

CITY OF CHICAGO
DEPARTMENT OF REVENUE
UNIFORM REVENUE PROCEDURES RULING

Uniform Revenue Procedures Ruling #2

Subject: Reasonable Cause Standards to Abate Late and/or Failure to File Penalties

Effective date: June 1, 2004

Original effective date: February 15, 1997

SECTION 1. Under the Chicago Uniform Revenue Procedures Ordinance (URPO) (Chapter 3-4 of the Chicago Municipal Code) and other Chicago tax ordinances, taxpayers and tax collectors are subject to penalties for failing to file returns, filing late returns, and making late payments. These penalties may be waived or abated if the return or payment was late, or was not filed or made, due to circumstances beyond the taxpayer's or the tax collector's control. In such cases, "reasonable cause" exists to excuse the payment of all or part of a penalty.

Taxpayers and tax collectors bear the burden of establishing "reasonable cause." Each request to waive or abate the payment of a penalty must be made in writing to the Chicago Department of Revenue and accompanied by (1) a written explanation of the reasons why reasonable cause exists and (2) supporting documentation. Each request will be evaluated on its own merits.

SECTION 2. A tax return or tax payment is timely when it is: (1) physically received by the Chicago Department of Revenue on or before the due date; (2) received by the Chicago Department of Revenue in an envelope or wrapper displaying a valid, readable United States mail postmark dated on or before the due date, properly addressed to the department, with adequate postage prepaid; or (3) filed electronically via the Internet through the City of Chicago website on or before the due date.

SECTION 3. The examples set forth below represent some of the "reasonable cause" claims most frequently made by taxpayers and tax collectors. These examples are not intended to be comprehensive.

A. In the following examples, "reasonable cause" exists to waive or abate the late payment and/or failure to file penalties:

1. The U.S. Postal Service mishandled the mail and, for this reason only, the envelope or wrapper containing the tax return or the tax payment was postmarked after the due date. In such cases, taxpayers and tax collectors must provide a letter written by the station manager of the local U.S. Postal Service facility, which establishes those facts.

2. The taxpayer or tax collector provides documentation, which shows that the business records of the taxpayer or the tax collector were destroyed by a fire or other casualty and, for this reason only, the tax return or the tax payment was late or not filed.

3. The taxpayer or tax collector provides documentation which shows that the tax return or the tax payment was late, or not filed or made, due to (a) an individual taxpayer's death or the death of a member of his/her immediate family or (b) the death of a person having the sole authority, on behalf of a corporation or a partnership, to execute or file the return or to pay the tax, or the death of a member of such person's immediate family.

4. The taxpayer or tax collector reasonably relied on erroneous written information as described in URPO Ruling #3.

5. The taxpayer or tax collector relied on erroneous advice from an accountant or an attorney and, for this reason only, the tax return or the tax payment was late or not filed. In such cases, the taxpayer or tax collector must provide either (a) a letter signed by the accountant or the attorney which specifically states that he or she gave the advice relied on by the taxpayer or tax collector or (b) a document prepared by the accountant or the attorney which contains the erroneous advice.

6. The taxpayer or tax collector was unable to file its tax return electronically via the Internet solely because the City of Chicago website was out of service on the date on which the return was due. The taxpayer or tax collector must demonstrate that it had its return information filled out and saved prior to attempting to file the return electronically. The taxpayer or tax collector also must file its return at the first reasonable opportunity thereafter.

B. In the following examples "reasonable cause" does not exist to waive or abate the payment of late and/or failure to file penalties:

1. The tax return or the tax payment was late, or was not filed or made, because the taxpayer or the tax collector was not aware of the obligation to file the returns or to pay the tax. All taxpayers and tax collectors are required to know about their tax obligations and to comply with all Chicago tax ordinances.

2. The taxpayer or tax collector delegated its duty to file the tax return or to make a tax payment to another person (e.g., an accountant or an attorney) whom, without reasonable cause, filed the return or made the payment late. All taxpayers and tax collectors are required to know about their tax obligations and to comply with all Chicago tax ordinances. Consequently, they are liable for their delegates' failure to comply with Chicago tax ordinances.