2nd installment due June 15, Taxpayer must increase the required installment determined under subsection (d)(1) by the excess of the required installment computed under that subsection for the 1st period over the annualized income installment for that period, or \$2,134 (i.e., \$3,412 - \$1,278). Hence, the required installment computed under subsection (d)(1) for the

2nd installment due June 15 of the taxable year equals \$5,546 (i.e., \$3,412 + \$2,134).

In determining the required installment due June 15, Taxpayer computes his or her annualized income installment for that period to be \$1,660. Because the annualized income installment is less than the required installment for that period under subsection (d)(1) of \$5,546, Taxpayer pays \$1,660 as the required installment on June 15.

EXAMPLE 2

Assuming the same facts as in Example 1, when Taxpayer determines the required installment for the 3rd period due September 15, he or she must increase the required installment computed under subsection (d)(1) by \$3,886, which is the excess of the required installment due on June 15 as computed in Example 1 over the annualized income installment for that period (i.e., \$5,546 - \$1,660). Hence, the required installment computed under subsection (d)(1) for the 3rd installment due September 15 is \$7,298 (i.e., \$3,412 + \$3,886).

In determining his or her required installment due September 15, Taxpayer computes his or her annualized income installment for that period to be \$3,414. Because the annualized income installment is less than the required installment for that period under subsection (d)(1) of \$7,298, Taxpayer pays \$3,414 as the required installment on September 15.

EXAMPLE 3

Assuming the same facts as in Example 2, when Taxpayer determines the required installment due January 15 of the next taxable year, he or she must increase the required installment computed under subsection (d)(1) by \$3,884, which is the excess of the required installment for the 3rd installment period over the annualized income installment for that period (i.e., \$7,298 - \$3,414). Hence, the required installment under subsection (d)(1) for the installment due on January 15 is \$7,296 (i.e., \$3,412 + \$3,884).

- C) Computation of Annualized Income Installment. The "annualized income installment" for a particular installment due date is computed as follows:
- i) Compute year-to-date net income under subsection (d)(2)(E).
 - ii) Use year-to-date income to compute annualized Illinois net income under subsection (d)(2)(F).
 - iii) Compute the tax due on annualized Illinois net income under subsection (d)(2)(G).
 - iv) Subtract any credits allowed under subsection (d)(2)(H).

- v) Multiply the result by the applicable percentage for the installment due date, as provided in subsection (d)(2)(l).
 - vi) Subtract the total of all prior required installments for the taxable year.
- D) Applicable Period. Year-to-date net income shall be computed for the applicable period as if that period comprised a separate taxable year. Under IITA Section 804(c)(2)(D), the applicable period for an individual is all the months of the taxable year that end prior to the installment due date for which the annualized net income installment is computed. Under IITA Section 804(c)(2)(E), the applicable period for a corporation is:
- i) For the installment due on the 15th day of the 4th month of the taxable year, the 1st 3 months of the taxable year.
 - ii) For the installment due on the 15th day of the 6th month of the taxable year, the 1st 5 months of the taxable year or, at the election of the taxpayer, the 1st 3 months of the taxable year.
 - iii) For the installment due on the 15th day of the 9th month of the taxable year, the 1st 8 months of the taxable year or, at the election of the taxpayer, the 1st 6 months of the taxable year.
 - iv) For the installment due on the 15th day of the 12th month of the taxable year, the 1st 11 months of the taxable year or, at the election of the taxpayer, the 1st 9 months of the taxable year.
- E) Year-to-date Net Income. Year-to-date net income is computed by treating the applicable period as a short taxable year, using the following principles:
- i) The determination of whether an item income or expense is recognized in the applicable period *shall be made according to the taxpayer's method of accounting used for federal income tax purposes.* (IITA Section 402(a))
 - ii) In applying the allocation and apportionment provisions of IITA Article 3, the taxpayer shall take into account only the items that would be taken into account for allocation and apportionment purposes if the months ending prior to the installment date constituted the taxable year. For example, in computing the apportionment factor under IITA Section 304(a), a nonresident taxpayer takes into account only its actual gross receipts for the months in the taxable year ending prior to the installment date.
 - iii) Items of income and deduction received from a partnership, subchapter S corporation, trust or estate shall be treated as received or incurred by the taxpayer during the applicable period only if the last day of the taxable year of the partnership,

subchapter S corporation, trust or estate falls within that applicable period. (See IRC sections 706(a) and 1366(a)(1).)

- F) Annualized Illinois Net Income. Annualized Illinois net income is equal to the Illinois net income determined under subsection (d)(2)(E), multiplied by 12 and divided by the number of months in the applicable period, and minus:
- i) any Illinois net loss deduction under IITA Section 207 available for deduction in the taxable year; provided that, in the case of a unitary business group filing a combined return when a person becomes a member of the group during the taxable year, no net loss carryover of that member may be taken into account in any applicable period ending before that person became a member; and
 - ii) the exemptions allowed under IITA Section 204 based on the facts and circumstances as of the last day of the applicable period.
- G) Tax Due on Annualized Illinois Net Income. The tax due on the annualized Illinois net income shall be computed by multiplying the annualized Illinois net income by the applicable rate or rates under IITA Section 201, and by adding to the product of that calculation the amount of any credit required under the IITA to be recaptured based on events occurring during the applicable period.
- H) Credits. The credits allowed against the tax due on the annualized Illinois net income shall include any credits allowed under the IITA based on events occurring during the applicable period. For purposes of this subsection (d)(2)(H), "credits" do not include any amount withheld from the taxpayer or any overpayment shown on the taxpayer's return for the prior taxable year for which an election was made to apply the overpayment against the estimated tax obligation for the present year. These amounts are treated as payments of estimated tax under subsection (e). In determining the credits allowed against the tax under this subsection (d)(2)(H):
- i) Credits shall not be annualized, but shall be computed on the facts and circumstances of the applicable period, except to the extent that the credit, or a limitation on the amount of any credit, is based upon the amount of Illinois net income, or the amount of any item of income or expenditure taken into account in computing Illinois net income. In that case, the credit or limitation shall be determined on the basis of the Illinois net income or other item earned, received or incurred during the applicable period and annualized in accordance with this subsection (d)(2). For example, the credit under IITA Section 201(h) for property placed in service during the taxable year by a high impact business shall be based on the amount of qualifying investment made during the applicable period, without annualizing that investment. However, the limitation on the amount of the IITA 201(h) credit shall be based on the tax imposed by IITA Section 201(a) and (b), as annualized under this subsection (d)(2). In contrast, the credit allowed under IITA Section 201(k) is

based upon the amount of Illinois research and development expenses deducted from gross income in the computation of taxable income. Accordingly, the credit shall be based on the annualized amount of qualifying expenses for the calendar months of the taxable year ending prior to the installment date.

ii) The entire amount of any credit carried forward from a prior year and available for use in the taxable year may be applied to reduce the tax on the annualized Illinois net income; provided that, in the case of a unitary business group filing a combined return when a person becomes a member of the group during the taxable year, no credit carryover of that member may be taken into account in any applicable period ending before that person became a member.

l) Applicable Percentage. The applicable percentage with respect to each required installment date shall be as follows:

Installment	Applicable %
1 st	22.5%
2 nd	45%
3 rd	67.5%
4 th	90%

e) Application of Payments to Required Installments

- 1) Unless expressly directed by the taxpayer to apply a payment to some other installment, each payment received by the Department will be applied first to any unpaid balance of the 1st estimated tax installment due and any excess of the payment over that unpaid balance will be applied to any unpaid balance of the 2nd estimated tax installment, and then the 3rd and 4th, in order. Amounts withheld by a partnership, subchapter S corporation or trust on behalf of the taxpayer under IITA Section 709.5 are treated as payments received by the Department on the last day of the taxable year of the partnership, subchapter S corporation or trust and applied in accordance with this subsection (e)(1). (See IITA Section 709.5(b).)
- 2) *In the case of an individual, the amount of tax withheld under IITA Article 7 shall be deemed a payment of estimated tax. An equal part of the amount so withheld for the taxable year shall be deemed paid on each installment due date prescribed by this Section, unless the taxpayer establishes the dates on which all amounts were actually withheld. In the latter case, all amounts withheld shall be considered as payments of estimated tax on the dates those amounts were actually withheld. (IITA Section 804(g))* When more than one taxable year begins in any calendar year, no portion of the amount withheld during the calendar year will be treated as a payment of estimated tax for any taxable year other than the last taxable year beginning in that calendar year.
- 3) *An individual having amounts withheld under Section 4(10) of the State Salary and Annuity Withholding Act [5 ILCS 365/4(10)] may elect to have amounts*

withheld treated as estimated tax payments made on the dates those amounts were actually withheld. (IITA 804(g-5)) The election shall be made according to Department forms. In the absence of an election, an equal part of the amount withheld shall be deemed paid on each installment due date prescribed by this Section that falls within the designated period for which the withholding was made.

- 4) Application of Credit for Overpayment Reported on a Return or Amended Return for the Prior Taxable Year.
 - A) The amount credited against estimated tax pursuant to an election to do so under IITA Section 909(b) made on a timely filed original return shall be applied to each installment, beginning with the 1st installment due (or, in the case of an overpayment that results from a payment made after the unextended due date of the return, on or after the date of the overpayment, beginning with the 1st installment due on or after the date of payment), to the extent necessary to satisfy the taxpayer's obligation or to minimize the penalty due under IITA Section 804 with respect to that installment, provided that no amount will be applied later than the date on which the return on which the election is made was filed.
 - B) The amount credited against estimated tax pursuant to an election under IITA Section 909(b) made by any means other than a timely filed original return shall be treated as paid on the date on which the taxpayer files the return or other document on which the election is made.
 - C) See Section 100.9400(b) regarding the election to have the amount of any overpayment, or portion of an overpayment, credited against estimated tax.

EXAMPLE 4. Corporation uses a calendar taxable year and files its 2014 return on August 15, 2015. The return reports an overpayment of \$50,000, and contains the election to apply the entire \$50,000 against Corporation's 2015 estimated tax obligation. If Corporation was required to make a payment of \$60,000 on the April 15, 2015 due date of the first installment for Corporation's 2015 estimated tax in order to avoid the penalty under IITA Section 804, the entire \$50,000 will be treated as paid on April 15, 2015. If Corporation was required to make a payment of \$20,000 on April 15, 2015 in order to avoid penalty under IITA Section 804, \$20,000 of the overpayment will be treated as paid on April 15, 2015, and the remaining \$30,000 shall be treated as paid on June 15, 2015, the due date of the second installment for Corporation's 2015 estimated tax, to the extent necessary to avoid or minimize the penalty under IITA Section 804. If the required payment for June 15, 2015 is also \$20,000, \$20,000 of the overpayment will be treated as paid on June 15, 2015, and the remaining \$10,000 of the overpayment will be treated as paid on August 15, 2015, the date the return was filed.

EXAMPLE 5. Assume the same facts as in Example 4, except that Corporation had made a payment of \$17,000 on July 1, 2015. Because the \$17,000 payment was made after the unextended due date of the return, it cannot be applied to an estimated tax installment due before the payment was made. Accordingly, if Corporation was required to make a payment of \$60,000 on each

estimated tax installment due date in order to avoid overpayment, only \$33,000 of the overpayment will be treated as paid on April 15, 2015, and the remaining \$17,000 will be applied to the September 15, 2015 installment. If Corporation was required to make a payment of \$20,000 on April 15, 2015 in order to avoid penalty under IITA Section 804, \$20,000 of the overpayment will be treated as paid on April 15, 2015, and up to \$13,000 shall be treated as paid on the June 15, 2015 due date, to the extent necessary to avoid or minimize the penalty under IITA Section 804, and any amount not applied to either of those installments will be applied to the September 15, 2015 installment.

EXAMPLE 6. Corporation uses a calendar taxable year and files an amended income tax return for 2012 on December 1, 2015, showing an overpayment as the result of a federal change. If Corporation elects to have the overpayment credited against its estimated tax obligation for any taxable year after 2012, the overpayment will be treated as a payment made on December 1, 2015.

f) Application of IITA Section 804 to Short Taxable Year

- 1) **Penalty Imposed.** Except as otherwise provided, the taxpayer shall be liable to a penalty, computed in the manner and at the rate prescribed under Section 3-3 of the Uniform Penalty and Interest Act [35 ILCS 735/3-3], upon an underpayment of an installment of estimated tax required under this Section with respect to a short taxable year.
- 2) **Underpayment Defined.** An underpayment of an installment of estimated tax required with respect to a short taxable year means the amount of the required installment as determined under this subsection (f) over the amount of that installment paid on or before the due date of the installment.
- 3) In the case of a taxable year that is terminated early, the taxpayer is required to pay the amount due on each installment due date falling on or before the end of the taxable year, determined under subsection (d) of this Section in the same manner as for a full taxable year, and both corporations and individuals shall be required to pay the full amount of the required annual payment computed under subsection (d)(1)(A) on the 15th day of the 1st month beginning after the end of the taxable year.
- 4) **Installment Due Dates in the Case of a Taxable Year Beginning Less Than 12 Months before the Expected End of the Tax**
 - A) **Individuals.** Installments of estimated tax are not required in the case of a short taxable year of less than 4 full months. When the short taxable year consists of a period of at least 4 full months, installments of estimated tax are required on or before each of the following dates:
 - i) The 1st installment shall be due on 15th day of the 4th full month of that taxable year;
 - ii) A 2nd installment shall be due on the 15th day of the 6th full month of that taxable year, unless the short taxable year ends prior to or during that 6th full month;

- iii) A 3rd installment shall be due on the 15th day of the 9th full month of that taxable year, unless the short taxable year ends prior to or during that 9th full month;
 - iv) The full amount of the required annual payment computed under subsection (d)(1)(A) shall be due on or before the 15th day of the 1st month of the succeeding taxable year.
 - B) Corporations. Installments of estimated tax are not required in the case of a short taxable year of less than 4 months. When the short taxable year consists of a period of at least 4 months, installments of estimated tax are required to be paid on or before the same due dates provided in subsection (f)(4)(A) as if the taxable year was 12 months, provided that the full amount of the required annual payment computed under subsection (d)(1)(A) shall be due on or before the 15th day of the last month of the short taxable year.
 - C) The taxpayer shall substitute for 25% of the required annual payment under subsection (b)(1) a percentage of the required annual payment that results in an equal percentage of the required annual payment as being the amount of the required installment. That percentage shall be based on the number of installments required for the short taxable year under this subsection (f)(4).
- 5) Amount of Required Installment. The amount of any required installment in the case of a short taxable year shall be determined by applying the provisions of subsection (b), with the following adjustments:
 - A) For purposes of determining the required annual payment year under subsection (d)(1)(A) based on the tax shown on the return for the preceding taxable year, the taxpayer shall multiply the tax actually shown on the taxpayer's return for the preceding taxable year by a fraction, the numerator of which is the number of days in the short taxable year and the denominator of which is the number of days in the preceding taxable year.
 - B) The taxpayer shall substitute for the applicable percentage in subsection (d)(2)(I) of this Section the percentage under this subsection (f)(5)(B) that corresponds to the number of required installments determined for the short taxable year under subsection (f)(3) or (4):

Number of Required Installments	Applicable %
4	22.5%
3	30%
2	45%
1	90%
- 6) In the case of a short taxable year that does not begin on the first day of a month:

- A) For purposes of determining the installment due dates under subsection (f)(3), the partial month at the beginning of the taxable year shall be ignored.
 - B) The "applicable period" determined in subsection (d)(2)(D) for a particular installment due date shall include the partial month plus the number of full months otherwise specified.
 - C) In determining the annualized Illinois net income in subsection (d)(2)(F) for a particular installment due date, the taxpayer shall multiply its year-to-date net income by the number of days in the applicable period and divide the result by the number of days in the short taxable year.
- 7) The provisions of this subsection (f) may be illustrated by the following examples.

A) EXAMPLE 7

X corporation uses a taxable year ending June 30. On January 15, 2011, X is acquired by a corporation using a calendar year, requiring X to terminate its June 30, 2011 year as of the acquisition date and then to use a taxable year beginning January 16, 2011 and ending December 31, 2011.

For its short taxable year ending January 15, 2011, X is required to make estimated tax payments on October 15 and December 15, 2010 and February 15, 2011. The applicable percentage of the total tax for the taxable year that is due with each installment is 30%.

If X bases its computation of its required payment on the tax due for the taxable year ending June 30, 2010, the tax due for that year is reduced by multiplying it by 199 (the number of days in the short taxable year ending January 15, 2011) and dividing the result by 365 (the number of days in the taxable year ending June 30, 2010).

B) EXAMPLE 8

Assuming the same facts as in Example 4, for its short taxable year ending December 31, 2011, X corporation is required to make estimated tax payments on May 16, July 15 and October 17, 2011, because the period from January 16 through January 31, 2011, is disregarded in determining when an installment is due. Because the taxable year terminates before the 15th day of the 12th month of the taxable year, when the 4th installment would normally be due, the 4th installment is due on December 15, 2011. Because its taxable year ending January 15, 2011 is not a 12-month taxable year, X corporation cannot compute its required annual installment for its short taxable year ending December 31, 2011 using the tax shown on its return for the previous taxable year under subsection (d)(2)(A)(ii).

- g) Exceptions. The penalty imposed under IITA Section 804 and this Section shall not apply to:

- 1) Persons who are not required to make payments of estimated tax under Section 100.8000(c):
 - A) Small Amount of Estimated Tax
 - i) No penalty shall be imposed under IITA Section 804 with respect to any installment of estimated tax required to be paid during a taxable year in which the amount payable as estimated tax (as defined under Section 100.8000(a)) is not more than the following amounts:

Individuals	\$250 (for tax years ending before 12/31/01)
	\$500 (for tax years ending on or after 12/31/01)
Corporations	\$400
 - ii) In the case of a short taxable year, the amounts in subsection (g)(1)(A) shall be multiplied by a fraction, the numerator of which is the number of days in the short taxable year and the denominator of which is 365.
 - B) Estates, Trusts, Partnerships, Subchapter S Corporations and Certain Other Entities
 - i) No penalty shall be imposed under IITA Section 804 with respect to any installment of estimated tax required to be paid during any part of the taxable year of an organization exempt under IITA Section 205.
 - ii) No penalty shall be imposed under IITA Section 804 with respect to any installment of estimated tax required to be paid during a taxable year of a corporation (as defined under Section 100.9750(b)) in which that corporation computes a tax under subtitle A of the Internal Revenue Code (IRC), other than the tax imposed under section 11 (including any other tax treated under the IRC as imposed under IRC section 11), IRC section 1201(a), IRC section 55, IRC section 59A, IRC section 887, or IRC subchapter L.
 - iii) No penalty shall be imposed under IITA Section 804 with respect to any installment of estimated tax required to be paid during any taxable year with respect to which a corporation is exempt from federal income tax under IRC section 991.
 - iv) Any penalty otherwise imposed upon a bankruptcy estate under IITA Section 804 shall be abated to the same extent that the penalty for failure to make estimated payments of federal income tax would be abated under IRC section 6658.

- C) Farmers. See Section 100.8000 for the exemption for farmers from the requirement to make estimated tax payments.
 - D) Permanent Resident of Nursing Home. See Section 100.8000 for the exemption for permanent residents of nursing homes from the requirement to make estimated tax payments.
- 2) No Return Required for Preceding Taxable Year. *No penalty shall be imposed under IITA Section 804 with respect to any installment of estimated tax required to be paid in a taxable year by a taxpayer who was not required to file an Illinois income tax return under IITA Section 502 for the preceding taxable year.* (IITA Section 804(d))
 - 3) No Tax Liability for Preceding Taxable Year. *No penalty shall be imposed under IITA Section 804 with respect to any installment of estimated tax required to be paid in a taxable year by an individual taxpayer who had no tax liability for the preceding taxable year, if the preceding taxable year was a taxable year of 12 months.* (IITA Section 804(d))
 - 4) Change in Apportionment Factor. *With respect to any installment of estimated tax required to be paid under this Section before December 31, 1998, no penalty shall be imposed under IITA Section 804 on any underpayment of an installment of estimated tax to the extent that underpayment is attributable solely to the taxpayer's change in apportionment from IITA Section 304(a) to IITA Section 304(h).* (IITA Section 804(d))
 - 5) Reasonable Cause. *No penalty shall be imposed under IITA Section 804 to the extent that the taxpayer shows that any underpayment of estimated tax was due to reasonable cause as determined in accordance with 86 Ill. Adm. Code 700.400.* (IITA Section 804(e) and Uniform Penalty and Interest Act Section 3-8)
 - 6) Deceased Taxpayer. No penalty shall be imposed under IITA Section 804 with respect to any underpayment of estimated tax arising subsequent to the death of the taxpayer. In determining the amount of any required installment due after the death of the taxpayer, a surviving spouse shall apply the provisions of Section 100.8000(c).
 - 7) Member of Armed Services. *No penalty shall be imposed under IITA Section 804 to the extent the taxpayer is a member of the armed services serving in a combat zone who has received an extension of time to file and pay federal income taxes under IRC section 7508.* (IITA Section 602(b))
 - 8) Innocent Spouse. No penalty shall be imposed under IITA Section 804 in the case of an innocent spouse, to the extent that spouse is relieved of liability for the penalty pursuant to IITA Section 502(c)(4).
- h) Changes in Tax Law During a Taxable Year. If the IITA is amended during a taxable year, and the amendment does not contain specific provisions granting relief from penalties under IITA Section 804, no penalty imposed by IITA Section 804 shall apply for late payment of an installment of estimated tax due before the amendment becomes

law if, on or before the due date of that installment, the taxpayer has paid the estimated tax due under the annualized income installment method in subsection (d)(2) applied using the IITA as in effect prior to the date the amendment became law.

EXAMPLE 9

P.A. 93-840 disallows certain subtractions allowed under prior law. P.A. 93-840 did not become law until July 30, 2004, but applies to tax years ending on or after December 31, 2004. A calendar-year taxpayer who, on or before June 15, 2004, had paid the estimated tax due under subsection (d)(2), computed by allowing the subtractions subsequently disallowed by P.A. 93-840, shall not be subject to penalty under IITA Section 804 with respect to the installment due on June 15, 2004.

EXAMPLE 10

The research and development credit allowed under IITA Section 201(k) was repealed by P.A. 93-29 (effective June 20, 2003) for tax years ending on and after December 31, 2003, and an identical research and development credit was enacted in IITA Section 201(k) by P.A. 93-840 (effective July 30, 2004). A calendar-year taxpayer would not be subject to penalty under IITA Section 804 with respect to the installment of estimated tax due on June 15, 2003 if, on or before June 15, 2003, the taxpayer had the estimated tax due under subsection (d)(2) computed by allowing the research and development credit. However, in computing the estimated tax due under subsection (d)(2) for the June 15, 2004 installment, the taxpayer may not claim a research and development credit.

- i) Cross References. For estimated tax requirements of members of a combined group, see Section 100.5230.
- j) Effective Dates. The provisions of subsection (f) of this Section shall be effective for taxable years beginning on or after January 1, 2011.

(Source: Amended at 40 Ill. Reg. 15575, effective November 2, 2016)