**Section 125.135 Books and Records**

a) Every merchant shall keep books and records of all rentals of merchandise, together with invoices, bills of lading, sales records, copies of bills of sale, monthly inventories, inventories prepared as of December 31 of each year, and other pertinent papers and documents.

b) All books and records and other papers and documents that are required by this Section and 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. Records shall be maintained at the physical location of the merchant.

c) Books and records and other papers reflecting gross receipts received during any period with respect to which the Department is authorized to issue notices of tax liability shall, for purposes of this Part, be preserved until the expiration of that period unless the Department, in writing, authorizes their destruction or disposal prior to that expiration. The Department will not issue a notice of tax liability on and after each July 1 and January 1 covering gross receipts received during any month or period of time more than 3 years prior to that July 1 and January 1, respectively.

d) Penalties

1) Any merchant who fails to keep books and records or fails to produce books and records for examination, as required by this Section, is liable to pay to the Department, for deposit into the Tax Compliance and Administration Fund, a penalty of:

A) $1,000 for the first failure to keep books and records or produce books and records for examination; and

B) $3,000 for each subsequent failure to keep books and records or produce books and records for examination.

2) The penalties imposed under this subsection (d) shall not apply if the taxpayer shows that the taxpayer acted with ordinary business care and prudence.

e) Users' Records

1) When a user claims that the RPUT has been paid to a merchant, the user will have sufficient records to sustain this contention in case of an examination of the user’s records by the Department.

2) If the user is obligated to pay the RPUT directly to the Department, the user must have adequate records to show that the user has fulfilled this obligation or to support the user's claim that certain rentals for use are not subject to the RPUT.

3) For example, if the user claims that the tax has paid in another state with respect to the rental or use of the same merchandise, the user must have a receipt for such tax from an authorized collector of the tax or other proof that the user has paid a billing for such tax. (See 86 Ill. Adm. Code 150.310 Exemptions to Avoid Multi-State Taxation.)