

Illinois Department of Revenue Specific Banking Requirements

Background

The following are the proposed Illinois Department of Revenue (“IDOR”) requirements for receiving, processing, and reporting of cash tax payments received from participants in the Compassion Use of Medical Cannabis Pilot Program. The taxes will be paid by the estimated 21 Cultivators (“Cultivators”) and estimated 60 Medical Dispensaries (“Dispensaries”) that can be issued licenses through this pilot program.

Timeframe

IDOR anticipates beginning to receive Medical Cannabis Cultivation Tax payments in September 2015. The successful Respondent must have completed and passed all of IDOR’s testing and reporting requirements and be ready for implementation by September 1, 2015. The pilot program is set to expire December 31, 2017.

Confidentiality, Security and Inspection Requirements

The Financial Institution shall be prohibited from using or disclosing confidential information received while providing cash processing services. The Financial Institution shall comply with the confidentiality requirements imposed on the Illinois Department of Revenue (IDOR) in Section 917 of the Illinois Income Tax Act (35 ILCS 5/917). Confidential information includes all information but the following: (i) information already known or independently developed by the recipient; (ii) information required to be released by law (iii) information in the public domain through no wrongful act of the recipient; and (iv) information received by the recipient from a third party who was free to disclose it.

The Financial Institution shall comply with the following confidentiality provisions:

Confidentiality

Provisions for safeguarding Illinois Tax information are detailed in the Illinois Compiled Statutes, Chapter 35, Section 5/917 (a). All taxpayer payment and return information received by the successful bidder or its subcontractors, whether received from the taxpayer or the Department, shall be confidential except for official purposes and pursuant to official procedures for the collection of State of Illinois taxes. The Bank and its employees, any subcontractors and their employees shall be subject to the same civil and criminal penalties for unauthorized disclosure as Illinois Department of Revenue employees.

35 ILCS 5/917 (a)

Confidentiality and information sharing

Except as provided in this Section, all information received by the Department from returns filed under this Act, or from any investigation conducted under the provisions of this Act, shall be confidential, except for official purposes within the Department or pursuant to official procedures for collection of any State tax or pursuant to an investigation or audit by the Illinois State Scholarship Commission of a delinquent student loan or monetary award or enforcement of any civil or criminal penalty or sanction imposed by this Act or by another statute imposing a State tax, and any person who divulges any such

information in any manner, except for such purposes and pursuant to order of the Director or in accordance with a proper judicial order, shall be guilty of a Class A misdemeanor. However, the provisions of this paragraph are not applicable to information furnished to a licensed attorney representing the taxpayer where an appeal or a protest has been filed on behalf of the taxpayer.

IDOR Employee Handbook: Chapter 4, Page 60 & 61

All information on any tax return, tax payment, or any document accompanying any tax return is confidential.

Unauthorized release of confidential taxpayer information may result in criminal prosecution under Illinois and federal laws, as well as disciplinary action up to and including discharge. Information provided to the department by any other government or private agency also must be considered sensitive and confidential.

You may not publish, divulge, disclose, or make known in any manner any information contained in any report, tax payment, or record when such information discusses or potentially could identify a taxpayer unless it is already a matter of public record.

You may not use any information obtained by virtue of your employment at the department for actual or anticipated gain for yourself or another person.

Additionally, all records and documents in the custody of or accessible by department employees are for official use as stated in the section entitled "Care of official documents" (on Page 59) and are to be accessed for business reasons only.

No contractor or contractor employee may publish, divulge, disclose, or make known in any manner any information contained in any report, tax payment, or record when such information discusses or potentially could identify a taxpayer unless it is already a matter of public record.

A contractor or contractor employee may not use for private purposes or gain any information which was obtained in the course of the contract services.

All records and documents in the custody of or accessible by a contractor or contractor employee are for official business use only.

Violations of state confidentiality laws are prosecuted as Class A or Class B misdemeanors. Class A misdemeanors are punishable by a fine not to exceed \$2,500 and up to 364 days in jail or both. Class B misdemeanors are punishable by a fine not to exceed \$1,500 and up to six months in jail or both.

In addition to violating Illinois tax laws, persons who make unauthorized disclosures of federal tax information are subject to prosecution under the U.S. Internal Revenue Code. Divulging federal tax information, in any manner, that could identify a taxpayer is a felony punishable by up to five years in prison and a fine of up to \$5,000. The Internal Revenue Code also allows a taxpayer, about whom confidential information has been improperly released, to seek court-invoked civil damages for willful or

negligent disclosure of information. The taxpayer has up to two years from the time the unauthorized disclosure is discovered to file suit.

The court may award the taxpayer the amount in actual damages incurred because of the disclosure (for example, income lost) as well as punitive damages in the case of willful disclosure or a disclosure which is the result of gross negligence, but in no case shall the plaintiff receive less than \$1,000 for each disclosure plus the costs of the action.

Security

The Financial Institution shall be subject to identical security confidentiality provisions as the IDOR employees, as established by IDOR in accordance with State Law.

Before securing employment with IDOR, all applicants may be requested to complete an employee security check authorization form which entitles IDOR to check the applicant’s taxpaying history. Applicant’s tax filing status must be current to secure employment. The Financial Institution must allow IDOR to complete a security check on any/all Financial Institution employees which will have access to taxpayer returns or tax payments, coupons, records, etc.

If a Financial Institution employee is found not to have a current filing status, the contractor must ensure that the contractor employee will not have access to IDOR taxpayer returns. For the Financial Institution’s employee to obtain access to IDOR taxpayer returns his/her filing status must be made current and the employee security check authorization form cleared through IDOR Internal Affairs office.

Inspection

The IDOR shall have the right to send its officers and employees into the facilities of the financial institution for inspection of the facilities and operations provided for the performance of any work under the contract including the right to audit books and records and supporting documents.

Specific Requirements

I. Medical Cannabis Tax Types

Financial Institution must be able to accept cash payments directly from the taxpayer/business for the following tax types:

Form	Type of Payment	Due Date	Payee
Form MC-1-V	Payment Voucher for Medical Cannabis Cultivation Privilege Tax	20 th of the month	Cultivators
Form MC-1-X-V	Payment Voucher for Amended Medical Cannabis Cultivation Privilege Tax	Varied	Cultivators
Form ST-1-V	Web Voucher for Sales and Use Tax Payment	20 th of the month	Dispensaries
Form ST-1X-V	Web Voucher for Amended Sales and Use Tax Payment	Varied	Dispensaries

The following are additional tax payments/coupons that may be received:

Form	Type of Payment	Due Date(s)	Payee
Form IL-501	Withholding Income Tax Payment Coupon	Weekly, Semi-Weekly or Monthly	
Form IL-1120-ES	Estimated Income and Replacement Tax Payment for Corporations	15th day of the 4th, 6th, 9th, and 12th months of the taxpayer's tax year	
Form IL-1120-V	Payment Voucher for Corporation Income and Replacement Tax	Same as the federal filing due date for the taxpayer. In general, Form IL-1120-V Payment is due on or before the 15th day of the 3rd month following the close of the tax year	
Form IL-505-B	Automatic Extension Payment	Normally March 15 however, please see the following (all dates refer to the month following the close of the taxable year):	
		· Corporations, subchapter S corporations	15th day of the 3rd month
		· Partnerships, fiduciaries, composites, exempt organizations (employee trusts only)	15th day of the 4th month
		· Exempt organizations (all others)	15th day of the 5th month
		· Cooperatives	15th day of the 9th month
		If you file federal Form 1120, U.S. Corporation Income Tax Return, and the original due date is later than the 15th day of the 3rd month, your Form IL-1120 and your payment will be due at the same time as your federal Form 1120.	
Form IL-1065-V	Payment Voucher for Partnership Replacement Tax	The same as the taxpayer's federal filing due date. In general, Form IL-1065 is due on or before the 15th day of the 4th month following the close of the tax year.	
Form IL-1120-ST-V	Payment Voucher for Small Business Corporation Replacement Tax	The same as the taxpayer's federal filing due date. In general, Form IL-1120-ST is due on or before the 15th day of the 3rd month following the close of the tax year	
Form IL-1041-V	Payment Voucher for Fiduciary Income and Replacement Tax	The Illinois filing due date is the same as the federal filing due date. In general, Form IL-1041 is due on or before the 15th day of the 4th month following the close of the tax year	
Form IL-516-I	Pass-through Prepayment Voucher for Withholding from Individuals and Estates	15th day of the 4th month	
		15th day of the 6th month	
		15th day of the 9th month	
		15th day of the 1st month of the following year	
Form IL-516-B	Pass-through Prepayment Voucher for Withholding from Corporations, Partnerships, and	15th day of the 4th month	
		15th day of the 6th month	
		15th day of the 9th month	

Form	Type of Payment	Due Date(s)	Payee
	Trusts	15th day of the 1st month of the following year	
Form IL-1040-ES	Estimated Income Tax Payment Voucher	April 15, June 15, September 15, January 15	
Form IL-505-I	Individual Income Tax Extension Payment Voucher	April 15	

Please see H-1 for a sample copy of the forms.

II. Processing

- A. Respondent(s) must be able to accept cash tax payments from the taxpayer/business at their designated facilities. Please list your facility location or locations in the State of Illinois that will accept cash tax payments.
- B. Respondent(s) must provide receipt, including the date and time stamp of the deposit, as well as verifying the total amount of the cash payment by taxpayer.
- C. Respondent(s) must provide credit to the Treasurer's account within 24 hours of the receipt of the cash payments.
- D. Respondent will batch the paper coupon/vouchers based on IDOR's requirements and transmit/ship the paper coupon/vouchers to the IDOR daily.

III. Batching and Transmission Requirements:

- A. All coupons shall be scanned and sent in a secured transmission. All coupons must also be bundled and sent to the department within 24 hours of the cash deposit via approved courier or express mail service.
- B. Secure transmission will be used to exchange reports and payment coupons. All attachments should be zipped into a single zip archive using Advanced Encryption Standard (AES) level encryption. WinZip 9.0 or newer can be used. Other tools may be used if all parties agree to use them.

IV. Reporting

The selected Respondent will create, at a minimum, the following required IDOR deposit management reports to accompany the transmission:

- A. Cash Deposit Daily Summary Report that details total document count and total cash amount by form type. This report must also reflect the total documents and dollars processed for a particular day. Daily Summary Report details document count, sub-total dollars, total dollars, and clearing account number by tax type. It must also provide sub-totals by form type (prepared and transmitted daily).
- B. Cash Deposit Daily Taxpayer Activity Report that details tax type, received date, taxpayer name, taxpayer identification number, document count, cash remittance amount, and each amount by voucher/coupon type. This report must also list the total number of

coupons/vouchers and total deposit amount. The total amounts must balance to the Daily Cash Deposit Summary Report (prepared and transmitted daily).

C. IDOR may request additional reports to be prepared on a request basis.

D. The Respondent shall notify the Treasurer's Office and IDOR of deposit totals by no later than 8:30 a.m. Central Standard Time the following morning, or in the case of weekends or holidays, on the first workday following the deposit by the prescribed time. IDOR shall be notified by a secure transmission of the Cash Deposit Daily Summary Report and the Cash Deposit Daily Taxpayer Activity Report. The Treasurer shall be notified by secure transmission or email with encrypted attachments of the Cash Deposit Daily Summary Report and the Cash Deposit Daily Taxpayer Activity Report.

E. Reports and payment coupons shall be exchanged by secure transmission. All attachments should be zipped into a single zip archive using Advanced Encryption Standard (AES) level encryption. WinZip 9.0 or newer can be used. Other tools may be used if all parties agree to use them.

F. The Respondent must be able to recreate or resend the daily deposit reports upon request. If an error is found, the reports must be corrected and re-transmitted within 24 hours.

Please see H-2 for a sample copy of the report.