

■ Changes to Uniform Penalty and Interest Provisions

TO: Taxpayers

Penalty and interest provisions in the Uniform Penalty and Interest Act (UPIA), the Illinois Income Tax Act (IITA), and the Retailers' Occupation Tax Act (ROTA) have been revised effective January 1, 1996.

What revisions were made to the acts?

The following revisions were made to the UPIA, IITA, and ROTA:

- The number of days you are given to respond to our notices was increased.
- The late filing or nonfiling penalty was restructured to a two-tier formula.
- The preliminary notice requirement for assessing the late filing penalty on withholding tax was eliminated.
- A provision was established for abatement of late filing penalty for taxpayers required to file returns more often than annually.
- "Mathematical error" was redefined for sales and excise taxes.
- A method for figuring your quarter-monthly (accelerated) sales tax payments was eliminated.

How many days do I have to respond to a department notice?

Effective January 1, 1996, you have 30 days to respond to our notices (*e.g.*, notice of missing information, notice of tax liability, notice of assessment) to avoid additional interest charges.

When do I owe a late filing or nonfiling penalty and what is the two-tier formula?

You owe a late filing or nonfiling penalty if you

- do not file a processable return by the due date, including any extended due date; or
- do not correct a timely filed unprocessable return within 30 days of the date we notify you that your return was unprocessable.

You will be penalized even if your return is fully paid or shows an overpayment. This penalty will also be assessed if there is no tax liability due.

Note: A "processable" return is one that

- is signed by the person required by law to sign it,
- is in a format we have approved, and
- contains all information and schedules necessary to determine correct tax and make local tax allocations.

For returns due on or after January 1, 1996, the late filing or nonfiling penalty is figured using a two-tier formula.

- The first tier is equal to the lesser of \$250 or 2 percent of the tax required to be shown due on your return, without regard to any payments and credits. This tier is assessed the day after the original due date of your return, including any extended due date.
- The second tier is equal to the greater of \$250 or 2 percent of the tax shown on your return, determined without regard to any payments and credits, and may be assessed up to a maximum of \$5,000. This tier is assessed, in addition to the first tier, if you do not provide the requested information within 30 days of the date of our notice.

What if I do not timely file my withholding tax return?

If you fail to file your withholding tax return (*i.e.*, Forms IL-941 and **IL-W-3**) by the due date, we will assess a late filing or nonfiling penalty. We are no longer required to issue a preliminary notice before assessing this penalty.

What if I am assessed a late filing penalty on a non-annual return?

If you are required to file returns more frequently than annually and have been assessed a late filing penalty, the penalty may be abated based on your past filing record. In order to receive abatement, you must request a waiver and show that

- your late filing is due to a nonfraudulent act, and
- you have a good filing and payment record with us for the two years immediately preceding the late filed or nonfiled return.

What is a mathematical error for sales and excise taxes?

A mathematical (math) error for sales and excise taxes is an arithmetic error or incorrect computation on your return or supporting schedules. We will notify you of any additional tax due as the result of a math error. Such additional tax due is not protestable.

Note: The definition of math error for income tax purposes did not change.

What method for figuring my quarter-monthly (accelerated) sales tax payments was eliminated?

The 100 percent option for determining the amount of your quarter-monthly (accelerated) sales tax payments was eliminated.

For each quarter-monthly sales tax payment, you must pay either

- 22.5 percent of the current month's liability or
- 25 percent of the liability for the same month of the previous year.

What if I need additional information on penalties and interest?

For additional information on penalties and interest, see Publication 103, Uniform Penalties and Interest. To receive a copy of this publication, call 1 800 356-6302.

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the end of this bulletin.



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