**Section 850.105 Nature and Scope of Certified Audit Pilot Program**

a) The Certified Audit Pilot Program is a *5-year pilot project that begins on January 1, 2021* and ends on December 31, 2025*, and that is limited in scope to specifically address concerns related to the proper reporting and payment of local occupation and use taxes that are collected and distributed to municipalities and counties by the Department.* [50 ILCS 355/10-10]

b) The Certified Audit Pilot Program is intended to enhance tax compliance by allowing audits to be performed by qualified practitioners. The program is intended to *encourage taxpayers to hire qualified practitioners at their own expense to review and report on certain aspects of their occupation and use tax compliance when the Department has notified the taxpayer that it has received an actionable tax compliance referral from a municipality, county, or third party under the Act*. [50 ILCS 355/10-20] The qualified practitioner shall conduct the certified audit based on agreed upon procedures with the Department being the user of the resulting Certified Audit Report. As an incentive for taxpayers to incur the costs of a certified audit, the Act provides for a waiver of penalties due on any tax liabilities revealed by a certified audit. The waiver of penalties does not apply to any amount that the taxpayer collected as tax but did not remit to the Department. In addition, there is no authority to waive penalties resulting from a finding of fraud.

c) *The tax compliance reviews shall be limited in scope and may include only:*

1) *whether the taxpayer is reporting receipts in the proper jurisdiction;*

2) *whether tangible personal property purchases that were used or consumed by the taxpayer were taxed properly;*

3) *an evaluation of sales reported as exempt from tax;*

4) *whether the proper tax rate was charged;*

5) *whether the tax was properly reported as retailers' occupation tax or use tax; and*

6) *any other factor that impacts the Department's allocation of sales and use tax revenues to the jurisdiction in which the taxpayer reports sales or use tax.* [50 ILCS 355/10-20]

d) *The certified audit pilot project shall apply only to taxpayers who have been notified that an audit referral has been received by the Department under the Act and only to occupation and use taxes administered and collected by the Department.* [50 ILCS 355/10-20(c)]