

**Illinois Department of Revenue
Regulations**

Title 86 Part 130 Section 130.420 Finance or Interest Charges - Penalties - Discounts
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**TITLE 86: REVENUE
PART 130
RETAILERS' OCCUPATION TAX**

Section 130.420 Finance or Interest Charges - Penalties - Discounts

a) Finance and Interest Charges

Where any tangible personal property is sold under installment contracts, the interest or finance charges on account of credit so extended are not considered to be a part of the "selling price" in computing Retailers' Occupation Tax liability. The books and records of retailers must clearly reflect such finance or interest charges. In the absence of adequate records showing what such charges actually are, the Department will presume that such charges are not in excess of like charges which are customarily made in the trade in connection with similar installment sales.

b) Penalties

If a "penalty" is added to the base retail price in the event that the purchaser does not pay such price within a specified time and such penalty is paid to the seller, such "penalty" becomes a part of the taxable receipts from the sale.

c) Discounts

If a discount is allowed for payment in cash within a stated time, any amounts realized by sellers through failure of purchasers to take advantage of such discounts will be considered to be a part of the taxable receipts from the sale. Conversely, if the seller allows the purchaser a discount from the selling price (such as a discount for prompt payment) and the purchaser avails himself of the discount so that the seller does not receive any receipts from that source, the amount of such discount is not subject to tax.

(Source: Amended at 5 Ill. Reg. 12794, effective November 2, 1981)