**Section 140.1420 Verified Credit**

a) Verified credits. A verified credit is a specific type of credit arising under Section 3 of the Retailers' Occupation Tax Act, which states:

*If any payment provided for in this Section exceeds the taxpayer's liabilities under this Act, the Use Tax Act, the Service Occupation Tax Act and the Service Use Tax Act, as shown on an original monthly return, the Department shall, if requested by the taxpayer, issue to the taxpayer a credit memorandum no later than 30 days after the date of payment. The credit evidenced by such credit memorandum may be assigned by the taxpayer to a similar taxpayer under this Act, the Use Tax Act, the Service Occupation Tax Act or the Service Use Tax Act, in accordance with reasonable rules and regulations to be prescribed by the Department. If no such request is made, the taxpayer may credit such excess payment against tax liability subsequently to be remitted to the Department under this Act, the Use Tax Act, the Service Occupation Tax Act or the Service Use Tax Act, in accordance with reasonable rules and regulations prescribed by the Department. If the Department subsequently determined that all or any part of the credit taken was not actually due to the taxpayer, the taxpayer's 2.1% and 1.75% vendor's discount shall be reduced by 2.1% or 1.75% of the difference between the credit taken and that actually due, and that taxpayer shall be liable for penalties and interest on such difference.* [35 ILCS 120/3]

b) Verified credit – explanation – no interest paid. A verified credit is an amount of tax overpaid in a prior period that may be rolled over and applied to subsequent tax liabilities without the need to comply with the formalities involved in submitting a claim for credit. Since the taxpayer has the immediate use of the verified credit to apply against its liability without the need to file a claim for credit and prove the overpayment, interest is not paid on verified credits (See also, 86 Ill. Adm. Code 700.230(a)(2)). Verified credits appear on a taxpayer's Statement of Account.

c) Verified credit − How used. A verified credit may be used by a taxpayer in only 3 ways:

1) It can be used to offset liability of the taxpayer that arises under the Retailers’ Occupation Tax Act, the Use Tax Act, the Service Occupation Tax Act, or the Service Use Tax Act subsequent to the origination of the verified credit;

2) It can be converted to a credit memorandum no later than 30 days after the date of overpayment, upon request made to the Department upon forms prescribed by the Department. Interest is not paid on verified credits that are converted to credit memoranda in accordance with this subsection (c)(2); and

3) It can be converted to a credit memorandum at any time, starting 30 days after the date of the overpayment, by making a request to the Department using forms prescribed by the Department and available at www.tax.illinois.gov, and without regard to the limitations on claims for refund. See also 86 Ill. Adm. Code 140.1401, for limitations on claims. Interest is not paid on verified credits that are converted to credit memoranda in accordance with this subsection (c)(3).

d) A verified credit that is converted to a credit memorandum under this subsection (d) may be assigned to another taxpayer in the same manner as other credit memoranda issued to taxpayers by the Department.

(Source: Added at 46 Ill. Reg. 18843, effective November 1, 2022)