

TITLE 86: REVENUE  
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323 AUTHORITY: Implementing the Illinois Retailers' Occupation Tax Act [35 ILCS 120] and  
 324 authorized by Sections 2505-25 and 2505-795 of the Civil Administrative Code of Illinois.  
 325 (Department of Revenue Law) [20 ILCS 2505].

326

327 SOURCE: Adopted July 1, 1933; amended at 2 Ill. Reg. 50, p. 71, effective December 10, 1978;  
 328 amended at 3 Ill. Reg. 12, p. 4, effective March 19, 1979; amended at 3 Ill. Reg. 13, pp. 93 and  
 329 95, effective March 25, 1979; amended at 3 Ill. Reg. 23, p. 164, effective June 3, 1979; amended  
 330 at 3 Ill. Reg. 25, p. 229, effective June 17, 1979; amended at 3 Ill. Reg. 44, p. 193, effective  
 331 October 19, 1979; amended at 3 Ill. Reg. 46, p. 52, effective November 2, 1979; amended at 4  
 332 Ill. Reg. 24, pp. 520, 539, 564 and 571, effective June 1, 1980; amended at 5 Ill. Reg. 818,  
 333 effective January 2, 1981; amended at 5 Ill. Reg. 3014, effective March 11, 1981; amended at 5  
 334 Ill. Reg. 12782, effective November 2, 1981; amended at 6 Ill. Reg. 2860, effective March 3,  
 335 1982; amended at 6 Ill. Reg. 6780, effective May 24, 1982; codified at 6 Ill. Reg. 8229;  
 336 recodified at 6 Ill. Reg. 8999; amended at 6 Ill. Reg. 15225, effective December 3, 1982;  
 337 amended at 7 Ill. Reg. 7990, effective June 15, 1983; amended at 8 Ill. Reg. 5319, effective April  
 338 11, 1984; amended at 8 Ill. Reg. 19062, effective September 26, 1984; amended at 10 Ill. Reg.  
 339 1937, effective January 10, 1986; amended at 10 Ill. Reg. 12067, effective July 1, 1986; amended  
 340 at 10 Ill. Reg. 19538, effective November 5, 1986; amended at 10 Ill. Reg. 19772, effective  
 341 November 5, 1986; amended at 11 Ill. Reg. 4325, effective March 2, 1987; amended at 11 Ill.  
 342 Reg. 6252, effective March 20, 1987; amended at 11 Ill. Reg. 18284, effective October 27, 1987;



343 amended at 11 Ill. Reg. 18767, effective October 28, 1987; amended at 11 Ill. Reg. 19138,  
 344 effective October 29, 1987; amended at 11 Ill. Reg. 19696, effective November 23, 1987;  
 345 amended at 12 Ill. Reg. 5652, effective March 15, 1988; emergency amendment at 12 Ill. Reg.  
 346 14401, effective September 1, 1988, for a maximum of 150 days, modified in response to an  
 347 objection of the Joint Committee on Administrative Rules at 12 Ill. Reg. 19531, effective  
 348 November 4, 1988, not to exceed the 150 day time limit of the original rulemaking; emergency  
 349 expired January 29, 1989; amended at 13 Ill. Reg. 11824, effective June 29, 1989; amended at 14  
 350 Ill. Reg. 241, effective December 21, 1989; amended at 14 Ill. Reg. 872, effective January 1,  
 351 1990; amended at 14 Ill. Reg. 15463, effective September 10, 1990; amended at 14 Ill. Reg.  
 352 16028, effective September 18, 1990; amended at 15 Ill. Reg. 6621, effective April 17, 1991;  
 353 amended at 15 Ill. Reg. 13542, effective August 30, 1991; amended at 15 Ill. Reg. 15757,  
 354 effective October 15, 1991; amended at 16 Ill. Reg. 1642, effective January 13, 1992; amended  
 355 at 17 Ill. Reg. 860, effective January 11, 1993; amended at 17 Ill. Reg. 18142, effective October  
 356 4, 1993; amended at 17 Ill. Reg. 19651, effective November 2, 1993; amended at 18 Ill. Reg.  
 357 1537, effective January 13, 1994; amended at 18 Ill. Reg. 16866, effective November 7, 1994;  
 358 amended at 19 Ill. Reg. 13446, effective September 12, 1995; amended at 19 Ill. Reg. 13568,  
 359 effective September 11, 1995; amended at 19 Ill. Reg. 13968, effective September 18, 1995;  
 360 amended at 20 Ill. Reg. 4428, effective March 4, 1996; amended at 20 Ill. Reg. 5366, effective  
 361 March 26, 1996; amended at 20 Ill. Reg. 6991, effective May 7, 1996; amended at 20 Ill. Reg.  
 362 9116, effective July 2, 1996; amended at 20 Ill. Reg. 15753, effective December 2, 1996;  
 363 expedited correction at 21 Ill. Reg. 4052, effective December 2, 1996; amended at 20 Ill. Reg.  
 364 16200, effective December 16, 1996; amended at 21 Ill. Reg. 12211, effective August 26, 1997;  
 365 amended at 22 Ill. Reg. 3097, effective January 27, 1998; amended at 22 Ill. Reg. 11874,  
 366 effective June 29, 1998; amended at 22 Ill. Reg. 19919, effective October 28, 1998; amended at  
 367 22 Ill. Reg. 21642, effective November 25, 1998; amended at 23 Ill. Reg. 9526, effective July 29,  
 368 1999; amended at 23 Ill. Reg. 9898, effective August 9, 1999; amended at 24 Ill. Reg. 10713,  
 369 effective July 7, 2000; emergency amendment at 24 Ill. Reg. 11313, effective July 12, 2000, for a  
 370 maximum of 150 days; amended at 24 Ill. Reg. 15104, effective October 2, 2000; amended at 24  
 371 Ill. Reg. 18376, effective December 1, 2000; amended at 25 Ill. Reg. 941, effective January 8,  
 372 2001; emergency amendment at 25 Ill. Reg. 1792, effective January 16, 2001, for a maximum of  
 373 150 days; amended at 25 Ill. Reg. 4674, effective March 15, 2001; amended at 25 Ill. Reg. 4950,  
 374 effective March 19, 2001; amended at 25 Ill. Reg. 5398, effective April 2, 2001; amended at 25  
 375 Ill. Reg. 6515, effective May 3, 2001; expedited correction at 25 Ill. Reg. 15681, effective May  
 376 3, 2001; amended at 25 Ill. Reg. 6713, effective May 9, 2001; amended at 25 Ill. Reg. 7264,  
 377 effective May 25, 2001; amended at 25 Ill. Reg. 10917, effective August 13, 2001; amended at  
 378 25 Ill. Reg. 12841, effective October 1, 2001; amended at 26 Ill. Reg. 958, effective January 15,  
 379 2002; amended at 26 Ill. Reg. 1303, effective January 17, 2002; amended at 26 Ill. Reg. 3196,  
 380 effective February 13, 2002; amended at 26 Ill. Reg. 5369, effective April 1, 2002; amended at  
 381 26 Ill. Reg. 5946, effective April 15, 2002; amended at 26 Ill. Reg. 8423, effective May 24,  
 382 2002; amended at 26 Ill. Reg. 9885, effective June 24, 2002; amended at 27 Ill. Reg. 795,  
 383 effective January 3, 2003; emergency amendment at 27 Ill. Reg. 11099, effective July 7, 2003,  
 384 for a maximum of 150 days; emergency expired December 3, 2003; amended at 27 Ill. Reg.  
 385 17216, effective November 3, 2003; emergency amendment at 27 Ill. Reg. 18911, effective

386 November 26, 2003, for a maximum of 150 days; emergency expired April 23, 2004; amended at  
 387 28 Ill. Reg. 9121, effective June 18, 2004; amended at 28 Ill. Reg. 11268, effective July 21,  
 388 2004; emergency amendment at 28 Ill. Reg. 15193, effective November 3, 2004, for a maximum  
 389 of 150 days; emergency expired April 1, 2005; amended at 29 Ill. Reg. 7004, effective April 26,  
 390 2005; amended at 31 Ill. Reg. 3574, effective February 16, 2007; amended at 31 Ill. Reg. 5621,  
 391 effective March 23, 2007; amended at 31 Ill. Reg. 13004, effective August 21, 2007; amended at  
 392 31 Ill. Reg. 14091, effective September 21, 2007; amended at 32 Ill. Reg. 4226, effective March  
 393 6, 2008; emergency amendment at 32 Ill. Reg. 8785, effective May 29, 2008, for a maximum of  
 394 150 days; emergency expired October 25, 2008; amended at 32 Ill. Reg. 10207, effective June  
 395 24, 2008; amended at 32 Ill. Reg. 17228, effective October 15, 2008; amended at 32 Ill. Reg.  
 396 17519, effective October 24, 2008; amended at 32 Ill. Reg. 19128, effective December 1, 2008;  
 397 amended at 33 Ill. Reg. 1762, effective January 13, 2009; amended at 33 Ill. Reg. 2345, effective  
 398 January 23, 2009; amended at 33 Ill. Reg. 3999, effective February 23, 2009; amended at 33 Ill.  
 399 Reg. 15781, effective October 27, 2009; amended at 33 Ill. Reg. 16711, effective November 20,  
 400 2009; amended at 34 Ill. Reg. 9405, effective June 23, 2010; amended at 34 Ill. Reg. 12935,  
 401 effective August 19, 2010; amended at 35 Ill. Reg. 2169, effective January 24, 2011; amended at  
 402 36 Ill. Reg. 6662, effective April 12, 2012; amended at 38 Ill. Reg. 12909, effective June 9,  
 403 2014; amended at 38 Ill. Reg. 17060, effective July 25, 2014; amended at 38 Ill. Reg. 17421,  
 404 effective July 31, 2014; amended at 38 Ill. Reg. 17756, effective August 6, 2014; amended at 38  
 405 Ill. Reg. 19998, effective October 1, 2014; amended at 39 Ill. Reg. 1793, effective January 12,  
 406 2015; amended at 39 Ill. Reg. 12597, effective August 26, 2015; amended at 39 Ill. Reg. 14616,  
 407 effective October 22, 2015; amended at 40 Ill. Reg. 6130, effective April 1, 2016; amended at 40  
 408 Ill. Reg. 13448, effective September 9, 2016; amended at 41 Ill. Reg. 10721, effective August 1,  
 409 2017; amended at 42 Ill. Reg. 2850, effective January 26, 2018; amended at 43 Ill. Reg. 4201,  
 410 effective March 20, 2019; amended at 43 Ill. Reg. 5069, effective April 17, 2019; amended at 43  
 411 Ill. Reg. 8865, effective July 30, 2019; emergency amendment at 43 Ill. Reg. 9841, effective  
 412 August 21, 2019, for a maximum of 150 days; emergency amendment at 44 Ill. Reg. 552,  
 413 effective December 27, 2019, for a maximum of 150 days; emergency expired May 24, 2020;  
 414 emergency amendment at 44 Ill. Reg. 2055, effective January 13, 2020, for a maximum of 180  
 415 days; amended at 44 Ill. Reg. 5392, effective March 16, 2020; amended at 44 Ill. Reg. 10981,  
 416 effective June 10, 2020; amended at 44 Ill. Reg. 13975, effective August 11, 2020; amended at  
 417 45 Ill. Reg. 352, effective December 21, 2020; amended at 45 Ill. Reg. 7248, effective June 3,  
 418 2021; amended at 45 Ill. Reg. 14464, effective November 2, 2021; amended at 45 Ill. Reg.  
 419 16058, effective December 3, 2021; amended at 46 Ill. Reg. 6745, effective April 12, 2022;  
 420 amended at 46 Ill. Reg. 7785, effective April 26, 2022; amended at 46 Ill. Reg. 10905, effective  
 421 June 7, 2022; amended at 46 Ill. Reg. 15336, effective August 23, 2022; amended at 46 Ill. Reg.  
 422 18120, effective October 25, 2022; amended at 46 Ill. Reg. 18827, effective November 1, 2022;  
 423 amended at 47 Ill. Reg. 1426, effective January 17, 2023; amended at 47 Ill. Reg. 2116, effective  
 424 January 24, 2023; amended at 47 Ill. Reg. 5751, effective April 4, 2023; amended at 47 Ill. Reg.  
 425 6068, effective April 12, 2023; amended at 47 Ill. Reg. 6309, effective April 18, 2023; amended  
 426 at 47 Ill. Reg. 19135, effective December 6, 2023; amended at 47 Ill. Reg. 19349, effective  
 427 December 12, 2023; amended at 48 Ill. Reg. 1870, effective January 18, 2024; amended at 48 Ill.  
 428 Reg. 2856, effective February 8, 2024; amended at 48 Ill. Reg. 10646, effective July 2, 2024;

429 amended at 48 Ill. Reg. 14779, effective September 25, 2024; amended at 48 Ill. Reg. 16529,  
430 effective November 4, 2024; amended at 49 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_.

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SUBPART H: BOOKS AND RECORDS

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**Section 130.801 Books and Records – General Requirements**

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a) *Every person engaged in the business of selling tangible personal property at retail in this State shall keep records and books of all sales and purchases of tangible personal property, including all sales and purchase invoices, purchase orders, merchandise records and requisitions, inventory records prepared as of December 31 of each year or otherwise annually, as has been the custom in the specific trade [35 ILCS 120/7], credit memos, debit memos, bills of lading, shipping records, and all other records pertaining to any and all purchases and sales of goods whether or not the retailer believes them to be taxable under the Act; and the retailer shall also keep summaries, recapitulations, totals, journal entries, ledger accounts, accounts receivable records, accounts payable records, statements, tax returns with all schedules or pertinent working papers used in connection with the preparation of such returns, and other documents listing, summarizing or pertaining to such sales, purchases, inventory changes, shipments, or other transactions. For a description of what records constitute the minimum required, including the use of machine-sensible records and electronic data interchange, see Section 130.805 of this Part.*

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b) Retailers must maintain complete books and records covering receipts from all sales and distinguishing taxable from nontaxable receipts.

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c) The books and records must clearly indicate and explain all the information, ~~(deductions as well as gross receipts.)~~ required for tax returns.

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d) If a taxpayer retains records required to be retained under this Section in both machine-sensible and hard-copy formats, the taxpayer shall, upon request, make the records available to the Department in machine-sensible format in accordance with Section 130.805(b)(5).

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e) *The books and records and other papers and documents which are required by ~~the~~ the Act to be kept shall be kept in the English language and shall, at all times during business hours of the day, be subject to inspection by the Department or its duly authorized agents and employees. [35 ILCS 120/7]*

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f) The books and records must be kept within Illinois except in instances where a business has several branches, with the head office being located outside Illinois, and where all books and records have been regularly kept outside the State at such

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472 head office. Under such circumstances, upon written permission from the  
 473 Department, books and records may be kept outside Illinois, but the taxpayer  
 474 must, within a reasonable time after notification by the Department, make all  
 475 pertinent books, records, papers, and documents available at some point within  
 476 Illinois for the purpose of the inspection and audit as the Department may deem  
 477 necessary.

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 479 g) Request for Books and Records and Documentation During an Audit

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 481 1) At the initiation of an audit, the Department will notify the taxpayer of the  
 482 books and records that the taxpayer will be required to produce ~~for the~~  
 483 ~~Department~~ to enable the Department to conduct the audit. During the  
 484 course of the audit, the Department will provide the taxpayer with  
 485 information document requests (Form EDA-70 or EDA-70C, "Information  
 486 Document Request") for books and records the Department is requesting  
 487 the taxpayer to produce for review. The taxpayer will be provided 30  
 488 days, or the number of days agreed to by the taxpayer and the Department,  
 489 to respond to an Information Document Request. If the taxpayer and the  
 490 Department cannot agree on a date to respond to a request, the taxpayer  
 491 shall have 30 days to respond. If the taxpayer does not provide the  
 492 Department with the books and records requested in the Information  
 493 Document Request, the Department will issue a second Information  
 494 Document Request for the books and records. The taxpayer shall have 30  
 495 days to respond to the second Information Document Request. If the  
 496 taxpayer again fails to provide the Department with the books and records  
 497 requested, the Department is authorized to issue a written  
 498 ~~demand document request~~ for the books and records pursuant to subsection  
 499 (i)(3).

500  
 501 2) *It shall be presumed that all sales of tangible personal property are*  
 502 *subject to tax under the Act until the contrary is established. The burden*  
 503 *of proving that a transaction is not taxable shall be upon the person who*  
 504 *would be required to remit the tax to the Department if the transaction is*  
 505 *taxable. In the course of any audit or investigation or hearing by the*  
 506 *Department with reference to a given taxpayer, if the Department finds*  
 507 *that the taxpayer lacks documentary evidence needed to support the*  
 508 *taxpayer's claim to exemption from tax, the Department is authorized to*  
 509 *notify the taxpayer in writing to produce such evidence (Form EDA-11-B*  
 510 *or EDA-11-BC, "Notice of Demand for Documentary Evidence"), and the*  
 511 *taxpayer shall have 60 days subject to the right in the Department to*  
 512 *extend this period either on request for good cause shown or on its own*  
 513 *motion from the date when such notice is sent to the taxpayer by certified*  
 514 *or registered mail (or delivered to the taxpayer if the notice is served*

515 *personally) in which to obtain and produce such evidence for the*  
 516 *Department's inspection and audit, failing which the matter shall be*  
 517 *closed, and the transaction shall be conclusively presumed to be taxable.*  
 518 [35 ILCS 120/7] In the course of any audit or investigation by the  
 519 Department with reference to a given taxpayer, if the taxpayer fails to  
 520 produce the documentary evidence needed to support the taxpayer's claim  
 521 to exemption from tax within the 60 days or the time allotted, the  
 522 taxpayer's claim to exemption will be denied and the transactions will be  
 523 conclusively presumed to be taxable~~taxpayer is subject to the penalty in~~  
 524 ~~subsection (i).~~

526 EXAMPLE: The auditor requests all the resale certificates and exemption  
 527 certificates for all tax-exempt sales. The auditor has issued an Information  
 528 Document Request pursuant to subsection (g)(1). The retailer has failed to  
 529 provide the documentary evidence required to support the exemptions.  
 530 The Department issued a written request (Form EDA-11-B or Form EDA-  
 531 11-BC, "Notice of Demand for Documentary Evidence") pursuant to  
 532 subsection (g)(2) and provided the taxpayer 60 days to produce the  
 533 documentation. If the retailer has not provided all of the certificates after  
 534 the 60 days has elapsed, the matter will be closed and; the transactions will  
 535 be conclusively presumed to be taxable, ~~and the retailer is subject to the~~  
 536 ~~penalty in subsection (i).~~ Records penalty cannot be applied solely based  
 537 on the lack of records associated with the Form EDA-11-B or EDA-11-  
 538 BC, Notice of Demand for Documentary Evidence.

540 h) All books and records kept by a medical cannabis dispensing organization under  
 541 the Compassionate Use of Medical Cannabis Program Act or kept by a dispensing  
 542 organization pursuant to rules adopted by the Illinois Department of Financial and  
 543 Professional Regulation to implement the Compassionate Use of Medical  
 544 Cannabis Program Act and the Cannabis Regulation and Tax Act shall, at all  
 545 times during business hours of the day, be subject to inspection by the Department  
 546 or its duly authorized agents and employees.

548 i) *Any person who fails to keep books and records or fails to produce books and*  
 549 *records for examination, as required by Section 7 of the Act and this Part, is*  
 550 *liable to pay to the Department, for deposit into the Tax Compliance and*  
 551 *Administration Fund, a penalty of \$1,000 for the first failure to keep books and*  
 552 *records or produce books and records for examination and a penalty of \$3,000*  
 553 *for each subsequent failure to keep books and records or produce books and*  
 554 *records for examination as required by Section 7 of the Act and this Part. The*  
 555 *penalties imposed under Section 7 of the Act and this subsection (i) shall not*  
 556 *apply if the taxpayer shows that it~~he or she~~ acted with ordinary business care and*  
 557 *prudence. [35 ILCS 120/7]*

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- 1) The Act imposes two requirements on retailers: retailers must maintain books and records (see subsection (a)) and they must produce the books and records for inspection and examination by the Department upon request (see subsection (e)). A retailer may be subject to the penalty in this subsection (i) if it maintains books and records but fails or refuses to produce the records upon request of the Department. A retailer also may be subject to the penalty in this subsection (i) if it does not maintain books and records and therefore cannot produce the books and records to the Department upon request. In the latter case, the retailer may be subject to either a penalty for the failure to maintain books and records or the failure to produce books and records; the Department cannot impose two penalties in this case.
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- 2) If a person fails to produce books and records for examination or inspection by the Department upon request, a prima facie presumption shall arise that the person has failed to keep the books and records so required. A person who is unable to rebut this presumption is subject to the penalty provided in this subsection (i). Taxpayers must take reasonable steps to safeguard books and records from the elements and nature to protect the integrity of the records. Producing books and records that are illegible or unsafe for Department employees to handle shall be considered a failure to produce books and records and shall result in penalties being assessed in this subsection (i).
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- 3) Except as otherwise provided by subsection (i)(8)(A), if a request has been made and not honored, prior to issuing a notice of penalty for a failure to maintain books and records or a failure to produce books and records, the Department must provide the taxpayer with a written demand document request in writing (Form EDA-11-A or EDA-11-AC, "Notice of Demand for Books and Records").
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591
- A) The Notice of Demand for Books and Records shall contain:
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- i) the name of the person receiving the request;
  - ii) the name of the business;
  - iii) the date of the request or requests;
  - iv) the books and records requested;
  - v) the books and records that the person failed to produce;

602 vi) the number of days the person has to produce the books and  
603 records; and

604  
605 vii) the name of the Department agent or employee.  
606

607 B) The Department agent or employee shall sign and date the form  
608 and provide a copy of the form to the person either in person or by  
609 mail. The person shall have 30 days from the date of the Notice of  
610 Demand for Books and Records to produce the books and records  
611 the person has failed to produce. The Department is authorized to  
612 extend the period either on written request for good cause shown  
613 or on its own motion. If the person fails to produce the books and  
614 records within the time allotted, the Department shall issue a notice  
615 of penalty pursuant to this subsection (i).  
616

617 4) Any person receiving a notice of penalty may:

618  
619 A) within ~~60~~20 days after the date on the notice of penalty, protest and  
620 request ~~an administrative~~ hearing in writing. Upon receiving a  
621 request for a hearing, the Department shall give notice to the  
622 person requesting the hearing of the time and place fixed for the  
623 hearing and shall hold a hearing in conformity with the provisions  
624 of the Act, and then issue its final administrative decision in the  
625 matter to that person. ~~The Department shall postpone the hearing~~  
626 ~~until completion of the inspection or audit.~~ In the absence of a  
627 protest and request for a hearing within ~~60~~20 days, the  
628 Department's decision shall become final without any further  
629 determination being made or notice given; ~~or~~;

630  
631 B) if penalties and interest exceed \$15,000, file a petition with the  
632 Independent Tax Tribunal within 60 days, or 30 days for cases  
633 involving the International Fuel Tax Agreement, after the date on  
634 the notice of penalty. For procedural information for the  
635 Independent Tax Tribunal, see 86 Ill. Adm. Code 5000, Subpart D.  
636

637 5) The Department cannot impose more than one penalty for failure to  
638 produce books and records for a calendar month.

639  
640 EXAMPLE 1: An authorized agent of the Department inspects a retailer  
641 and requests the records for the first week in April. The retailer does not  
642 produce the records. The agent subsequently requests the records for the  
643 remaining 3 weeks in April. The retailer does not produce the records.  
644 The agent can assess only one penalty for the month of April.  
645

646 EXAMPLE 2: In April, an authorized agent of the Department inspects a  
647 retailer and requests all purchase invoices for tangible personal property  
648 purchased in March. The purchase invoices are not provided by the  
649 retailer and the Department issues a notice of penalty in the amount of  
650 \$1,000. The agent returns in May and requests to see all the cigarette sales  
651 receipts for March. The retailer fails to produce the sales receipts. The  
652 Department cannot issue a penalty for failure of the retailer to provide  
653 sales receipts for March because the agent has previously issued a notice  
654 of penalty for failure to produce the purchase invoices for March.  
655

- 656 6) A records request can cover multiple periods. The Department is  
657 authorized to issue a separate penalty for each period.  
658

659 EXAMPLE: An auditor makes multiple requests for books and records  
660 for the months of January through July. The retailer cannot produce the  
661 books and records for any of the months. The auditor fills out a Notice of  
662 Demand for Books and Records, provides a copy to the person, and  
663 provides 30 days for the person to produce the books and records. After  
664 the 30-day period expires, the retailer does not produce the books and  
665 records. The Department issues a notice of penalty in the amount of  
666 \$1,000 for the month of January and \$3,000 for each of the months  
667 February through July, for a total penalty of \$19,000.  
668

- 669 7) *The penalties imposed under this subsection (i) shall not apply if the*  
670 *taxpayer shows that ~~it~~<sup>he or she</sup> acted with ordinary business care and*  
671 *prudence.* [35 ILCS 120/7] When determining whether a taxpayer has  
672 acted with ordinary business care and prudence, the Department will  
673 consider the size of the business, the amount of gross receipts, the volume  
674 of sales, the nature of the business, the type and number of items sold by  
675 the business, the types of books and records requested, and whether the  
676 books and records constitute the minimum records required by Section  
677 130.805. ~~(In other words, would a taxpayer that exercised ordinary~~  
678 ~~business care and prudence be able to produce the books and records~~  
679 ~~requested by the Department?)~~ "Ordinary care has been defined to be that  
680 degree of care which is exercised by ordinarily prudent persons under  
681 same or similar circumstances." *Swenson v. City of Rockford*, 9 Ill.2d  
682 122, 127 (1956).  
683

- 684 8) Requests for Books and Records at the Beginning and During Scheduled  
685 Audits  
686

687 A) When the Department determines it will audit a taxpayer's books  
688 and records, it shall notify the taxpayer of the audit and schedule a



689 time to commence the audit that is satisfactory to the Department  
690 and the taxpayer. In no event can this time be later than 6 months  
691 after the date of the notice, unless the Department agrees to extend  
692 the 6-month period. If the taxpayer refuses to schedule the  
693 commencement of the audit within 6 months after the date of the  
694 notice, the taxpayer is subject to a penalty for refusal to produce  
695 books and records for every month subject to the audit. After the  
696 6-month period has expired, the Department may issue a notice of  
697 penalty to the taxpayer pursuant to this subsection (i). The  
698 Department is not required to provide the taxpayer with a  
699 document request or allow additional time to schedule an audit of  
700 the person's books and records.

702 B) During the course of an audit, the auditor may issue multiple  
703 requests for specific books and records. Prior to issuing the first  
704 notice of penalty during an audit, the auditor shall complete a  
705 Notice of Demand for Books and Records in accordance with  
706 subsection (i) that identifies all books and records that have not  
707 been provided pursuant to all earlier requests for the production of  
708 documents.

709  
710 (Source: Amended at 49 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)  
711

712 **Section 130.805 Minimum Requirements for Recordkeeping~~What Records Constitute~~**  
713 **~~Minimum Requirement~~**

714  
715 a) In General. A taxpayer shall maintain all records that are necessary to ~~determine a~~  
716 ~~determination of~~ the correct tax liability under the Retailers' Occupation Tax Act  
717 ("Act") [35 ILCS 120]. All required records must be made available ~~upon~~  
718 request by the Department. Where a taxpayer's business consists ~~exclusively~~ of  
719 the sale of tangible personal property at retail, the following records will be  
720 deemed by the Department to constitute a minimum for the purposes of the Act:  
721

722 1) Cash register tapes, point-of-sale system printouts, and other data used to  
723 prepare returns, whether monthly, quarterly, or yearly depending on the  
724 taxpayer's filing status. The monthly, quarterly, or yearly records shall  
725 have the capability to detail each transaction with sufficient "transaction-  
726 level records." For purposes of this Section, "transaction-level records"  
727 means, at a minimum, the date of the transaction, invoice or transaction  
728 number, description of the items sold, the selling price, and the amount of  
729 tax or proper exempt status.~~Cash register tapes and other data which will~~  
730 ~~provide a daily record of the gross amount of sales.~~  
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- 2) A record of the amount of merchandise purchased. To fulfill this requirement, copies of all vendors' invoices and taxpayers' copies of purchase orders must be retained serially and in sequence as to date.
  - 3) A true and complete inventory of the value of stock on hand taken at least once each year.
  - 4) Bank statements for all accounts associated with the business.
  - 5) Federal income tax returns, including all schedules, and all working papers used to prepare the federal income tax returns, including all Form 1099-Ks.
  - 6) Sales tax returns, including all schedules and working papers used to prepare the sales tax returns.
  - 7) Monthly statements supporting all Form 1099-Ks received (e.g., from marketplace facilitators, payment processors).
  - 8) Log of all cash disbursements to vendors, employees, and others.
  - 9) Documentation for exempt and other non-taxable receipts including such documentation as the name of the exempt entity, Illinois Account ID number, resale certificate, or records relating to sales in interstate commerce. See 86 Ill. Adm. Code 130.120, 130.1405, and 130.2081(c).
  - 10) For sales requiring delivery, information detailing the purchaser's name, street address, city, state, and ZIP code for each sales transaction, and if shipped to an address other than the purchaser's, the name, street address, city, state, and ZIP code where delivery is made.
  - 11) Any records identified by the Department from a prior audit that the taxpayer was instructed to keep.
  - 12) The Department reserves the right to request any records necessary to complete verification, keeping in mind changes in technology and the retailer's specific business.
- b) Records prepared by Automated Data Processing Systems ("ADP"). When an ADP tax accounting system is used to maintain all or part of a taxpayer's accounting or financial records, such ADP system must include a method of producing legible and readable records which will provide the necessary information for verifying tax liability. If a taxpayer retains records required to be

775 retained under Section 130.801 of this Part, in both machine-sensible and hard-  
 776 copy formats, the taxpayer shall make the records available to the Department in  
 777 machine-sensible format upon request of the Department in accordance with  
 778 subsection (b)(5) of this Section. ADP accounting systems encompass all types of  
 779 data processing systems including, but not limited to, mainframe computer  
 780 systems, stand-alone, or networked microcomputer systems, Database  
 781 Management Systems ("DBMS"), and systems using Electronic Data Interchange  
 782 ("EDI") technology.

783  
 784 1) Definitions

785  
 786 A) "Database Management System" or "DBMS" means a software  
 787 system that creates, controls, relates, retrieves, and provides  
 788 accessibility to data stored in a database.

789  
 790 B) "Electronic Data Interchange" or "EDI technology" means the  
 791 computer-to-computer exchange of business transactions in a  
 792 standardized structured electronic format.

793  
 794 C) "Machine-sensible record" means a collection of related  
 795 information in an electronic format. Machine-sensible records  
 796 include, but are not limited to, data created by point-of-sale  
 797 ("POS") systems or accounting software, Excel documents, and  
 798 searchable portable document format ("PDF"). Machine-sensible  
 799 records do not include hard-copy records that are created or  
 800 recorded on paper or stored in or by an imaging system such as  
 801 ~~microfilm, microfiche or~~ storage-only imaging systems.

802  
 803 D) "Storage-only imaging systems" means a system of computer  
 804 hardware and software that provides for the storage, retention, and  
 805 retrieval of documents originally created on paper, including but  
 806 not limited to, static PDFs or joint photographic experts group  
 807 ("JPEG"). It does not include any system, or part of a system, that  
 808 manipulates or processes any information or data contained on the  
 809 document in any manner other than to reproduce the document in  
 810 hard-copy or as an optical image.

811  
 812 E) "Hard-copy" means any documents, records, reports, or other data  
 813 printed on paper.

814  
 815 F) "Point-of-sale ("POS") systems" means a system of computer  
 816 hardware, software, or both that manages customer purchases,  
 817 accepts payment, and provides receipts. A POS is also how a



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i) Where a taxpayer uses EDI~~electronic data interchange~~ processes and technology, the level of record detail, in combination with other records related to the transaction, must satisfy the minimum "transaction-level records" requirement as detailed in subsection (a)(1)~~must be equivalent to the level of detail contained in an acceptable paper record. For example, the retained records should contain such information as vendor name, invoice date, product description, quantity purchased, price, amount of tax, indication of tax status, shipping detail, etc. Taxpayer may use codes~~Codes may be used to identify some or all of the data elements, as long as provided that~~that~~ the taxpayer provides a method that~~which~~ allows the Department to interpret the coded information.

ii) The taxpayer may capture the information necessary to satisfy subsection (b)(2)(B)(i) at any level within the accounting system and need not retain the original EDI transaction records provided the audit trail, authenticity, and integrity of the retained records can be established.

EXAMPLE: ~~A~~For example, a taxpayer using EDI~~electronic data interchange~~ technology receives electronic invoices from its suppliers. The taxpayer decides to retain the invoice data from completed and verified EDI transactions in its accounts payable system rather than to retain the EDI transactions themselves. ~~Neither~~Since neither the EDI transaction nor the accounts payable system captures information from the invoice pertaining to the product description or the~~and~~ vendor name (i.e., they contain only codes for that information).~~;~~ Therefore, the taxpayer must also retain~~retains~~ other records, such as its vendor master file and product code description lists, and make~~makes~~ them available to the Department. If the taxpayer does this~~In this example,~~ the taxpayer need not retain its EDI transaction for tax purposes.

C) Electronic Data Processing Systems Requirements. The requirements for an electronic data processing accounting system are similar to that of a manual accounting system, in that an adequately designed accounting system should incorporate

904 methods and records that will satisfy the requirements of this  
905 Section.

906  
907 3) Recordkeeping Requirements - ADP Systems Documentation  
908

909 A) Upon the request of the Department, the taxpayer shall provide a  
910 description of the business process that created the retained  
911 records. Such description shall include the relationship between  
912 the records and the tax documents prepared by the taxpayer and the  
913 measures employed to ensure the authenticity and integrity of the  
914 records.

915  
916 B) The taxpayer shall be capable of demonstrating:

917  
918 i) the functions being performed as they relate to the flow of  
919 data through the system;

920  
921 ii) the internal controls used to ensure accurate and reliable  
922 processing; and

923  
924 iii) the internal controls used to prevent the unauthorized  
925 addition, alteration, or deletion of retained records.

926  
927 C) The following specific documentation is required for machine-  
928 sensible records pursuant to this Section:

929  
930 i) record formats and layouts;

931  
932 ii) field definitions, ~~(including the meaning of all "codes" used~~  
933 ~~to represent information)~~;

934  
935 iii) file descriptions (e.g., data set name); and

936  
937 iv) detailed charts of accounts and account descriptions.

938  
939 D) Any changes to the items specified in subsections (b)(3)(B) and  
940 (C) above, together with their effective dates, shall be documented  
941 and made available to the Department upon request.

942  
943 4) Machine-Sensible Records Maintenance Requirements  
944

945 A) The establishment of records management practices is solely at the  
946 discretion of the taxpayer, who ultimately bears the burden of

947 producing records capable of being processed at the time of an  
 948 examination by the Department. The Department recommends but  
 949 does not require that taxpayers refer to the National Archives and  
 950 Record Administration's ("NARA") standards for guidance on the  
 951 maintenance and storage of electronic records.

952  
 953 B) In establishing records management practices, taxpayers should  
 954 consider the following to maintain the integrity of the records; ~~for~~  
 955 ~~example,~~ the labeling of records, the security of the storage  
 956 environment, the creation of back-up copies and their storage  
 957 location, and the use of periodic testing ~~to confirm the continued~~  
 958 ~~integrity of the records.~~

959  
 960 C) The NARA standards may be found at 36 CFR 1234, July 1, 1995  
 961 edition.

962  
 963 D) The taxpayer's computer hardware or software shall accommodate  
 964 the processing of or the extraction and conversion of retained  
 965 machine-sensible records.

966  
 967 5) Access to Machine-Sensible Records. The manner in which the  
 968 Department is provided access to machine-sensible records as required in  
 969 subsection (b) of this Section and Section 130.801(d) of this Part may be  
 970 satisfied through a variety of means that shall, after consultation with the  
 971 taxpayer, take into account the taxpayer's individual ~~facts and~~  
 972 ~~circumstances through consultation with the taxpayer.~~ Such access will be  
 973 provided in one or more of the following manners:

974  
 975 A) A taxpayer may provide the Department copies of the  
 976 machine-sensible records for use on the Department's equipment;

977  
 978 B) The taxpayer may arrange to provide the Department with the  
 979 hardware, software, and personnel resources necessary to access  
 980 and process the machine-sensible records;

981  
 982 C) The taxpayer may arrange for a third party to provide the  
 983 hardware, software, and personnel resources necessary to access  
 984 and process the machine-sensible records;

985  
 986 D) The taxpayer may convert machine-sensible records to a standard  
 987 electronic record format specified by the Department ~~on a~~  
 988 ~~magnetic medium that is agreed to by the Department. This may~~  
 989 ~~include conversion to a different medium (e.g., from mainframe~~

- 990 ~~files to microcomputer diskette~~). These records may be processed  
991 on the Department's equipment or at the taxpayer's location; or  
992  
993 E) The taxpayer and the Department may agree on other means of  
994 providing access to the machine-sensible records.  
995
- 996 6) Taxpayer Responsibility and Discretionary Authority  
997
- 998 A) Taxpayers are responsible for determining~~In discharging their~~  
999 ~~responsibilities under the Act, taxpayers are empowered to~~  
1000 ~~determine~~ which of their machine-sensible records must be  
1001 retained and which records may be discarded. These  
1002 determinations require a consideration of all the facts and  
1003 circumstances, including whether duplicated or redundant records  
1004 exist.  
1005
- 1006 B) In general, taxpayers should retain the machine-sensible records  
1007 that are the most direct evidence of the transactions, and have  
1008 discretion to discard duplicated records and redundant information.  
1009 In exercising this discretion, the taxpayer should generally retain  
1010 those records that best facilitate the retrieval and processing of the  
1011 data during an audit. For example, departmental records stored in  
1012 departmental data files that are duplicated in a central system could  
1013 be discarded provided that all required information in the  
1014 departmental records is contained in the central system and the  
1015 requirements of this Section are met. Similarly, daily or weekly  
1016 data files could be discarded provided that appropriate monthly,  
1017 quarterly, or annual data files with the ability to access appropriate  
1018 transaction-level records are available.  
1019
- 1020 C) In conjunction with meeting the requirements of this Section, a  
1021 taxpayer may create files solely for the use of the Department. For  
1022 example, if a database management system is used, it is consistent  
1023 with this Section for the taxpayer to create and retain a file that  
1024 contains the transaction-level detail from the database management  
1025 system and that meets the requirements of the Section. The  
1026 taxpayer should document the process that created the separate file  
1027 to show the relationship between that file and the original records.  
1028
- 1029 D) A taxpayer may contract with a third party to provide custodial or  
1030 management services of the records. Such a contract shall not  
1031 relieve the taxpayer of its responsibilities under this Section.  
1032



- 1033 c) Alternative Storage Media. For purposes of storage and retention, taxpayers may  
 1034 convert hard-copy documents received or produced in the normal course of  
 1035 business and required to be retained under this Section to ~~microfilm, microfiche~~  
 1036 ~~or other~~ storage-only imaging systems, such as static PDFs or JPEGs, and may  
 1037 discard the original hard-copy documents, provided the conditions of this Section  
 1038 are met. These records are not a substitute for machine-sensible records (~~e.g.,~~  
 1039 ~~magnetic tapes, magnetic cartridges or magnetic disks~~) described in subsection (b)  
 1040 of this Section. Documents which may be stored on these media include, but are  
 1041 not limited to, general books of account, journals, voucher registers, general and  
 1042 subsidiary ledgers and supporting records of details, such as sales invoices,  
 1043 purchase invoices, exemption certificates, and credit memoranda. Storage-  
 1044 only ~~Microfilm, microfiche and other storage only~~ imaging systems shall meet the  
 1045 following requirements:  
 1046
- 1047 1) Documentation establishing the procedures for converting the hard-copy  
 1048 documents to ~~microfilm, microfiche or other~~ storage-only imaging  
 1049 systems must be maintained and made available ~~upon~~ request. Such  
 1050 documentation shall, at a minimum, contain sufficient description to allow  
 1051 an original document to be followed through the conversion system as  
 1052 well as internal procedures established for inspection and quality  
 1053 assurance.  
 1054
  - 1055 2) Procedures must be established for the effective identification, processing,  
 1056 storage, and preservation of the stored documents and for making them  
 1057 available for the periods they are required to be retained under the  
 1058 Retailers' Occupation Tax Act [35 ILCS 120].  
 1059
  - 1060 3) All data stored on ~~microfilm, microfiche or other~~ storage-only imaging  
 1061 systems must be maintained and arranged in a manner that permits the  
 1062 location of any particular record.  
 1063
  - 1064 4) Storage-only ~~Microfiche, microfilm or other storage only~~ imaging systems  
 1065 records must be indexed, cross-referenced, and labeled to show beginning  
 1066 and ending numbers or beginning and ending alphabetical listing of  
 1067 documents included, and must be systematically filed to permit the  
 1068 immediate location of any particular record. A posting reference must be  
 1069 on each document and a control log or catalog of such documents must be  
 1070 maintained.  
 1071
  - 1072 5) Upon request of the Department, a taxpayer must provide facilities and  
 1073 equipment, in good working order, for reading, locating, and reproducing  
 1074 any documents maintained on ~~microfilm, microfiche or other~~ storage-only  
 1075 imaging systems.

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- 6) When displayed on such equipment or reproduced on paper, the documents must exhibit a high degree of legibility and readability. For this purpose, legibility is defined as the quality of a letter or numeral that enables the observer to identify it positively and quickly to the exclusion of all other letters or numerals. Readability is defined as the quality of a group of letters or numerals being recognized as words or complete numbers.
  - 7) There must be no substantial evidence that the ~~microfilm, microfiche or other~~ storage-only imaging systems lack authenticity or integrity.
- d) Effect on Hard-Copy Recordkeeping Requirements
- 1) Except as otherwise provided, the provisions of this Section do not relieve taxpayers of the responsibility to retain hard-copy records that are created or received in the ordinary course of business as required by existing law and regulations. Hard-copy records may be retained on a recordkeeping medium provided in subsection (c).
  - 2) If hard-copy records are not produced or received or required to be produced or received in the ordinary course of transacting business (i.e., when the taxpayer uses electronic data interchange technology), such hard-copy records need not be created.
  - 3) Unless hard-copy records are required to be provided or received, hard-copy records generated at the time of a transaction need not be retained if all the details relating to the transaction are subsequently received by the taxpayer in an EDI transaction and are retained by the taxpayer in accordance with this Section.
  - 4) Hard-copy records generated at the time of a transaction using a credit or debit card must be retained unless all the details necessary to determine correct tax liability relating to the transaction are subsequently received and retained by the taxpayer in accordance with this Section. Such details include, but may not be limited to, those listed in subsection (b)(2)(B).
  - 5) Computer printouts that are created for validation, control, or other temporary purposes need not be retained.
  - 6) Nothing in this Section shall prevent the Department from requesting hard-copy printouts of retained machine-sensible records. These requests may be made either at the time of an examination or in conjunction with

the testing described in Section 130.825 of this Part.

(Source: Amended at 49 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)

**Section 130.810 Records Required to Support Deductions**

- a) Where the nature of a business is such that charge and time sales are made, or where the nature of the business is such that a portion of its sales are for resale; ~~or~~ are within the protection of the Commerce Clause of the Constitution of the United States; ~~or~~ consist of services; ~~or~~ are made to any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes; ~~or~~ are made ~~on or after March 21, 1963,~~ to a governmental body; or are exempt from the retailers' occupation tax ~~Retailers' Occupation Tax~~ on some other ground, then such records as will clearly indicate the information required in filing returns must be kept.
- b) To support deductions made on the tax return form, as authorized under the Retailers' Occupation Tax Act ("Act"), on account of receipts from isolated or occasional sales of tangible personal property; ~~on account of receipts~~ from sales of tangible personal property for resale; ~~on account of receipts~~ from sales of tangible personal property made within the protection of the Commerce Clause of the Constitution of the United States; ~~on account of receipts received by the seller~~ from sales made to any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes; ~~on account of receipts received by the seller~~ from sales made ~~on or after March 21, 1963,~~ to any governmental body; or on any other ground, entries in any books, records, or other pertinent papers or documents of the taxpayer in relation thereto shall be in detail sufficient to show:
  - 1) the name and address of the taxpayer's customer in each such transaction;
  - 2) the character of every such transaction (e.g., whether it is a sale for resale, a sale made within the protection of the Commerce Clause of the Constitution of the United States, an isolated or occasional sale, etc.);
  - 3) the date of every such transaction;
  - 4) the amount of receipts realized from every such transaction; and
  - 5) such other information as may be necessary to establish the nontaxable character of such transaction under the Act.
- c) Except in the case of a sale to a purchaser who will always resell and deliver the

1162 property to ~~its~~his customers outside Illinois, ~~any seller~~anyone claiming ~~to have~~that  
1163 ~~he has~~ made a nontaxable sale for resale in some form as tangible personal  
1164 property shall also keep a Certificate of Resale from the purchaser that contains  
1165 the information required under Section 130.1405 of this Part. The failure to  
1166 obtain and keep a Certificate of Resale shall create a presumption that the sale  
1167 was not a sale for resale. The seller may, however, present other documentary  
1168 evidence to overcome this presumption (~~See~~see Section 86 Ill. Adm. Code  
1169 130.1405(d)-~~of this Part~~).

1170  
1171 (Source: Amended at 49 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)  
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### 1173 **Section 130.820 Preservation of Books During Pendency of Assessment Proceedings**

1174  
1175 ~~If a notice of tax liability~~However, if a ~~Notice of Tax Liability~~ has been issued, and if the  
1176 questions raised ~~by such notice~~thereby have not been completely disposed of, books and records  
1177 reflecting receipts received during the period covered by such ~~notice of tax liability~~~~Notice of Tax~~  
1178 ~~Liability~~ must be preserved until the termination of all proceedings before the Department ~~or any~~  
1179 ~~other legal proceeding is concluded~~~~and before any court upon review~~.

1180  
1181 (Source: Amended at 49 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)  
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### 1183 **Section 130.825 Department Authorization to Destroy Records Sooner ~~than~~Than Would** 1184 **Otherwise be Permissible**

1185  
1186 a) In all cases, the Department may, in writing, authorize the destruction of books  
1187 and records and other papers prior to the expiration of the periods of time during  
1188 which the taxpayer, ~~except for such written authorization from the Department~~, is  
1189 required to keep ~~its~~his books and records. The Department may authorize  
1190 destruction of records if the records are preserved in ~~a~~microfilm, microfiche, other  
1191 storage-only imaging systems or an electronic data processing system and meet  
1192 the conditions as prescribed in Section 130.805.

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1194 b) Record Retention Limitation Agreements

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1196 1) The Department may, at the request of the taxpayer, enter into a record  
1197 retention limitation agreement with a taxpayer. ~~Such an~~which agreement  
1198 may modify or waive any of the specific requirements of Section 130.805.  
1199 A taxpayer's request for such an agreement must specify which records, ~~(if~~  
1200 ~~any,)~~ the taxpayer proposes not to retain and provide the reasons for not  
1201 retaining such records as well as proposing any other terms of the  
1202 requested agreement. The taxpayer shall remain subject to all  
1203 requirements of Section 130.805 that are not modified, waived, or  
1204 superseded by a duly approved record retention limitation agreement.

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- 2) The Department may revoke or modify a record retention limitation agreement or any provision thereof.
  - 3) The record retention limitation agreement shall specifically identify which of the taxpayer's records the Department has determined are not necessary for retention and ~~which the taxpayer may be discarded~~~~discard~~. The agreement shall also clearly state each authorized variance, if any, from the normal provisions of Section 130.805. The agreement shall also document other understandings reached with the Department, which may include, but not be limited to:
    - A) the conversion of files created on an obsolete computer system;
    - B) restoration of lost or damaged files and the actions to be taken; and
    - C) use of taxpayer computer resources.
  - 4) The Department shall consider a taxpayer's request for a record retention limitation agreement and notify the taxpayer of the actions to be taken. The Department's decision to enter or not to enter into a record retention limitation agreement shall not relieve the taxpayer of the responsibility under the Retailers' Occupation Tax Act [35 ILCS 120] to keep adequate and complete records necessary to a determination of tax liability.
  - 5) Unless otherwise specified, an agreement shall not apply to accounting and tax systems added subsequent to the effective date of the agreement. All machine-sensible records produced by a subsequently added accounting or tax system shall be retained by the taxpayer in accordance with Section 130.805 until a new agreement is entered into with the Department.
  - 6) Unless otherwise specified, an agreement shall not apply to any subsidiary or other entity that, subsequent to the effective date of a record retention limitation agreement, is acquired by the taxpayer. All machine-sensible records produced by the acquired subsidiary shall be retained pursuant to Section 130.805 and any record retention limitation agreement that may have been in effect for the acquired subsidiary ("pre-acquisition agreement"). The provisions of the pre-acquisition agreement shall continue to apply to the acquired subsidiary until revoked or modified by the Department or a new agreement applying to the acquired subsidiary is entered into.

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- 7) To evaluate the propriety of a record retention limitation agreement, the Department may conduct an evaluation of the taxpayer's record retention practices. The evaluation may include a review of the taxpayer's relevant data processing and accounting systems, including systems using electronic data interchange technology.
    - A) The Department shall notify the taxpayer of the results of any evaluation, including acceptance or disapproval of any proposals made by the taxpayer (e.g., to discard certain records) or any changes considered necessary to bring the taxpayer's practices into compliance with Section 130.805.
    - B) The evaluation of a taxpayer's record retention practices under this Section is not directly related to the determination of tax reporting accuracy for a particular period or return. An evaluation made under this Section is not an "audit".

(Source: Amended at 49 Ill. Reg. \_\_\_\_\_, effective \_\_\_\_\_)