**Section 700.220 Interest Charged Taxpayers (UPIA Section 3-2)**

a) Interest charged to taxpayers applicable for returns due on or before December 31, 2000 (without regard to extensions). *Interest shall be simple interest calculated on a daily basis. Interest shall accrue upon tax and penalty due. If notice and demand is made for the payment of any amount of tax due and if the amount due is paid within* *30* *days after the date of such notice and demand, interest under UPIA Section 3-2(c) on the amount so paid shall not be imposed for the period after the date of the notice and demand.* (UPIA Section 3-2(c))

b) Interest charged to taxpayers applicable for returns due on and after January 1, 2001 (without regard to extensions). *Interest shall be simple interest calculated on a daily basis. Interest shall accrue upon tax due. If notice and demand is made for the payment of any amount of tax due and if the amount due is paid within 30 days after the date of the notice and demand, interest under this UPIA Section 3-2(c) on the amount so paid shall not be imposed for the period after the date of the notice and demand.* (UPIA Section 3-2(c)) Under this provision, interest shall not accrue on penalties.

EXAMPLE: A taxpayer timely filed his individual income tax return on April 15, but because of an arithmetic error the taxpayer did not pay the entire amount of tax due. If the return was due prior to January 1, 2001, interest accrues on the unpaid tax liability and on any late payment penalty. If the return was due on or after January 1, 2001, interest accrues on the unpaid tax liability, but not on any late payment penalty.

c) Interest on tax shall accrue from the date of underpayment.

d) For returns due on or before December 31, 2000 (without regard to extensions), interest on any penalty shall accrue from the date the penalty is imposed.

EXAMPLE 1: Taxpayer's Retailers' Occupation Tax return for the January 1994 liability period was due February 20, 1994. The return was filed and tax was paid on May 25, 1994. Interest is charged on the tax due from February 21, 1994 through May 25, 1994, the date the tax was paid, and on any penalty assessed from February 21, 1994 through the date the penalty is paid.

EXAMPLE 2: Taxpayer's Retailers' Occupation Tax return for the November 1993 liability period was due December 20, 1993. The return was filed and tax was paid on May 25, 1994. Interest is charged on the tax due at the 1.25% per month or fraction of month rate from December 21, 1993 to December 31, 1993 (see ROTA Section 5, prior to amendment by P.A. 87-205) and at the semiannually adjusted daily rate imposed pursuant to the UPIA and this Part from January 1, 1994 through May 25, 1994, the date the tax was paid. No interest is charged on the penalty assessed since the due date of the tax was before the effective date of the UPIA.

EXAMPLE 3: Taxpayer's accelerated payments of the Public Utilities Tax were due on the 7th, 15th, 22nd and 31st of January 1994. Each payment should have been $3,000. Taxpayer did not make the payment due on January 31, but paid the $3,000 with the monthly return that was filed, when due, on February 15, 1994. The taxpayer will be charged a 15% late payment penalty under UPIA Section 3-3(b) because the last accelerated payment was not paid when due. Interest is charged on the $3,000 late payment from February 1, 1994 through February 15, 1994, when the payment was received, and on the penalty from February 1, 1994 through the date the penalty is paid.

EXAMPLE 4: Corporation filed its calendar 1993 income tax return on March 15, 1994, the unextended due date. The corporation was liable for, but did not make, any estimated payments for the taxable year. The tax liability reported on the return was paid in full when the return was filed. Interest on the penalty for failure to make timely estimated tax payments accrues from March 15, 1994 through the date the penalty is paid.

EXAMPLE 5: Corporation filed its calendar 1993 income tax return on March 15, 1994, the unextended due date. The corporation properly made all estimated payments and paid the remainder of its tax liability when the return was filed. In 1997 an audit was completed on the corporation's 1993 return and additional liability was proposed. The corporation agreed to the audit results but did not pay the liability until 35 days after the Notice and Demand for payment was issued. A late payment penalty was assessed on the audit liability under UPIA Section 3-3(b) and interest accrues on the penalty from March 15, 1994 through the date the penalty is paid.

(Source: Amended at 43 Ill. Reg. 14342, effective November 26, 2019)