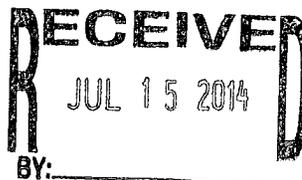


MOODY'S

Bill Tice
7 World Trade Center
250 Greenwich Street
New York, NY 10007
212-553-7748



14 TT 130

June 18, 2014

Illinois Independent Tax Tribunal
160 N. LaSalle Street Rm. N506
Chicago, IL 60601

Re: Taxpayer: Moody's Corporation
Taxpayer #: 13-3998945
Liability Period: 12/31/2009 & 12/31/2010
Request For Penalty Abatement

To Whom It May Concern,

Moody's Corporation was audited for tax years 2009 and 2010. In addition to the tax and interest portion of assessment, we have been assessed penalties of \$65,438. I would like to formally request that this amount be abated for the following reasons.

The primary issue that triggered the assessment was centered around the treatment of foreign royalty revenue.

Our filing position was that this revenue stream fell under the parameters for classification as non-business. This non-business treatment ended up being a subtraction modification when calculating Illinois apportionable income. Our position was arrived at through careful and documented research substantiated from the following two sources: **1)** from the 2009 Illinois Schedule NB Instructions, Lines 4, 5, and 6 – Patent, copyright, and other royalties: Patent and copyright royalties are allocable to Illinois to the extent the patent or copyright is used by the payer in Illinois, or to the extent that the patent or copyright is used by the payer in a state in which you are not taxable with respect to the royalties and, at the time the royalties were paid or accrued, your commercial domicile was Illinois; **2)** from Sec. 35 ILCS 5/303

- o d) Patent and copyright royalties.
 - (1) Allocation. Patent and copyright royalties are allocable to this State:
 - (A) If and to the extent that the patent or copyright is utilized by the payer in this State; or
 - (B) If and to the extent that the patent or copyright is utilized by the payer in a state in which the taxpayer is not taxable with respect to such royalties and, at the time such royalties were paid or accrued, the taxpayer had its commercial domicile in this State.
 - (2) Utilization.
 - (A) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do

- not reflect states of utilization, the patent is utilized in this State if the taxpayer has its commercial domicile in this State.
- (B) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in this State if the taxpayer has its commercial domicile in this State.

Upon audit, the state's position was that these royalties are NOT non-business and cited Illinois reg 100.3010(c)(6). When we analyzed our position vs. the state's position, it initially appeared to me there were conflicting rules going on here. The auditor's response to me was that you must FIRST look to 100.3010 to determine IF the item qualifies as non-business. Then, IF you have determined the item is non-business, you then look to 35 ILCS 5/303 and Schedule NB to determine how to allocate the non-business item to Illinois.

Thus, the primary basis of our abatement request is centered around that fact we clearly took a position that we thought we had a good and well documented position based on Illinois instructions and law. It was not until the auditor pointed out the fine nuances did we agree that our position was incorrect.

In addition, I would also like to point out that we voluntarily offered to have tax year 2011 included in the audit as we knew the same issue existed in this year. We did that to help us and the state expedite the 2011 tax year instead of incurring the time and expense of a later audit for this year. This offer was turned down as auditor just wanted to wrap up the years in question.

And finally, we feel we were highly cooperative and cordial with our auditor and treated him with the respect he deserves. We did our best to schedule appointments and reply to IDR's. We had spirited discussions and in the end we just wanted to do the right thing in terms of tax liability.

We believe we did not act in a willfully negligent manner. Because of the facts outlined above, we have clearly shown that we have reasonable cause, and therefore we respectfully ask the \$65,438 penalty amount be abated. A penalty implies a punishment for frivolous positions or acting in bad faith when filing a tax return. We were neither. Furthermore, we have always filed and paid our taxes on time as your records will show. I appreciate your prompt attention to this matter, and if you need any additional information, please call me at 212-553-7748. Thank you in advance for your time and consideration.

Sincerely,



Bill Tice

AVP- State & Local Tax



Illinois Department of Revenue
IL-870 Waiver of Restrictions

Official Use

The execution and filing of this waiver

- will expedite the adjustment of your tax liability.
- will not prevent you from filing a timely claim for refund or credit under the Illinois Income Tax Act (IITA), Section 909.

As authorized by the IITA, Section 907, this waiver

- is not a binding determination.
- does not prevent assertion of a further deficiency if it is later determined that additional tax is due.
- does not extend the statutory period of limitation for refund, assessment, or collection of tax.

Taxpayer Information

MOODYS CORPORATION AND SUBS

13-3998945

A1782368256

Taxpayer's name

Federal employer identification number or Social Security number

Track number

Increase (or Decrease) in Tax and Penalties

Tax Year Ended	Amount of Tax	Penalty	Interest	Total
12/31/2009	\$436,251.00	\$65,438.00	\$41,701.00	\$543,390.00
12/31/2010	\$372,793.00	\$0.00	\$0.00	\$372,793.00
	\$0.00	\$0.00	\$0.00	\$0.00
	\$0.00	\$0.00	\$0.00	\$0.00
	\$0.00	\$0.00	\$0.00	\$0.00
	\$0.00	\$0.00	\$0.00	\$0.00
Totals:	\$809,044.00	\$65,438.00	\$41,701.00	\$916,183.00

Remarks

The taxpayer has an overpayment for 2010 due to to additional credit C/F from 2009 of \$672,754 and refund of \$15,987 that was returned by the taxpayer and credited to 2010. The taxpayer originally requested C/F from 2009 of \$971,450 but per Gentax only \$298,696 was C/F to 2010 and the remainder was left on 2009 year as credit. The entire \$971,450 was carried forward to 2010 during the audit as originally requested. Taxpayer requested that overpayment be used to off-set against 2009 audit liability.

Note: If applicable, additional penalty or interest will be billed at a later date when the audit is processed.

By signing and filing this waiver, the undersigned agrees to

- waive the restriction provided in the IITA, Section 903(b);
- immediate assessment and collection of the deficiencies (increase in tax and penalties) listed above, with interest as provided by law;
- accept the overpayments (decrease in tax and penalties) listed above with interest on such overpayments as provided by law; and
- waive the right to seek review by the Informal Conference Board.

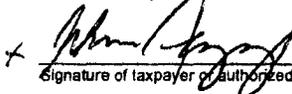
Note: This waiver constitutes a valid claim for refund or credit of overpayment if it is properly signed and filed within the period established by law for making such claim. A date receipted copy of it must be received from the department as proof of filing.

Separate IL-870 forms may be requested if there are years that involve decreases in tax and other years that involve increases in tax that have not been agreed to by the taxpayer.

Sign Below

- If you filed a joint return for the year involved, both you and your spouse must sign this waiver. If acting under a power of attorney, one may sign as agent for the other.
- If a corporate or partnership return was filed, this consent form must be signed with the corporate or partnership name followed by the signature and title of the officer(s) or other authorized person.
- If you are a taxpayer's attorney or agent, your actions must be specifically authorized by a power of attorney. If the power of attorney was not previously filed, it must accompany this waiver.
- If you are a person acting in a fiduciary capacity (e.g., executor, administrator, or trustee), Form IL-56, Notice of Fiduciary Relationship, must accompany this form, unless Form IL-56 was previously filed.

Department Use Only
 Date of issuance: 02/20/2014

+  VP Global Tax 3/4/14
 Signature of taxpayer or authorized representative Title Date

Signature of taxpayer or authorized representative Title Date

Signature of taxpayer or authorized representative Title Date