Publication 103

Penalties and Interest for Illinois Taxes

September 2025

About this publication

The purpose of this publication is to explain penalties and interest assessed by the Illinois Department of Revenue (IDOR) on returns due on or after January 1, 1994. If you need penalty or interest information for liabilities from earlier reporting periods, see the appropriate tax statute. The objectives of this publication are to

- answer general questions about penalty and interest,
- identify and define each penalty,
- explain how each penalty is calculated and assessed,
- explain how interest is calculated, and
- provide penalty and interest rates.

We encourage you to let us calculate your penalties and interest and bill you. However, if you annualize your income to compute your estimated income tax installments, you must complete and attach to your return Form IL-2210, Computation of Penalties for Individuals, or Form IL-2220, Computation of Penalties for Businesses, to show when your income was earned.

This publication does not cover penalties and interest assessed through the Racing Privilege Tax Act, the Property Tax Code, or the Real Estate Transfer Tax Act. For information on these taxes, see the appropriate tax acts.

The information in this publication is current as of the date of the publication. Please visit our website at **tax.illinois.gov** to verify you have the most current revision.

This publication is written in a plain writing style so the tax information is easier to understand. As a result, we do not directly quote Illinois statutes or the Illinois Administrative Code. The contents of this publication are informational only and do not take the place of statutes, rules, and court decisions.

Taxpayer Bill of Rights

You have the right to call the Illinois Department of Revenue (IDOR) for help in resolving tax problems.

You have the right to privacy and confidentiality under most tax laws.

You have the right to respond, within specified time periods, to IDOR notices by asking questions, paying the amount due, or providing proof to refute IDOR's findings.

You have the right to appeal IDOR decisions, in many instances, within specified time periods, by asking for department review, by filing a petition with the Illinois Independent Tax Tribunal, or by filing a complaint in circuit court.

If you have overpaid your taxes, you have the right, within specified time periods, to a credit (or, in some cases, a refund) of that overpayment.

For more information about these rights and other IDOR procedures, you may write us at the following address:

Problems Resolution Division
Illinois Department of Revenue
PO Box 19014
Springfield, IL 62794-9014

For information or forms, visit IDOR's website at tax.illinois.gov

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General Information

Definitions

Processable return

For IDOR to consider a return to be processable, it must

- be signed by the person authorized by law to sign it,
- be in a format we have prescribed or approved, and
- contain all information, schedules, and supporting documents necessary to determine the correct tax and to make allocations.

Due dates

Due dates for payments and filing returns mentioned in this publication are referred to as “original due date” and “extended return due date.” The original due date is the date the payment or return is due without regard to extensions. Due dates differ depending on the tax type. The due dates for each tax type can be found in the instructions for the corresponding tax type.

Special note for income tax only, except withholding income tax: The Illinois Income Tax Act provides for an automatic extended due date for *return filing* only. All applicable tax due still must be paid by the original due date even if the return has not been filed.

In some cases, the Internal Revenue Service (IRS) gives an additional extension of time to file your federal income tax or withholding income tax returns. If the IRS grants you this extension, IDOR will grant you the same extension.

Tax shown due

This is the amount of tax you actually report on an original or amended return.

Tax required to be shown due

This is the tax amount that is required to be shown due on an original or amended return.

Unadmitted liability

Tax found due that a taxpayer does not admit to owing.

Trust tax

A trust tax is a tax a taxpayer is required to collect from an employee or customer and remit to IDOR. An example of a trust tax is Withholding Income Tax.

Amnesty

Illinois has, on occasion, provided, through the Illinois Tax Delinquency Amnesty Act, opportunity for taxpayers to pay outstanding tax liabilities during an amnesty period and to have eligible penalties and interest waived. Public Act 104-06 established an amnesty period **October 1, 2025, through November 17, 2025**, for periods ending after June 30, 2018, and prior to July 1, 2024. Some exclusions apply.

Interest

On January 1, 1994, Illinois adopted a uniform interest rate to allow IDOR to assess interest on underpayments and authorize interest to be paid on overpayments at the same rate for most taxes IDOR administers. Interest is simple interest figured using a daily rate. The rate is reviewed twice each year — on January 1 and July 1 — and adjusted according to the “underpayment rate” or the “short term rate” established under Section 6621 of the Internal Revenue Code.

Prior to January 1, 2004, the rate of interest payable on overpayments and charged on underpayments was the “underpayment rate.” During the period from January 1, 2004, through December 31, 2013, interest accrued at the “short term federal rate” for the first year that the overpayment or underpayment accrued interest. This is three percent less than the “underpayment rate.” After one year, interest would accrue on any remaining balance at the “underpayment rate.” Interest on an overpayment or underpayment accrues at the “underpayment rate” and is calculated by multiplying the tax due by the interest rate. That amount is then divided by 365 (or 366 in leap years) to determine the total interest due. The following formula is used to calculate interest:

Tax Due X Interest Rate ÷ 365 = Daily Interest Amount

Daily Interest Amount X Number of Days = Total Interest Due.

Interest charged to you

Interest begins to accrue the day after the date the payment is due through the date you pay the tax.

Interest paid by the State of Illinois

Unless an overpayment is refunded or a credit is approved *within* 90 days after the return due date, interest will be paid to you from the due date of the original return, the date a processable return is filed, or the date of overpayment (whichever date is latest).

For current rates, visit the **Interest Rates page** on our website at tax.illinois.gov/individuals/interestrate.html.

Interest assessed for participation in an abusive tax shelter

If you are found to have participated in an abusive tax shelter transaction and did not report and pay any liability associated with that transaction before you were contacted by the IRS or IDOR, interest on that liability will be assessed at 150 percent of the rate in effect at that time.

Penalty Information

The penalties outlined below are not to be considered the only penalties IDOR is authorized by law to assess. Other, less common penalties may exist that are not outlined here.

Late-filing (or nonfiling) penalty

You owe this penalty in the following instances:

- you do not file a return by the due date, including any extended due date; or
- you timely file a return that cannot be processed and you do not correct it within 30 days after being notified by the Department.

The rate for the late-filing/non-filing penalty follows two tiers:

- The first tier rate is the lesser of $250 or two percent (2%) of the tax required to be shown due on the return and reduced by timely payments or credits. If a return is timely filed but cannot be processed, you have 30 days to correct the return before penalty is due.
- The second tier is imposed if you do not file a return within 30 days after receiving a notice of nonfiling. The additional penalty is equal to the greater of $250 or two percent of the tax shown due on the return without regard to timely payments. The additional penalty may not exceed $5,000. The penalty is assessed even if there is no tax due.

Illinois law includes two exceptions to the uniform late-filing penalty:

- The late-filing penalty in the Motor Fuel Use Tax Law is ten percent of the tax due or $50, whichever is greater.
- The Coin-Operated Amusement Device and Redemption machine Tax Act imposes a 30-percent (30%) penalty for failure to obtain a decal.

Late-filing (or nonfiling) penalty for transaction return

You owe this penalty if you are a retailer required to file a transaction return (Form ST-556, Sales Tax Transaction Return, or Form ST-556-LSE, Transaction Return for Leases) and you do not file a transaction return by the due date as required by the Retailers' Occupation Tax Act and the Use Tax Act and that transaction return, if it had been properly filed, would not have resulted in the imposition of a tax (*e.g.*, dealer trade or exempt sale). The rate for the late-filing/non-filing penalty for a transaction return is $100, when the return, if it had been properly filed, would not have resulted in the imposition of a tax.

Note: If you owe this late-filing (or nonfiling) penalty for a zero liability transaction return, you are not subject to the standard late-filing (or nonfiling) penalty.

Late-payment penalty

You owe this penalty if you do not pay the tax due by the due date of the payment or the original due date of the return without regard to extensions. Due dates differ depending on the tax type.

The late-payment penalty is based on the number of days that the payment of the tax required to be shown due on the return is late:

- If the payment is 1 – 30 days late, the late-payment penalty rate is two percent (2%).
- If the payment is 31+ days late, the late-payment penalty rate is ten percent (10%).

However, the penalty is 15 percent (15%) of any amount that is not paid until after the initiation of an audit or investigation of your liability and 20 percent (20%) of any amount that is not paid within 30 days after the issuance of an audit-prepared amended return or a waiver of restrictions at the conclusion of the audit or investigation. The 20-percent penalty rate also applies to any amount paid within the 30-day period if you pay the liability under protest or subsequently file a claim for a credit or refund of the payment.

Note: If a penalty for underpayment of estimated or quarter monthly (accelerated) tax payments has been assessed, the tax amount on which that penalty is assessed is subtracted from the total tax to determine the tax base on which the late-payment penalty may be assessed.

Illinois law includes two exceptions to the uniform late-payment penalty:

- The late payment penalty in the Motor Fuel Use Tax Law is ten percent of the tax due or $50, whichever is greater.
- The Coin-Operated Amusement Device and Redemption Machine Tax Act imposes a 30-percent (30%) penalty for failure to obtain a decal.

Note: Due dates for Withholding income tax payments are based on the assigned payment schedule.

Late-payment penalty for underpayment of estimated or quarter-monthly (accelerated) tax due

You owe this penalty if you were required to make estimated or quarter-monthly tax payments and failed to do so, or if you failed to pay the required amount by the payment due date.

The late-payment penalty for underpayment of estimated or quarter-monthly (accelerated) tax due is based on the number of days that the payment is late:

- If the payment is 1 – 30 days late, the late-payment penalty rate is two percent (2%).
- If the payment is 31+ days late, the late-payment penalty rate is ten percent (10%).

Note: Estimated payments mean quarterly payments for business income and individual income taxes. Quarter-monthly (accelerated) payments include payments for certain sales and excise taxes (e.g., Retailers' Occupation Tax).

Bad check penalty

You owe this penalty if you send any remittance to IDOR that is not honored by your financial institution.

The bad check penalty is $25 for each remittance not honored by the financial institution..

Cost of collection fee

You owe this fee if IDOR has sent you a request for payment of final liability and you do not pay the full amount of tax, penalties, and interest shown on the bill within 30 days of the date of the bill.

The cost of collection fee follows two tiers:

- If the total unpaid amount is less than $1,000, the cost of collection fee is $30.
- If the total unpaid amount is $1,000 or more, the cost of collection fee is $100.

Failure to file correct information return penalty

You owe this penalty if you do not file a correct information return by the original due date of the return.

The penalty for failure to file a correct information return is $5 for each return or statement not timely filed, up to a total of $25,000 during any calendar year. If a return is filed within 60 days of the due date, the penalty may be reduced by 50 percent (50%).

Failure to keep books and records penalty

You owe this penalty if you fail to produce records upon request from an authorized agent or employee of IDOR.

The penalty for failure to keep books and records is $1,000 for the first failure and $3,000 for each subsequent failure.

Fraud penalty

You owe this penalty if you file a return, an amended return, or a claim for refund or credit with the intent to defraud.

The penalty for fraud is 50 percent (50%) of the deficiency or claim amount attributable to the fraudulent act or omission..

Frivolous return penalty

You owe this penalty if you file Form IL-1040, Individual Income Tax Return, and that return does not contain information needed to figure the correct tax or shows a substantially incorrect tax because you are taking a frivolous position or are trying to delay or interfere with the collection of the tax.

The penalty for filing a frivolous return is $500.

Negligence penalty

You owe this penalty if, in preparing a return or amended return, you do not make a reasonable attempt to comply with the provisions of any tax statute, including showing careless, reckless, or intentional disregard for the law or regulations.

The penalty for negligence is 20 percent (20%) of the deficiency attributable to the negligent act or omission.

Personal liability penalty

You owe this penalty if you have control, supervision, or responsibility for filing returns and making payment of the amount of any trust tax that IDOR administers, and willfully do not file the return or make the payment or willfully attempt to evade or defeat the tax.

The personal liability penalty is an amount equal to the total amount of unpaid tax, penalties, and interest.

Penalties for Abusive Tax Avoidance Transaction (Abusive Tax Shelters)

These penalties can be divided into two categories:

- participant penalties, and
- material advisor penalties.

IDOR imposes participant penalties on people or businesses who have participated in an abusive tax avoidance transaction. The following three penalties may apply:

1. You owe a **failure to disclose participation in a reportable transaction penalty** if you fail to provide IDOR us with a copy of the disclosure statement that you were required to file with the IRS regarding your participation in a reportable transaction. The penalty amount is $15,000 for each undisclosed reportable transaction or $30,000 for each “listed transaction.” The total penalty imposed shall not exceed 10% of the increase in net income or reduction in loss that would result if the taxpayer had not participated in the reportable transaction.
2. You owe **reportable transaction understatement penalty** on any deficiency of Illinois Income Tax that is caused by participating in any reportable transaction, if a significant purpose of the transaction is the avoidance or evasion of federal income tax, or by participating in any “listed transaction.” The penalty amount is 20% of deficiency or 30% if the transaction was not disclosed.
3. You owe a **100-percent interest penalty** if you have been contacted by the IRS or IDOR regarding the use of a potential tax avoidance transaction and you have a deficiency from that transaction. This penalty is equal to 100 percent of the amount of interest assessed on the deficiency from the payment due date through the date that a notice of deficiency is issued.

   Note: The 100-percent interest penalty applies only to potentially abusive transactions entered into before October 22, 2004, or listed transactions entered into between February 28, 2000, and December 31, 2004.

IDOR imposes material advisor penalties on people or businesses who have organized, promoted, or sold a potentially abusive tax shelter. The following three penalties may apply:

1. You owe a **failure to register a tax shelter penalty** if you fail to register a listed transaction with IDOR. The penalty amount is 100% of interest assessed on the tax avoidance transaction deficiency from payment due date through date a notice of deficiency is issued.
2. You owe a **failure to maintain a list of investors penalty** if you fail to submit a copy of the list of your investors to IDOR. As an organizer or material advisor, you are required to maintain and submit to IDOR a list of your investors in a listed transaction. The penalty amount is $15,000 for each failure to report or $100,000 if the failure involves a “listed transaction.”
3. You owe a **promoting tax shelters penalty** if you are an organizer or seller of any plan or arrangement who has knowingly furnished a false statement about any tax deduction, credit, or other tax benefit that is obtainable by that plan or arrangement. The penalty amount is the greater of $10,000 or 50 percent of the gross income received (or to be received) from anyone required to file an Illinois return and to whom you furnished a false statement.

Note: See the IRS website at **www.irs.gov** for more information about reportable transactions, listed transactions, and tax shelters.

Requesting Penalty Abatement

If you filed or paid late or your remittance was not honored by your financial institution, and you believe you made a good faith effort to comply with the law, you may be entitled to an abatement of late-filing penalty or late-payment penalty due to "reasonable cause." To request a waiver of late-filing penalty or late-payment penalty, you must provide IDOR with a detailed explanation of the cause of the delay and any documentation you have to support your request.

Contact Information

Visit our website at **tax.illinois.gov**.

For specific phone number and email contacts see our **Contact Us** page.

Call us at **1 800 732-8866**, **217 782-3336**, or **1 800 544-5304** (TTY).

Write us at Illinois Department of Revenue, PO Box 19001, Springfield, IL 62794-9001.

Call our 24-hour Forms Order Line at **1 800 356-6302**.

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