

**ILLINOIS INDEPENDENT TAX TRIBUNAL  
CHICAGO, ILLINOIS**

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<b>KNIGHTSBRIDGE</b>	)	
<b>ENTERTAINMENT, LLC,</b>	)	
<b>Petitioner,</b>	)	
	)	
<b>v.</b>	)	<b>Case No. 15-TT-255</b>
	)	
<b>THE ILLINOIS DEPARTMENT</b>	)	
<b>OF REVENUE,</b>	)	
<b>Respondent.</b>	)	

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**ANSWER**

The Department of Revenue of the State of Illinois, by and through its attorney, Lisa Madigan, Attorney General of the State of Illinois, answers the Taxpayer’s Petition as follows:

**PARTIES**

1. Petitioner is an Illinois Limited Liability Company authorized to do business in Illinois with a Taxpayer Identification Number of 46-1300029. s are individuals located at 308 Castle Drive, Elk Grove Village, Illinois, 60007, and can be reached at 847-456-5530.

**ANSWER:** The information contained in Paragraph 1 is required by Illinois Tax Tribunal Regulations Section 310(a)(1)(A) (86 Ill. Admin. Code §5000.310) and is not a material allegation of fact that requires an answer under Section 310(b)(2) of the Tax Tribunal Regulations. The Department admits the factual allegations contained in Paragraph 1.

2. Petitioner’s Taxpayer Audit ID is A64995328.

**ANSWER:** The Department admits the Taxpayer’s Audit Track Number is as stated in Paragraph 2.

3. Petitioners are represented by the Gallagher & Gupta, P.C.. Attorney Shiel M. Gallagher, located at 1910 South State Street, Suite 409, Chicago, Illinois 60616 and can be reached at

312-841-1141 or [sgallagher@gallagherpc.com](mailto:sgallagher@gallagherpc.com).

**ANSWER:** The information contained in Paragraph 3 is required by Illinois Tax Tribunal Regulations Section 310(a)(1)(B) (86 Ill. Admin. Code §5000.310) and is not a material allegation of fact that requires an answer under Section 310(b)(2) of the Tax Tribunal Regulations. The Department admits the factual allegations contained in Paragraph 3.

4. The Department is an agency of the Executive Department of the State Government and is tasked with the enforcement and administration of Illinois tax laws. 20 ILCS 5/5-15.

**ANSWER:** Paragraph 4 contains a legal conclusion, not a material allegation of fact, and therefore does not require an answer under Section 310(b)(2) of the Tax Tribunal Regulations.

#### **NOTICE**

5. On or about October 16, 2015, Petitioner received a Notice of Tax Liability for Form ST-1 (“Notice”) for the tax period July 1, 2012 through June 30, 2014. The Notice reflects more than \$15,000 in tax due, plus penalties and interest. The Notice is attached hereto as Exhibit 1.

**ANSWER:** The information contained in Paragraph 5 is required by Illinois Tax Tribunal Regulations Section 310(a)(1)(D) (86 Ill. Admin. Code §5000.310) and is not a material allegation of fact that requires an answer under Section 310(b)(2) of the Tax Tribunal Regulations. The Department admits the Notice is attached to the Petition as Exhibit 1.

#### **JURISDICTION**

6. Petitioner brings this action pursuant to the Illinois Independent Tax Tribunal Act (“Tribunal Act”), 35 ILCS 1010/1-1 to 35 ILCS 1010/1-100.

**ANSWER:** Paragraph 6 contains a legal conclusion, not a material allegation of fact, and

therefore does not require an answer under Section 310(b)(2) of the Tax Tribunal Regulations.

7. This Tribunal has jurisdiction over this matter pursuant to Sections 1-45 and 1-50 of the Tribunal Act because Petitioner timely filed this Petition within 60 days of the Notice.

**ANSWER:** Paragraph 7 contains a legal conclusion, not a material allegation of fact, and therefore does not require an answer under Section 310(b)(2) of the Tax Tribunal Regulations.

### **BACKGROUND**

8. Petitioner is an Illinois Limited Liability Company which owns and operates Mega Trampoline Fun Zone, an indoor trampoline park and entertainment center in Crystal Lake, Illinois.

**ANSWER:** The Department admits the allegations in Paragraph 8.

9. In the course of its business, Petitioner purchases equipment from various manufacturers in order to construct trampolines and other entertainment features at its business location.

**ANSWER:** The Department lacks sufficient information to admit or deny the allegations in Paragraph 9 and demands strict proof thereof.

10. A major portion of the purchase invoice consists of costs related to engineering, installation, training, consultation, warranty, shipping, and other items unrelated to the acquisition cost of the fixed asset itself.

**ANSWER:** The Department lacks sufficient information to admit or deny the allegations in Paragraph 10 and demands strict proof thereof.

11. Defendant audited Petitioner's books and records for the periods July 2012 through June 2014, and projected the sales tax assessment at issue herein upon the fair market value of the

asset rather than on the actual acquisition cost of the asset.

**ANSWER:** The Department denies the allegations in Paragraph 11.

### **COUNT 1**

#### **Defendant's audit methodology overstates Petitioner's liability.**

12. Petitioner reallege and incorporate by reference the allegation made in paragraphs 1 through 9, inclusive, hereinabove.

**ANSWER:** The Department incorporates and repeats its answers to Paragraphs 1 through 9 as though fully set forth herein.

13. The Department assessed the sales tax liabilities contained in the Notice based upon the fair market value of the Trampoline system 07/15/2013, rather than on the actual acquisition cost of the fixed asset.

**ANSWER:** The Department denies the allegations in Paragraph 13.

14. The fair market value of the Trampoline system, approximately \$300,000.00, included charges unrelated to the acquisition of the asset, such as Engineering, shipping, warranty, installation, amongst others. The actual cost of the Trampoline system however, was \$110,000.00.

**ANSWER:** The Department lacks information to admit or deny the allegations in Paragraph 14 and demands strict proof thereof.

15. By applying the Department's sales tax rate to the entire amount of the transaction, rather than to the cost of the fixed asset, the Department unreasonably inflated Petitioner's sales tax liability.

**ANSWER:** The Department denies the allegations in Paragraph 15.

**WHEREFORE,** the Department respectfully requests this Tribunal:

- a. Deny each prayer for relief in the Petition;
- b. Find that the Department's Notice(s) correctly reflect the Petitioner's liability including interest and penalties;
- c. Enter judgment in favor of the Department and against the Petitioner; and
- d. Grant any further relief this Tribunal deems just and appropriate.

## COUNT II

### All penalties should be abated based on reasonable cause

16. Petitioner realleges and incorporate by reference the allegation made in paragraphs 1 through 12, inclusive, hereinabove.

**ANSWER:** The Department incorporates and repeats its answers to Paragraphs 1 through 12 as though fully set forth herein.

17. In its Notice, the Department assessed late penalties.

**ANSWER:** The Department admits the allegations in Paragraph 17.

18. Illinois law provides that late filing penalties shall not apply if the taxpayer's failure to pay the tax due was due to reasonable cause. 35 ILCS 735/3-8.

**ANSWER:** Paragraph 18 contains a legal conclusion, not a material allegation of fact, and therefore does not require an answer under Section 310(b)(2) of the Tax Tribunal Regulations.

19. In making a determination whether penalties should be abated, the Department should consider whether the Taxpayer made a good faith effort to determine its proper tax liability, and whether the Taxpayer paid that proper tax liability in a timely fashion. Furthermore, the Department should find that a good faith effort was made in determining and paying the tax liability of the taxpayer exercised ordinary business care and prudence in doing so. 86 Ill.

Admin. Code 700.400(b).

**ANSWER:** Paragraph 19 contains a legal conclusion, not a material allegation of fact, and therefore does not require an answer under Section 310(b)(2) of the Tax Tribunal Regulations. To the extent Paragraph 19 requires any further answer the Department denies the allegations in Paragraph 19.

20. Petitioners exercised ordinary business care and prudence when they reasonably determined their sales tax liability during the audit period and reported such on its ST-1s, as it was not based upon the Department's proposed sales tax audit results.

**ANSWER:** Paragraph 20 contains a legal conclusion, not a material allegation of fact, and therefore does not require an answer under Section 310(b)(2) of the Tax Tribunal Regulations. To the extent Paragraph 20 requires any further answer the Department denies the allegations in Paragraph 20.

**WHEREFORE,** the Department respectfully requests this Tribunal:

- a. Deny each prayer for relief in the Petition;
- b. Find that the Department's Notice(s) correctly reflect the Petitioner's liability including interest and penalties;
- c. Enter judgment in favor of the Department and against the Petitioner; and
- d. Grant any further relief this Tribunal deems just and appropriate.

Dated: January 26, 2016

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Respectfully submitted,  
Illinois Department of Revenue,

By: /s/ Ashley Hayes Forte  
Ashley Hayes Forte  
Special Assistant Attorney General

Ashley Hayes Forte  
Illinois Department of Revenue  
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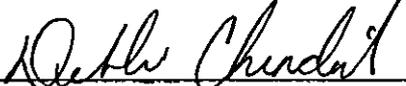
Case No. 15-TT-255

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**AFFIDAVIT OF DEBBIE CHINDERLE  
PURSUANT TO TRIBUNAL RULE 5000.310(b)(3)**

1. I am currently employed by the Illinois Department of Revenue in the Audit Bureau.
2. My current title is Revenue Auditor II.
3. I lack the personal knowledge required to either admit or deny the allegations alleged and neither admitted or denied in Petitioner's Petition Paragraphs 9-10 and 14.

Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure, the undersigned certifies that the statements set forth in this instrument are true and correct, except as to matters therein stated to be on information and belief and as to such matters the undersigned certifies that he (she) verily believes the same to be true.

  
\_\_\_\_\_  
Debbie Chinderle  
Revenue Auditor II  
Illinois Department of Revenue

DATED: 1/26/16