

ILLINOIS INDEPENDENT  
TAX TRIBUNAL

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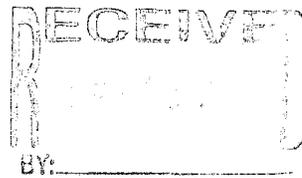
ZEBRA TECHNOLOGIES  
CORPORATION

\_\_\_\_\_, )  
Petitioner, )

vs. )

ILLINOIS DEPARTMENT  
OF REVENUE,

Respondent. )



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**PETITION**

The Petitioner, Zebra Technologies Corporation, (“ZEBRA”) hereby petitions the Illinois Independent Tax Tribunal to review and reverse and/or modify the Notice of Deficiency (“Notice”) issued by the Illinois Department of Revenue (“Department”), for the reasons stated below:

**INTRODUCTION**

1. The “Notice” was issued by the Department on June 17, 2015 assessing a total deficiency in the amount of \$ 193,945.71, \$142,228.92 in tax, \$28,445.76 in penalties and \$23,271.03 in interest for the taxable periods 2008 – 2010. A copy of the “Notice” is attached to this Petition.

2. Petitioner is a corporation with its principal place of business in Lincolnshire, IL.

3. It is located at 3 Overlook Point, Lincolnshire, IL 60069, and its telephone number is 847-634-6700. The Taxpayer Account number is 36-2675536

## **BACKGROUND AND RELEVANT FACTS**

4. An audit was initiated by the Internal Revenue Service for the periods 2008 – 2010. An agreement was reached by Zebra and the Internal Revenue Service that is outlined with the attached document. The agreement concluded there was a specific liability for 2008 and both parties agreed to the same amount for 2009 and 2010.

There were 6 distinct matters covered by the audit

1. Payments under an acquisition, Wherenet
2. Reclassification of payments made as 1099 to W-2
3. Reclassification under IRC Section 3509 (a)
4. Reclassification under IRC Section 3509 (b)
5. Settlement for employees
6. Stock deposit penalty

Illinois Employment Security concluded that due to the audit for federal income taxes that the additional income would be reported to the Illinois Employment Security department as noted in the letter of Deficiency.

## **APPLICABLE LAW**

### **5. TITLE 86: REVENUE CHAPTER I: DEPARTMENT OF REVENUE**

#### **PART 100 INCOME TAX**

#### **SECTION 100.7000 REQUIREMENT OF WITHHOLDING (IITA SECTION 701)**

#### **Section 100.7000 Requirement of Withholding (IITA Section 701)**

- a) General rules. Every employer maintaining an office or transacting business within this State and required under the provisions of 26 USC 3401 through 3404 to withhold and pay federal income tax on compensation paid in this State (see Section 100.7010 of this Part) to an individual is required to deduct and withhold from such compensation for each payroll period (as defined in 26 USC 3401), an amount computed in accordance with IITA Section 701 and 702. Illinois income tax is not required to be withheld on any compensation paid in this State of a character which is not subject to federal income tax withholding (whether or not such compensation is subject to withholding for federal taxes other than income tax, e.g., F.I.C.A. (Social Security taxes). (As to what constitutes "transacting business within this State", see Section 100.7020 of this Part.)

## **ERROR I**

6. Payments under acquisition of Wherenet – Stock options paid to two executives of Wherenet were not reported as W-2 wages. The two employees lived and worked in California.

**ERROR II**

7. Reclassification of payments reported on Form 1099s to W-2. There are 5 employees under this reclassification. Two (2) employees lived and/or worked in Illinois. They are Ed Kaplan and Liz Valdes

**ERROR III**

8. Reclassification under IRC Section 3509 (a) failing to deduct and withhold for employees who were not treated as employees. Of the 9 employees who were subject to the reclassification 3 lived or worked in Illinois.

Diane Watkins  
Karen Ellis-White  
Ginny Millar

**ERROR IV**

9. Reclassification under IRC Section 3509 (b) for disregarding reporting requirements for 9 employees, some of whom did not live or work in Illinois.

**ERROR V**

10. Settlements to two former employees were reported on Form 1099. One of the two employees lived or worked in Illinois.

Emily Matz

**ERROR VI**

11. Stock deposit penalty for transactions related to two CA employees

**CONCLUSION AND RELIEF REQUESTED**

12. The assessment made by the IL Department of Revenue was based on the assumption that all earnings that were identified in the 2008-2010 federal audit were subject to IL taxes as provided under Section 100.700. This is not correct. We have the information to substantiate which employees are subject to IL taxes for which an amended return is required based on either working or living in Illinois.

Petitioner requests that a review of the material submitted that will identify those individuals and the relevant payments that are reportable to Illinois.

WHEREAS, Petitioner requests that the "Notice" be modified or canceled for the reasons contained herein.

ZEBRA TECHNOLOGIES CORPORATION

By: Thomas F. Wilson  
ASSISTANT GENERAL COUNSEL  
One of the Attorneys Representing Petition

Representatives:  
(Names and addresses, phone numbers, emails, and ARDC numbers)  
Only for use by out of state attorneys:

As an attorney authorized to practice law in \_\_\_\_\_, I certify that I have complied with the Illinois Supreme Court procedures for admission to practice pro hac vice in Illinois for this matter and a copy of my court order on this is attached.

Print Name  
Signature

As an attorney authorized to practice law in \_\_\_\_\_ (name state), I certify that I have complied with the Illinois Supreme Court procedures for admission to practice pro hac vice in Illinois for this matter and a copy of my court order on this is attached.

\_\_\_\_\_  
Print Name  
\_\_\_\_\_  
Signature

Only for use by out of state attorneys: