

ILLINOIS INDEPENDENT  
TAX TRIBUNAL

---

---

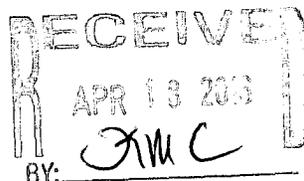
GLOBAL ATLANTIC (FIN)  
COMPANY

Petitioner,

v.

ILLINOIS DEPARTMENT  
OF REVENUE,

Respondent.



16TT75

---

---

**I. PETITION**

The Petitioner, Global Atlantic (Fin) Company (“Global Atlantic”), hereby petitions the Illinois Independent Tax Tribunal (“Tribunal”) to review and reverse the Notice of Deficiency (“Deficiency Notice”) issued by the Respondent, the Illinois Department of Revenue (“Department”), for the reasons stated herein.

**II. INTRODUCTION**

1. The Deficiency Notice was issued by the Department on February 17, 2016 disallowing a unitary Illinois net loss deduction (“NLD”) claimed and partially utilized on Global Atlantic’s 2014 combined IL-1120, Corporate Income and Replacement Tax Return (“2014 IL-1120”) and assessing a deficiency in the amount of \$969,918.00 in tax, \$96,991.80 in penalties, and \$26,944.54 in interest for tax year ending 2014. A copy of the Deficiency Notice is attached to this Petition as Exhibit #1.

2. A Return Correction Notice (“G.A. 2014 Correction Notice”) was issued by the Department on December 29, 2015 initially disallowing the 2014 NLD and asserting Global Atlantic claimed more loss than the Department’s records indicated were available and requesting information to support the NLD.

3. Global Atlantic did not respond to the G. A. 2014 Correction Notice, resulting in the issuance of the Deficiency Notice. A copy of the G.A. 2014 Correction Notice is attached to this Petition as Exhibit # 2.

4. On its 2014 IL-1120, Global Atlantic claimed and partially utilized a total of \$13,782,920.00 of NLD allocated to its subsidiaries and incurred in loss years 2009, 2013, and 2014.

5. Global Atlantic is a corporate holding company with its principal place of business in Southborough, Massachusetts.

6. Global Atlantic is located at 132 Turnpike Road, Suite 210, Southborough, MA 01772, and its telephone number is (508) 460-2400. The Taxpayer Federal Employer Identification Number (“FEIN”) is 38-3898658.

7. Under the Illinois Independent Tax Tribunal Act of 2012, the Tribunal has original jurisdiction over the Department’s determination, as the deficiency assessed is over \$15,000, exclusive of penalties and interest. See 35 ILCS 1010/1-45(a) (West 2013).

### **III. BACKGROUND AND RELEVANT FACTS**

8. Global Atlantic is a financial services holding company comprised of five insurance companies and focused on the annuity, life insurance and reinsurance markets.

9. Global Atlantic was founded in 2004 as a wholly owned subsidiary of The Goldman Sachs Group, Inc. (“Goldman Sachs”) and on April 30, 2013, separated from Goldman Sachs as an independent company.

10. Insurance company subsidiaries of Global Atlantic relevant to this Petition include Commonwealth Annuity and Life Insurance Company, FEIN 04-6145677 (“CwA”), First Allmerica Financial Life Insurance Company, FEIN 04-1867050 (“FAFLIC”), and Forethought Life Insurance Company, FEIN 06-1016329 (“Forethought Life”).

11. CwA was contributed to Global Atlantic as a part of Global Atlantic’s separation from Goldman Sachs on April 30, 2013 and is a wholly owned subsidiary of Global Atlantic. Prior to the separation, CwA was a wholly owned subsidiary of Goldman Sachs from the time of its acquisition in 2005.

12. For tax years 2005 to 2011, CwA was a member of a unitary business group of insurance companies owned by Goldman Sachs that filed its Illinois unitary returns separate from its parent’s unitary return.

13. FAFLIC was also contributed to Global Atlantic as a part of Global Atlantic’s separation from Goldman Sachs on April 30, 2013 and is a wholly owned subsidiary of CwA. Prior to the separation, FAFLIC was a subsidiary of CwA under Goldman Sach’s ownership from the time of its acquisition in 2009.

14. For tax years 2009 to 2011, FAFLIC was a member of CwA’s unitary business group.

15. For tax years 2012 and 2013 CwA and FAFLIC were included in Goldman Sach’s unitary business group and joined in the filing of its 2012 and 2013 unitary returns.

16. For tax year beginning May 1 and ending December 31, 2013, CwA and FAFLIC were included in Global Atlantic's unitary business group and joined in the filing of its 2013 short year unitary return.

17. Global Atlantic acquired Forethought Financial Group, Inc. ("FFG") and its subsidiaries, including its key subsidiary Forethought Life, on January 2, 2014. Forethought Life is a direct subsidiary of CwA.

18. Prior to January 3, 2014, FFG and its subsidiaries were members of a unitary business group that filed its Illinois corporate income tax returns on a combined basis.

19. On October 8, 2015, a short year (one day) Illinois unitary return was filed by FFG for tax year beginning January 1, 2014 and ending January 2, 2014.

20. Global Atlantic is the controlling corporation and designated agent of its unitary business group and originally filed its 2014 IL-1120 on October 15, 2015. The return was rejected due to e-filing errors and resubmitted and accepted on October 22, 2015.

21. Global Atlantic reported on its 2014 IL-1120 an Illinois base income of \$10,209,662.00 and an Illinois net income of \$0.00 after taking an Illinois NLD of \$10,209,662.00.

22. A Schedule UB, Combined Apportionment for Unitary Business Group, ("Sched. UB") was included with Global Atlantic's 2014 IL-1120 to determine how much of the unitary business income reported on the return was allocable to Illinois.

23. Unitary members relevant to this Petition and listed on the Sched. UB as required to file an Illinois return are CwA, FAFLIC, and Forethought Life.

24. Forethought Life was listed as a new member of the unitary group on the 2014 Sched. UB.

25. Global Atlantic also included a Schedule UB/NLD, Unitary Illinois Net Loss Deduction (“Sched. UB/NLD”) to claim its NLD.

26. Unitary members identified on the 2014 Sched. UB/NLD as having Illinois net loss carryovers from 2009 and 2013 loss years were CwA and FAFLIC.

27. Forethought Life was identified on the 2014 Sched. UB/NLD as having an Illinois net loss carryover incurred in loss year 2014.

28. After deducting its Illinois NLD from its 2014 Illinois combined net income, Global Atlantic’s remaining unused NLD was \$3,573,258.00.

**A. Illinois Net Losses from the 2009 Loss Year**

29. Illinois net losses from loss year 2009 claimed on Global Atlantic’s 2014 Sched. UB/NLD were a \$9,841,010.00 carryover allocated to CwA and a \$1,057,072.00 carryover allocated to FAFLIC.

30. The 2009 net losses were earned on CwA’s 2009 IL-1120 unitary return filed on or about October 14, 2010.

31. During tax year 2009, CwA and FAFLIC were members of a unitary group of insurance companies owned by Goldman Sachs that filed its Illinois unitary return separate from its parent company.

32. The total of the 2009 net losses claimed exceeded Global Atlantic’s 2014 Illinois base income, leaving unused NLDs in amounts of \$621,646.00 attributed to CwA, and \$66,774.00 attributed to FAFLIC.

## **B. Illinois Net Losses from the 2013 Loss Year**

33. Illinois net losses from loss year 2013 claimed but unused on Global Atlantic's 2014 Sched. UB/NLD were a \$330,793.00 carryover allocated to CwA and a \$11,461.00 carryover allocated to FAFLIC.

34. The 2013 net losses were earned on Global Atlantic's IL-1120 for tax year beginning May 1, 2013 and ending December 31, 2013, and filed on or about October 14, 2014. This short period return was Global Atlantic's first Illinois unitary return filed as a new company and included CwA and FAFLIC as new members of its unitary group.

35. The 2013 net losses were unused on Global Atlantic's 2013 IL-1120.

36. The Department issued a Return Correction Notice to Global Atlantic ("2013 Correction Notice") on January 20, 2015 changing Global Atlantic's 2013 Illinois base loss determined on its 2013 IL-1120 to Illinois to \$0.00 because members with invalid FEINs were listed on Global Atlantic's 2013 Sched. UB.

37. Global Atlantic has not responded to the 2013 Correction Notice. A copy of the 2013 Correction Notice is attached to this Petition as Exhibit # 3.

38. The 2013 Correction Notice also changed Illinois income to \$0.00 because FAFLIC was claimed as a member of another unitary group.

39. Additionally, the 2013 Correction Notice changed Global Atlantic's foreign dividend subtraction to \$0.00 because the amounts reported on its 2013 Illinois Schedule J, Foreign Dividends did not match the amounts on its federal Schedule C.

40. Both Goldman Sachs and Global Atlantic filed unitary returns for tax year 2013 that included CwA and FAFLIC as its members because CwA and FAFLIC were members of

Goldman Sach's unitary group from January 1 to April 30 of that year and became members of Global Atlantic's unitary group effective May 1, 2013.

41. In tax year 2013, neither FAFLIC nor CwA were claimed as members of any unitary groups other than those unitary groups detailed in paragraph 40 above.

42. Two mistakes occurred on Global Atlantic's 2013 IL-1120 unitary return.

43. The first mistake on Global Atlantic's 2013 Sched. UB was the listing of three disregarded entities as members of its unitary group. They were Tapioca View, LLC., ARC Rail 2013-1, LLC., and Arc Finance 2013-1, LLC.

44. Global Atlantic entered invalid FEINs for each disregarded entity because the e-file software utilized by Global Atlantic would not allow the FEINs of the disregarded entities, being the same as that of Global Atlantic, on the return.

45. The second mistake was incorrectly including with the 2013 IL-1120 a copy of Global Atlantic's federal Form 1120 Corporate Income Tax consolidated return for its non-life companies, rather than a copy of its Form 1120-L consolidated return for its life companies. The incorrectly submitted federal Form 1120 included a federal Schedule C for foreign dividends which did not match the amounts on Global Atlantic's Illinois Schedule J.

46. Upon information and belief, Global Atlantic will respond to the 2013 Correction Notice by submitting to the Department (1) a corrected 2013 Sched. UB which does not include the three disregarded entities listed as members with invalidated FEINs, and (2) a copy of its 2013 federal Form 1120-L and Schedule C which will show amounts matching amounts reported on Global Atlantic's 2013 IL-1120 Schedule J. The response will also provide the date FAFLIC joined Global Atlantic's unitary group.

### **C. Illinois Net Losses for the 2014 Loss Year**

47. The Illinois net loss from loss year 2014 claimed but unused on Global Atlantic's 2014 Sched. UB/NLD was a \$2,542,584.00 carryover allocated to Forethought Life.

48. The 2014 Illinois net loss was earned on FFG's IL-1120 for tax year beginning January 1, 2014 and ending January 2, 2014, and filed on or about October 8, 2015. This short period unitary return was filed by FFG as its final return prior to acquisition by Global Atlantic of FFG and its subsidiaries on January 2, 2014.

49. The 2014 net loss was unused on FFG's 2014 IL-1120.

50. The Department issued a Return Correction Notice ("2014 FFG Correction Notice") to FFG on February 12, 2016 changing the net loss allocable to Illinois determined on FFG's 2014 IL-1120 to \$0.00 because Forethought Life was claimed as a member of another unitary group.

51. FFG has not responded to the FFG 2014 Correction Notice. A copy of the 2014 FFG Correction Notice is included with this Petition as Exhibit # 4.

52. Both FFG and Global Atlantic filed unitary returns for tax year 2014 that included Forethought Life as a member because Forethought Life was a member of FFG's unitary group from January 1 to January 2 of that tax year and became a member of Global Atlantic's unitary group effective January 3, 2014.

53. One omission occurred on FFG's 2014 Sched. UB. A listing of FFG and its subsidiaries as members who left the unitary group during the tax year was omitted, along with details as to the entity the members were sold to and the acquisition date.

54. Upon information and belief, FFG will respond to the 2014 FFG Correction Notice by submitting to the Department a corrected 2014 Schedule UB listing all members who left the

unitary group on January 2, 2014 due to the acquisition by Global Atlantic of FFG and its subsidiaries.

#### **IV. APPLICABLE LAW**

##### **A. Unitary Business Group Combined Returns**

55. A unitary business group is a group of taxpayers united by common ownership whose business activities are integrated with, dependent on and contribute to each other. See 35 ILCS 5/1501(a)(27) (West 2016). Taxpayers in a unitary business group must apportion their business income attributable to Illinois on a combined apportionment basis. See 35 ILCS 5/304(e) (West 2016). For tax years ending on or after December 31, 1993, unitary business group members are required to file a single combined return for tax years. See 35 ILCS 5/502(e) (West 2016) and 86 Ill. Adm. Code 100.5200 (1998).

56. Apportionment of a unitary business group's income or loss attributable to Illinois in a tax year is determined on the unitary business group's Schedule UB and filed with its combined IL-1120. See 35 ILCS 5/502(e) (West 2016); 2009 Schedule UB Instruction (R-12/09); 2013 Schedule UB Instructions (R-12/13); and, 2014 Schedule UB Instructions (R-12/14).

57. Allocation of Illinois net loss among a unitary business group's members are determined on the combined group's Schedule UB as well. *Id.*

58. Generally, taxpayers may not apportion their business income on a combined basis if they are required to use different apportionment formulas under the Illinois Income Tax Act ("Income Tax Act"). However, a holding company of a group of insurance companies may be combined with its subsidiaries. See 35 ILCS 5/1501(a)(27) (West 2016).

59. When a corporation becomes a member of a unitary business group after the beginning of the combined return year and ceases to be a member of another unitary business group during the combined return year, two tax returns will be affected for that taxable year. Therefore, two different unitary returns will be filed claiming the same part-year member for the portion of the tax year it was a member. 86 Ill. Admin. Code 100.5270(f) (2002).

60. The part-year unitary member determines its separate company items for the part of the year before the member joined the unitary group and the part of the year after the member joined the unitary group and accounted for on the separate unitary group returns. *Id.*

### **B. Illinois Net Loss Deductions**

61. Under Illinois law, Illinois net losses of corporations are determined after applying all the modifications in section 203(b) of the Income Tax Act, as well as application of allocation and apportionment requirements under article 3 of the Income Tax Act. See 35 ILCS 5/207(a) (West 2016), 86 Ill. Adm. Code 100.2320 (1987), and 86 Ill. Adm. Code 2330 (2005).

62. A corporate taxpayer who incurs an Illinois net loss in any tax year, may carry over its Illinois net loss to other tax years. *Id.*

63. For tax year 2003 and after, Illinois net losses are allowed as net loss carryovers to each of the twelve years following the loss year. See 35 ILCS 5/207(a)(3) (West 2016).

64. However, for C corporations in any taxable year ending after December 31, 2010 and prior to December 31, 2012, no carryover deduction is allowed. See 35 ILCS 5/207(d).

65. Additionally, carryover deductions exceeding \$100,000 for any taxable year ending on or after December 31, 2012 and prior to December 31, 2014 are disallowed for C corporations. *Id.*

66. When determining the tax years to carry forward Illinois net losses, taxable years in which Illinois net loss carryover deductions were disallowed or capped are not counted. *Id.*

67. While Illinois net losses of unitary return filers are computed separately and carried over separately, any Illinois net loss available as a carryover by a corporation joining in a unitary group's combined return may be used against the combined income of all members of the unitary group. 86 Ill. Adm. Code section 100.2340(c) (1987).

68. The Income Tax Act specifically provides that the limitations imposed on federal net operating losses under I.R.C. section 382 or the separate return limitation year provisions of the consolidated return regulations (Treas. Reg. section 1502) do not apply to Illinois net losses. See 35 ILCS 5/405(b-5) (West 2016).

69. There is no limit to the amount of Illinois net loss that can be carried into a succeeding year. See 35 ILCS 5/207 and 86 Ill. Adm. Code section 100.2350(a) (2002).

70. When a corporation leaves a unitary business group, it takes with it its available and unused share of Illinois net losses incurred while it was a member of the group. *Id.*

71. The portion of the Illinois net loss attributable to the member leaving a unitary group is an amount equal to the combined Illinois net loss of the unitary group multiplied by a fraction equal to the departing member's separate Illinois net loss over the total Illinois net losses of all members of the unitary group with separate losses. 86 Ill. Adm. Code section 100.2350(c) (2002).

72. When a member of a unitary business group leaves the group during a tax year, the unitary group lists the member leaving the group, the entity acquiring the member, and the date of acquisition on the Schedule UB of its unitary return. 2014 Schedule UB Instructions (R-12/14).

73. In order to claim an Illinois NLD for a taxable year, a taxpayer must file a concise statement setting forth the amount of the net loss deduction claimed and all material and pertinent facts in accordance with and required by the tax return instructions for that year. 86 Ill. Adm. Code section 100.2310(b) (2008).

74. A unitary business group is required to file a Schedule UB/NLD to claim an Illinois net loss carryover deduction on the combined group's IL-1120 return. 2013 Schedule UB/NLD Instructions (R-12/13); 2014 Schedule UB/NLD (R-12/14).

75. An attachment to a unitary group's Schedule UB/NLD is required when (1) a member has left the unitary group since the group incurred an Illinois net loss, (2) the group has unused Illinois net losses, and (3) the loss occurred in years ending prior to December 31, 2005. *Id.*

76. Versions of the Schedule UB/NLD prior to tax year 2005 did not allocate unused losses among members of a unitary group. Therefore in such instances, Schedule UB pro formas or audit reports for the loss year determining how much of the loss was used in each carryover year before the member left the group are required to be attached to the Schedule UB/NLD. *Id.*

77. An attachment to Schedule UB/NLD is also required when a member of the unitary group has acquired an Illinois net loss of another taxpayer under a statutory merger, liquidation or reorganization under I.R.C. Section 381. The attachment is in the form of a separate schedule showing the name and FEIN of the member acquiring the loss claimed, the name and FEIN of the taxpayer from whom the loss was acquired, year of acquisition, loss year, and amount of unused loss acquired. *Id.*

78. Instructions for Schedule UB/NLD do not require any other attachments to support the losses claimed.

### **C. Disregarded Entities**

79. A limited liability company with only one member is classified as an entity disregarded as separate from its owner for federal tax purposes. 26 CFR 301.7701-3(b)(2).

80. A disregarded entity, not being recognized for tax purposes as an entity separate from its owner, reports its income, deductions, credits, gains and losses on its owner's income tax return. IRS Pub. 3402 (Rev. 11/14).

81. Therefore, for all income tax purposes a disregarded entity must use its owner's taxpayer identification number. *Id.*

### **V. ERROR I**

82. The Department erred in disallowing Global Atlantic's 2009 Illinois NLD claimed and partially utilized on its 2014 IL-1120 combined return.

83. In accordance with Illinois law and regulatory requirements, CwA's combined 2009 IL-1120 Schedule UB allocated \$9,841,010 in losses to CwA and \$1,057,072 in losses to FAFLIC for that loss year after applying apportionment and allocation factors.

84. When CwA and FAFLIC left their unitary business group on April 30, 2013, each was allowed under Illinois law to take their available and unused share of Illinois net losses incurred in 2009 while members of their unitary group.

85. CwA's and FAFLIC's Illinois net losses available and unused as carryovers when each joined Global Atlantic's unitary group may be claimed as Illinois NLDs against the combined income of all members of Global Atlantic's unitary group until the losses are used or barred from use due to expiration of the carry forward period.

86. At the time CwA and FAFLIC joined the Global Atlantic unitary group in 2013, the 2009 loss year carryovers of each member remained unused and available, as the Illinois net

losses were not utilized on their separate 2010 and 2011 unitary group returns, and upon information and belief the losses were not utilized on Goldman Sach's 2012 or 2013 unitary group returns.

87. Global Atlantic did not claim or utilized the 2009 loss year carryovers of CwA and FAFLIC on its 2013 combined IL-1120.

88. No attachments to Global Atlantic's 2014 Schedule UB/NLD were required to claim the 2009 Illinois net losses because (1) there were no losses occurring in tax years prior to 2005 claimed on the Schedule UB/NLD and (2) no unitary member of Global Atlantic had acquired the Illinois net losses of another taxpayer through a reorganization under I.R.C. section 381(a).

89. As Global Atlantic claimed and partially utilized Illinois net loss carryovers allocated to unitary members CwA and FAFLIC on its combined 2014 IL-1120 in accordance with Illinois law and regulations, the 2009 Illinois NLDs should be allowed.

## **VI. ERROR II**

90. The Department erred in disallowing Global Atlantic's 2013 Illinois NLD claimed but unused on its 2014 IL-1120 combined return.

91. In accordance with Illinois law and regulatory requirements, Global Atlantic's combined 2013 IL-1120 Schedule UB allocated \$330,793.00 in losses to CwA and \$11,461.00 in losses to FAFLIC for that 2013 loss year after applying apportionment and allocation factors.

92. Global Atlantic did not claim or utilize the 2013 Illinois net losses of CwA and FAFLIC on its 2013 combined IL-1120 return.

93. As required under Illinois regulations, unitary group members FAFLIC and CwA were included on the 2013 IL-1120 combined returns of both Global Atlantic and Goldman Sachs because two different Illinois unitary returns are required to be filed when a member

leaves a unitary group after the beginning of the tax year and joins another unitary group during the same tax year. Each unitary return claimed FAFLIC and CwA for the portions of the 2013 tax year that they were members.

94. While Global Atlantic included invalid FEINs for three entities listed as members on its 2013 Sched. UB, those entities in fact are disregarded entities that are not recognized for tax purposes as separate from Global Atlantic and should not have been listed on the Schedule UB as members.

95. Upon information and belief, Global Atlantic will respond to the 2013 Correction Notice that originally disallowed the Illinois net losses determined on Global Atlantic's 2013 IL-1120 Sched. UB by submitting a corrected 2013 Sched. UB that does not list the disregarded entities as members.

96. Also upon information and belief, Global Atlantic will include in its response to the 2013 G.A. Correction Notice a verification of the appropriateness of the foreign dividend subtraction taken on its 2013 IL-1120 by submitting a copy of Global Atlantic's federal Form 1120-L Schedule C showing agreement between amounts shown on it and the amounts shown on Global Atlantic's IL-1120 Schedule J.

97. As Global Atlantic properly claimed the 2013 Illinois net loss carryovers allocated to unitary members CwA and FAFLIC on its combined 2014 IL-1120 in accordance with Illinois law and regulations, and it will correct the discrepancies noted in the 2013 Correction Notice issued by the Department, the claimed but unused 2013 Illinois NLDs should be allowed.

### **VII. ERROR III**

98. The Department erred in disallowing Global Atlantic's 2014 Illinois NLD claimed but unused on its 2014 IL-1120 combined return.

99. In accordance with Illinois law and regulatory requirements, FFG's combined 2014 IL-1120 Schedule UB allocated \$2,542,584.00 in loss to Forethought Life for that loss year after applying apportionment and allocation factors.

100. FFG did not claim or utilize the 2014 Illinois net loss of Forethought Life on its 2014 IL-1120 short year unitary return.

101. As required under Illinois regulations, unitary group member Forethought Life was included on the 2014 IL-1120 combined returns of both Global Atlantic and FFG because two different Illinois unitary returns are required to be filed when a member leaves a unitary group after the beginning of the tax year and joins another unitary group during the same tax year. Each unitary return claimed Forethought Life for the portions of the 2014 tax year that it was a member.

102. Although Global Atlantic properly claimed Forethought Life as a unitary group member on its Sched. UB for the portion of the 2014 tax year Forethought was a member of the group, FFG did not list the members leaving the group during the tax year on its 2014 Sched. UB.

103. Upon information and belief, FFG will respond to the 2014 FFG Correction Notice by submitting a revised 2014 Sched. UB that will include the omitted information.

104. Global Atlantic properly claimed an Illinois net loss carryover allocated to unitary member Forethought Life on its 2014 IL-1120 in accordance with Illinois law and regulations, and FFG will inform the Department that all the members of FFG's unitary group left the group in tax year 2014. Therefore, the claimed but unused 2014 Illinois NLD should be allowed.

### **VIII. CONCLUSION AND RELIEF REQUESTED**

105. Global Atlantic properly claimed and partially utilized the 2009 Illinois net losses allocated to CwA and FAFLIC on its 2014 IL-1120 in accordance with Illinois law and regulations.

106. Global Atlantic properly claimed the 2013 Illinois net losses allocated to CwA and FAFLIC on its 2014 IL-1120 in accordance with Illinois law and regulations.

107. Global Atlantic will correct the discrepancies with its 2013 IL-1120 as indicated on the 2013 Correction Notice.

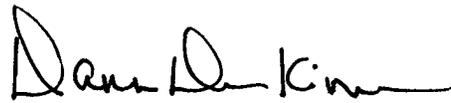
108. Global Atlantic properly claimed the 2014 Illinois net loss allocated to Forethought Life on its 2014 IL-1120 in accordance with Illinois law and regulations.

109. FFG will correct the omission on its 2014 IL-1120 Sched. UB.

WHEREAS, Global Atlantic requests the Illinois net losses for loss years 2009, 2013 and 2014 claimed on its 2014 IL-1120 Sched. UB/NLD be allowed as a deduction against its combined net income for the tax year, and available as carryovers to succeeding tax years until used or barred from use due to expiration of the respective carryforward periods.

WHEREAS, Global Atlantic requests that the Notice be modified or canceled for the reasons contained herein.

Global Atlantic (Fin) Company



By: Dana Deen Kinion, one of the  
Attorney's Representing Petitioner

**Representatives:**

Dana Deen Kinion

ARDC #: 6270070

[dkinion@601w.com](mailto:dkinion@601w.com)

Zack Stamp, Ltd.

601 W. Monroe St.

Springfield, Illinois 62704

(217) 525-0700

(217) 5250-780 Fax

[www.zackstamp.net](http://www.zackstamp.net)

Steve W. Kinion

ARDC #: 6270071

[skinion@601w.com](mailto:skinion@601w.com)

# Notice of Deficiency

for Form IL-1120, Corporation Income and Replacement Tax Return



February 17, 2016



Letter ID: CNXXX685578XXX7

#BWNKMGV  
#CNXX XX68 5578 XXX7#  
GLOBAL ATLANTIC (FIN) CO  
ATTN: JUSTIN MACNEIL  
132 TURNPIKE RD STE 210  
SOUTHBOROUGH MA 01772



Taxpayer ID: 38-3898658  
Reporting period: December 2014  
Total deficiency: \$1,093,854.34  
Balance due: \$1,093,854.34



We have determined that you owe amounts for the reporting period listed above. The attached statement explains the computation of your deficiency and the balance due. Illinois law requires that we notify you of this deficiency and your rights.

If you agree to this deficiency, you must pay the total balance due as soon as possible to minimize penalty and interest assessed. Make your check payable to "Illinois Department of Revenue," write your taxpayer ID on your check, and mail a copy of this notice along with your payment.

If you do not agree, you may contest this notice by following the instructions listed below.

- If the amount of this tax deficiency, exclusive of penalty and interest, is more than \$15,000, or if no tax deficiency is assessed but the total penalties and interest is more than \$15,000, file a petition with the Illinois Independent Tax Tribunal within 60 days of this notice. Your petition must be in accordance with the rules of practice and procedure provided by the Tribunal (35 ILCS 1010/1-1, *et seq.*).
- In all other cases, file a protest with us, the Illinois Department of Revenue, within 60 days of this notice. If you file a protest on time, we must reconsider the proposed deficiency, and if requested, grant you or your authorized representative an administrative hearing. An administrative hearing is a formal legal proceeding conducted pursuant to rules adopted by the Department and is presided over by an administrative law judge. Submit your protest on Form EAR-14, Format for Filing a Protest for Income Tax, (available on our website at [tax.illinois.gov](http://tax.illinois.gov)). If we do not receive your protest within 60 days, this deficiency will become final. A protest of this notice does not preserve your rights under any other notice.
- In any case, you may instead, under Sections 2a and 2a.1 of the State Officers and Employees Money Disposition Act (30 ILCS 230/2a, 230/2a.1), pay the total deficiency under protest using Form RR-374, Notice of Payment Under Protest (available on our website at [tax.illinois.gov](http://tax.illinois.gov)), and file a complaint with the circuit court for a review of our determination.

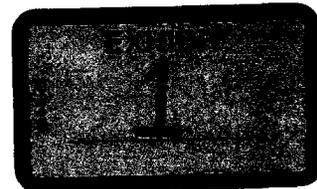
If you do not protest this notice or pay the balance due in full, we may take collection action against you for the balance due, which may include levy of your wages and bank accounts, filing of a tax lien, or other action.

If you have questions, contact us at the telephone number shown below.

Sincerely,

Constance Beard  
Director of Revenue

BUSINESS PROCESSING DIVISION  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19014  
SPRINGFIELD IL 62794-9014  
217 557-9676





Letter ID: CNXXXX685578XXX7  
Taxpayer ID: 38-3898658  
Reporting Period: December 2014

**STATEMENT**

**Reason for deficiency**

We did not receive the information we requested regarding your Schedule NLD, Net Loss Deduction, or Schedule UB/NLD, Unitary Net Loss Deduction. We have adjusted your account accordingly.

**Penalties**

We are imposing a late-payment penalty because you did not pay the total tax you owe by the original due date of the return, even if you had an extension of time to file. This penalty is based on the amount required to be shown due on your return, minus any timely payments and timely credits. This penalty is figured at increasing rates based on the number of days your payment is late. The penalty rates are

- 2 percent of any amount that is paid no later than 30 days after the due date;
- 10 percent of any amount that is paid later than 30 days after the due date.

[35 ILCS 735/3-3(b-20)(2)]

We are imposing a late-payment penalty for underpayment of estimated tax because you did not make your required estimated tax payments or pay the required amount of estimated tax payment by the payment due date. This penalty is based on the amount shown due on your return, minus any timely payments and timely credits. This penalty is figured at increasing rates based on the number of days your payment is late. The penalty rates are

- 2 percent of any amount that is paid no later than 30 days after the due date;
- 10 percent of any amount that is paid later than 30 days but no later than 90 days after the due date.

[35 ILCS 735/3-3(b-20)(1)]

**Interest**

Interest in the amount of 26,944.54 has been computed through February 17, 2016.



Letter ID: CNXXXX685578XXX7  
 Taxpayer ID: 38-3898658  
 Reporting Period: December 2014

**STATEMENT**

**Computation of Deficiency**

**Tax year ending: December 2014**

**Corrected Amount**

Base income(loss) allocable to IL	\$10,209,662.00
IL net loss deduction(NLD)	\$0.00
Net Income	\$10,209,662.00
Tax Due	\$969,918.00
Plus late-filing or nonfiling penalty	\$0.00
Plus late-payment penalty	\$96,991.80
Plus interest on tax through 02/17/2016	\$26,944.54
<b>Total deficiency</b>	<b>*\$1,093,854.34</b>

\*If you intend to pay under protest, you must pay this total deficiency amount.

**Computation of balance due**

**Reporting Period:12/31/2014**

Deficiency (this notice)	*\$1,093,854.34
Minus additional tax withheld	\$0.00
Minus estimated tax payments	\$0.00
Remaining amount due or overpaid	
Current amount due (this notice)	\$1,093,854.34

\*The 'amount to be paid' is for this Notice of Deficiency and is in addition to any previous liabilities.

## **Bankruptcy Information**

If you are currently under the protection of the Federal Bankruptcy Court, contact us and provide the bankruptcy number and the bankruptcy court. The bankruptcy automatic stay does not change the fact that you are required to file tax returns.

## **Taxpayer Bill of Rights**

- You have the right to call the Department of Revenue for help in resolving tax problems.
- You have the right to privacy and confidentiality under most tax laws.
- You have the right to respond, within specified time periods, to Department notices by asking questions, paying the amount due, or providing proof to refute the Department's findings.
- You have the right to appeal Department decisions, in many instances, within specified time periods, by asking for Department review, by filing a petition with the Illinois Independent Tax Tribunal, or by filing a complaint in circuit court.
- If you have overpaid your taxes, you have the right to a credit (or, in some cases, a refund) of that overpayment.
- For more information about these rights and other Department procedures, you may contact us. Our contact information is on the front of this notice.

# Return Correction Notice

for Form IL-1120, Corporation Income and Replacement Tax Return



December 29, 2015 TDD 1 800 544-5304



Letter ID: CNXXXXX725156XX1

Account ID: 20291-24608

FEIN: 38-3898658

Reporting Period: December 2014

\_\_\_\_\_  
#BWNKMGV  
#CNXX XXX7 2515 6XX1#  
GLOBAL ATLANTIC (FIN) CO  
ATTN: JUSTIN MACNEIL  
132 TURNPIKE RD STE 210  
\_\_\_\_\_  
SOUTHBOROUGH MA 01772-2132  
\_\_\_\_\_



## We have found problems with your return.

- We disallowed your unitary Illinois Net Loss Deduction (NLD) because you claimed more loss than our records indicate you have available. Please take the following actions, as applicable, to correct your return:
  - Verify that you are using your unitary Illinois NLD and not the Federal Net Operating Loss Deduction from your federal tax returns.
  - Send us a breakdown showing how you figured the amount of unitary Illinois NLD that you claimed.
  - If you have Illinois net loss due to adding a new member with an NLD to your unitary business group or due to a merger of one member with an NLD into another member, or you previously filed under a different FEIN, please provide us with the FEIN, the tax year the loss was earned, and the date of the acquisition or merger.
  - Provide any other documentation that would support your unitary Illinois NLD. This includes filing any returns claiming an Illinois loss that we may not have on file. If you earn a loss in a tax year, you must file that return in order to claim the loss in any subsequent tax year.



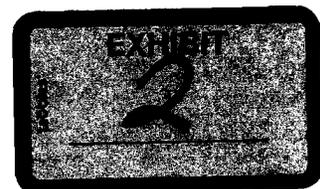
***If you have an amount due, send us your payment with the voucher on the enclosed Taxpayer Statement.***



***If a response or missing documentation is required, send it to us within 30 days with a copy of this notice.***

ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19004  
SPRINGFIELD IL 62794-9004

For questions, visit our web site or call one of the numbers above.



# Account Notice

for Form IL-1120, Corporation Income and Replacement Tax Return



#BWNKMGV  
#CNXX X2X1 8672 6566#  
GLOBAL ATLANTIC (FIN) CO  
ATTN: JUSTIN MACNEIL  
132 TURNPIKE RD STE 210  
SOUTHBOROUGH MA 01772-2132

December 29, 2015 TDD 1 800 544-5304



Letter ID: CNXXX2X186726566

Account ID: 20291-24608  
FEIN: 38-3898658  
Reporting Period: December 2014



## Here is information about your December 2014 reporting period.

- You did not make full payment by the required due date.
- You did not make full estimated payment by the required due dates.

As a result we have assessed the amounts shown below

	<u>Liability</u>	<u>Payments/Credit</u>	<u>Unpaid Balance</u>
Tax	969,918.00	0.00	969,918.00
Late Estimated Payment Penalty	87,292.62	0.00	87,292.62
Late-Payment Penalty	9,699.18	0.00	9,699.18
Interest	22,958.66	0.00	22,958.66
<b>Totals</b>	<b>1,089,868.46</b>	<b>0.00</b>	<b>\$1,089,868.46</b>

If you believe you do not owe an amount identified above or have any questions, please call one of the numbers above.

## Penalties and Fees

For detailed information on penalties and rates in effect for specific periods on or after January 1, 1994, see Publication 103.

- 1 **Late-filing or Nonfiling penalty** - You owe this penalty if you do not file a return by the due date, including any extended due date; or you file a return that is not processable and you do not correct it within 30 days of the date we notify you.
- 2 **Late-payment penalty for underpayment of estimated or quarter-monthly tax** - You owe this penalty if you were required to make estimated or quarter-monthly tax payments and failed to do so, or failed to pay the required amount by the payment due date.
- 3 **Late-payment penalty for regular tax payments** - You owe this penalty if you did not pay the tax you owed by the original due date of the return.
- 4 **Negligence penalty** - You owe this penalty if, in preparing a return or amended return, you do not make a reasonable attempt to comply with the provisions of any tax act, including showing careless, reckless, or intentional disregard for the law or regulations.
- 5 **Fraud penalty** - You owe this penalty if any part of a deficiency is due to fraud.
- 6 **Cost of collection fee** - You owe this fee if you do not pay the total amount you owe within 30 days after a bill has been issued.
- 7 **Bad check penalty** - You owe this penalty if you send a remittance to the department that is not honored by your financial institution.
- 8 **Failure to disclose participation in a reportable transaction penalty** - You owe this penalty if you were required to disclose your participation in an abusive tax shelter transaction and did not do so by the required due date.

9 **Reportable transaction understatement penalty** - You owe this penalty if you do not report and pay the full amount of your tax liability as the result of participating in an abusive tax shelter transaction.

- 10 **100 percent interest penalty** - You owe this penalty if you
- were contacted by the Internal Revenue Service or Illinois Department of Revenue regarding the use of a potentially abusive tax transaction for a taxable year;
  - are later found to have a deficiency in that taxable year that is the result of the tax avoidance transaction; and
  - did not report or pay that liability before we issued a Notice of Deficiency.

11 **Audit penalty** - You owe this penalty if you did not pay the tax you owed before the start of an audit or investigation.

### Are penalties ever abated?

If you were unable to either timely pay the required amount of estimated or quarter-monthly payments, pay the tax you owed by the due date, or file your tax return by the extended due date because of a casualty, disaster, or other similar circumstance, you may request a waiver of penalties due to reasonable cause. To request this waiver, send us a detailed explanation of the cause of the delay and any documentation you have to support your request. Reasonable cause will be determined on a case-by-case basis according to our rules and regulations.

### How is interest figured?

Interest is simple interest figured using a daily rate. We review the rate twice each year - on January 1 and July 1 - and adjust according to the "underpayment rate" or the "short-term federal rate" (3 percent less than the underpayment rate) established under IRC, Section 6621. Interest is calculated on your tax from the day after the original due date of your return through the date you pay the tax (for certain tax periods interest may also accrue on penalties).

## Bankruptcy Information

If you are currently under the protection of the Federal Bankruptcy Court, contact us and provide the bankruptcy number and the bankruptcy court. The bankruptcy automatic stay does not change the fact that you are required to file tax returns.

## Taxpayer Bill of Rights

- You have the right to call the Department of Revenue for help in resolving tax problems.
- You have the right to privacy and confidentiality under most tax laws.
- You have the right to respond, within specified time periods, to department notices by asking questions, paying the amount due, or providing proof to refute the department's findings.
- You have the right to appeal department decisions, in many instances, within specified time periods, by asking for department review, or by taking the issue to court.
- If you have overpaid your taxes, you have the right to a credit (or, in some cases, a refund) of that overpayment.
- For more information about these rights and other department procedures, you may contact us. Our contact information is on the front of this notice.

# Taxpayer Statement



December 29, 2015

TDD 1 800 544-5304



Letter ID: CNXXX12849972643

\_\_\_\_\_  
#BWNKMGV  
\_\_\_\_\_  
#CNXX X128 4997 2643#  
GLOBAL ATLANTIC (FIN) CO  
ATTN: JUSTIN MACNEIL  
132 TURNPIKE RD STE 210  
SOUTHBOROUGH MA 01772-2132

Account ID: 20291-24608  
FEIN: 38-3898658  
Total amount due: \$1,089,868.46



This statement lists our most recent information about your unpaid balance, available credits, or returns you have not filed. A payment voucher is included so you may pay the balance due.

## IL Business Income Tax

Account ID: 20291-24608

Period	Tax	Penalty	Interest	Other	Payments/Credits	Balance
31-Dec-2014	969,918.00	96,991.80	22,958.66	-	-	1,089,868.46

SOA

Retain this portion for your records.

P-000006

Fold and detach on perforation. Return bottom portion with your payment.

## Taxpayer Statement (R-12/08) (136)



Letter ID: CNXXX12849972643  
GLOBAL ATLANTIC (FIN) CO

Total amount due: \$1,089,868.46

Write the amount you are paying below.

\$ \_\_\_\_\_

Write your Account ID on your check.

**Mall this voucher and your payment to:**  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19006  
SPRINGFIELD IL 62794-9006

# Return Correction Notice

for Form IL-1120, Corporation Income and Replacement Return

RECEIVED  
MAILROOM



2015 JAN 29 PM 4:12

January 20, 2015

TDD 1 800 544-5304



Letter ID: CNXXX159148X8487

Account ID: 20291-24608

FEIN: 38-3898658

Reporting Period: December 2013

#BWNKMGV

#CNXX X159 148X 8487#

GLOBAL ATLANTIC (FIN) CO

ATTN: JUSTIN MACNEIL

132 TURNPIKE RD STE 210

SOUTHBOROUGH MA 01772-2132

Commonwealth Annuity  
Southborough, MA



## We have found problems with your return.

- We changed your Foreign Dividend subtraction to \$0.00 because the amounts on your federal Schedule C (or equivalent schedule) do not match the amounts reported on your Illinois Schedule J. Please review your Schedule J and your federal Schedule C and send us revised schedules, if necessary.
- We changed your Base Loss Allocable to Illinois to \$0.00 because you listed members on your Schedule UB with invalid federal employer identification numbers (FEINs), such as 00-0000000 or 99-9999999. Therefore, we calculated your loss as if none of it was allocable to Illinois. Please send us a completed Schedule UB, including valid FEINs for each of your members.
- We changed income allocable to Illinois to \$0.00 because the listed Fein 04-1867050 is claimed as a member in another unitary group. Please send the dates when the member joined the group and/or if they have left the group on a corrected Schedule UB.

✓ ***If you have an amount due, send us your payment with the voucher on the enclosed Taxpayer Statement.***

✓ ***If a response or missing documentation is required, send it to us within 30 days with a copy of this notice.***

ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19004  
SPRINGFIELD IL 62794-9004

For questions, visit our web site or call one of the numbers above.



# Return Correction Notice

for Form IL-1120, Corporation Income and Replacement Tax Return



\_\_\_\_\_ #BWNKMGV  
#CNXX X1X3 714X 1127#  
FORETHOUGHT FINANCIAL GROUP INC AND SUBS  
300 N MERIDIAN ST STE 1800  
INDIANAPOLIS IN 46204-1762  
\_\_\_\_\_

February 12, 2016

TDD 1 800 544-5304



Letter ID: CNXXX1X3714X1127

Account ID: 04841-78944

FEIN: 20-0628947

Reporting Period: January 2014



## We have found problems with your return.

- We changed your loss allocable to Illinois to \$0.00 because the listed FEIN 06-1016329, is claimed as a member in another unitary group. Please send the dates when the member joined the group and/or if they have left the group on a corrected Schedule UB.



*If you have an amount due, send us your payment with the voucher on the enclosed Taxpayer Statement.*



*If a response or missing documentation is required, send it to us within 30 days with a copy of this notice.*

ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19004  
SPRINGFIELD IL 62794-9004

For questions, visit our web site or call one of the numbers above.



# Taxpayer Statement



February 12, 2016 TDD 1 800 644-5304



Letter ID: CNXXX158187432X3

Account ID: 04841-78944  
FEIN: 20-0628947

\_\_\_\_\_  
#BWNKMGV  
\_\_\_\_\_  
#CNXX X158 1874 32X3#  
FORETHOUGHT FINANCIAL GROUP INC AND SUBS  
300 N MERIDIAN ST STE 1800  
INDIANAPOLIS IN 46204-1762



This statement lists our most recent information about your unpaid balance, available credits, or returns you have not filed.

<b>IL Business Income Tax</b>		You have available credits of \$120,000.00			<b>Account ID: 04841-78944</b>	
Period	Tax	Penalty	Interest	Other	Payments/Credits	Balance
31-Jan-2014	-	-	-	-	(120,000.00)	(120,000.00)

SQA

P-000303

If necessary, respond to:  
ILLINOIS DEPARTMENT OF REVENUE  
PO BOX 19004  
SPRINGFIELD IL 62794-9004

ILLINOIS INDEPENDENT

TAX TRIBUNAL

---

---

GLOBAL ATLANTIC (FIN)  
COMPANY

Petitioner,

v.

ILLINOIS DEPARTMENT  
OF REVENUE,

Respondent.

---

---

**NOTICE OF FILING AND CERTIFICATE OF SERVICE**

TO: Illinois Department of Revenue  
Office of Legal Services  
100 W. Randolph St., 7-900 (7th floor of the Thompson Center)  
Chicago, IL 60601

**PLEASE TAKE NOTICE** that on April 18, 2016, Global Atlantic (Fin) Company through its attorney, Dana Deen Kinion, filed a Petition with the Illinois Independent Tax Tribunal and that on the same day I, the undersigned, being duly sworn to oath, say that I personally served the Petition and this Notice of Filing and Certificate of Service upon the Illinois Department of Revenue at the above address by hand delivery.

Respectfully submitted,



Dana Deen Kinion  
Zack Stamp, Ltd.  
601 W. Monroe Street  
Springfield, IL 62704  
217-525-0700, Ext, 10  
217-525-0780 Facsimile  
Attorney for Global Atlantic (Fin) Company