

IN THE ILLINOIS INDEPENDENT TAX TRIBUNAL

PEPSICO, INC. AND AFFILIATES,)	
)	Case Nos. 16 TT 82 and 17 TT 16
Petitioner,)	
)	
v.)	
)	Chief Judge James M. Conway
ILLINOIS DEPARTMENT OF REVENUE,)	
)	
Respondent.)	

**PEPSICO, INC. AND AFFILIATES' PENALTY ABATEMENT REPLY
MEMORANDUM IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT**

THEODORE R. BOTS
DAVID A. HEMMINGS
BAKER & MCKENZIE LLP
300 E. Randolph Street, Ste. 5000
Chicago, IL 60601
Telephone: (312) 861-8845
Fax: (312) 698-2004
theodore.bots@bakermckenzie.com
drew.hemmings@bakermckenzie.com

GEORGE M. CLARKE
BAKER & MCKENZIE LLP
815 Connecticut Avenue, NW
Washington, DC 20006
Telephone: (202) 835-6184
Fax: (202) 416-7184
george.clarke@bakermckenzie.com

Date: August 11, 2022

*Attorneys for Petitioner,
PepsiCo, Inc. and Affiliates*

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The underlying tax issue involves a good faith legal dispute of first impression. More specifically, Petitioner’s, PepsiCo, Inc. and Affiliates (“PepsiCo”), classification of Frito-Lay North America, Inc. (“FLNA”) as an “80/20 Company” during the 2011 - 2013 tax years. The tax issue was presented to the Tax Tribunal on cross-motions for summary judgment through a fully stipulated record. The Tax Tribunal has ruled in favor of the Department on the good faith legal dispute in connection with the underlying tax issue. The present matter is also on cross-motions for summary judgment on a fully stipulated record and relates to whether reasonable cause penalty abatement is warranted.

Illinois law provides for the abatement of penalties where reasonable cause exists. *See* 35 ILCS 735/3-8. To this end, “[t]he most important factor to be considered in making a determination to abate penalties is the extent to which the taxpayer made a *good faith* effort to determine the proper tax liability and to file returns and pay the proper liability in a timely fashion.” 86 Ill. Admin. Code § 700.400(b) (emphasis added). “A taxpayer will be considered to have made a good faith effort to determine and file and pay the proper tax liability if the taxpayer exercised *ordinary business care and prudence* in doing so.” 86 Ill. Admin. Code § 700.400(c) (emphasis

added).

As evidenced by both the Joint Stipulations of Fact (Jan. 17, 2020) (“Joint Stip.”) and the Certification of Charles F. Mueller (Mar. 17, 2022) (“Certification”), given the Illinois law and applicable authorities in existence at the time of filing its returns for 2011 – 2013, PepsiCo’s actions, evaluation, and determination that FLNA was an 80/20 Company were made in good faith and reflected ordinary business care and prudence. The Department has provided no evidence to contradict the facts presented in the Certification. As discussed below, PepsiCo’s penalty history proves its history of good compliance. Further, the Tax Tribunal’s adverse ruling on the legal issue nearly ten years after PepsiCo’s analysis was conducted and 80/20 Company determinations were made does not contain any factual findings or inform the reasonable cause analysis here. For the reasons set forth below, and in PepsiCo’s prior briefings and on this issue, as well as the briefs and arguments made in connection with the underlying tax issue, PepsiCo has satisfied the reasonable cause standard. PepsiCo’s motion for summary judgment must be granted and the corresponding penalties abated for reasonable cause.

I. PepsiCo’s Penalty History Proves Its Good Compliance Record with the State Of Illinois

A taxpayer’s compliance history is one factor for consideration in reasonable cause penalty abatement. *See* 86 Ill. Admin. Code § 700.400(d). In this regard, the Department’s reasonable cause penalty abatement regulation does not require perfection. To the contrary, “[i]solated computational or transcriptional errors will not generally indicate a lack of good faith in the preparation of a taxpayer’s return.” 86 Ill. Admin. Code § 700.400(d).

Like other multinational businesses, PepsiCo has extremely complex state and local income tax filing obligations in over 1,000 jurisdictions. *See* Certification ¶ 13. Despite this complexity, leading up to the 2011 - 2013 tax years, PepsiCo filed its original Illinois income

tax returns on time and paid corresponding taxes due in a timely manner. *See* Joint Stip. ¶ 159, Exhibit 48 and Certification ¶¶ 26-27. At no point has PepsiCo been assessed fraud or negligence penalties by the Department. *Id.*

While PepsiCo has been assessed and paid penalties in the past, each of PepsiCo's historic penalty assessments derive from isolated instances involving minor computational errors, questions of law, etc. in connection with extremely complex tax returns and proves PepsiCo's history of good compliance with the State of Illinois. *See* Joint Stip. ¶ 159, Exhibit 48. More specifically, PepsiCo's historic penalties can be distilled into three discrete categories, none of which invalidate PepsiCo's diligence and good compliance record:

- Amnesty Penalties - over one-third of total penalties assessed (\$191,465 of \$558,630) represent amounts imposed pursuant to Illinois's amnesty law which served to double the standard statutory penalties. These amnesty amounts do not reflect poor compliance whatsoever.
- Isolated Late RAR Penalties - the vast majority of total non-amnesty penalties assessed over the historic twelve year period (\$234,758 of \$367,165) relate to automatic late payment penalties associated with a single, isolated incident involving the late filing of Illinois returns reporting a final federal adjustment for the 1998 – 2002 tax years. A single missed administrative deadline does not reflect a poor compliance history. *See* 86 Ill. Admin. Code § 700.400(d) (“Isolated ... errors will not generally indicate a lack of good faith ...”).
- Nominal Audit Late Payment Penalties - less than 20% of the overall penalties assessed (\$102,388 of \$558,630), and averaging just \$8.5k per year, relate to adjustments on audit in connection with PepsiCo's reported tax liabilities. Late payment penalties are automatically imposed by statute. *See* 35 ILCS 735/3-3(b-20). During these periods, taxpayers were required to file formal protests and engage in expensive administrative appeals in order to pursue penalty abatement. Although these penalties may have been eligible for abatement, given the nominal amounts at issue, the costs to pursue abatement would exceed the amount of the underlying penalty.

As noted, perfection with every filing is not the reasonable cause penalty abatement standard. *See* 86 Ill. Admin. Code § 700.400(d). The isolated and nominal infractions evidenced by Joint Stip. ¶ 159, Exhibit 48 and outlined above prove PepsiCo's overall good

compliance record. This is particularly true given the extreme complexity and scope of PepsiCo's state tax compliance obligations and, in any event, have nothing to do with the central issue in dispute here -- whether PepsiCo reasonably classified FLNA as an 80/20 Company pursuant to existing law and facts at the time the 2011 - 2013 tax returns were filed.

II. The Tax Tribunal's Ruling On The Underlying Legal Issue Does Not Prohibit A Finding Of Reasonable Cause

The Department repeatedly references the Tax Tribunal's legal ruling on the 80/20 Company issue as a basis to deny PepsiCo's reasonable cause petition. *See, e.g.*, Dept. Penalty MSJ Resp. Br. at 6 ("PepsiCo's assertion that 'nothing in the law' would have alerted it to alter its 80/20 calculations ignores the Tax Tribunal's contrary ruling rejecting this assertion, and accordingly does not support reasonable cause for abatement of penalties.").

The relevant inquiry in the present matter is not whether the Tax Tribunal agreed with PepsiCo's position on a good faith legal dispute. Rather, the inquiry is whether PepsiCo's actions and decision-making processes -- *at the time of filing its returns for the 2011 – 2013 tax years* -- were reasonable. In this regard, PepsiCo attached the Certification to evidence the analysis, processes, and actions taken by PepsiCo in reaching its determination regarding FLNA's 80/20 Company classification prior to filing its Illinois tax returns. The statements set forth in the Certification are based on Mr. Mueller's personal knowledge and are directly relevant to the question of penalty abatement.¹ The facts set forth in Mr. Mueller's Certification, along with the facts and documents previously set forth in the stipulated record,

¹ By order dated July 26, 2022, the Tax Tribunal struck all or a portion of Certification ¶¶ 43, 49, 61, 62, and 73-77 as "conclusory." PepsiCo disagrees with the Tax Tribunal's order striking these paragraphs, each of which are factual statements from Mr. Mueller's direct personal knowledge regarding PepsiCo's decision-making processes; these paragraphs are not intended to serve as legal conclusions on the underlying merits.

prove reasonable cause penalty abatement is proper under 86 Ill. Admin. Code § 700.400. In sum, notwithstanding the Tax Tribunal’s ultimate ruling on the legal issue, based upon the facts, law, and related authorities available *at the time the returns were filed*, PepsiCo acted in good faith and exercised ordinary business care and prudence in classifying FLNA as an 80/20 Company.

III. PepsiCo Exercised Ordinary Business Care and Prudence

For penalty abatement purposes, the “most important factor” is that a taxpayer made a “good faith effort to determine the proper tax liability.” *See* 86 Ill. Admin. Code § 700.400(b). To this end, a taxpayer exercises “ordinary business care and prudence” when acting in accordance with the “clarity of the law.” *See* 86 Ill. Admin. Code § 700.400(c). Here, PepsiCo did just that in classifying FLNA as an 80/20 Company under Illinois law pursuant to the factual record admitted into evidence and the applicable authorities existing at the time the returns were filed. More specifically, as evidenced by the factual record:

- PGM LLC was formed to resolve HR / legal compliance issues related to PepsiCo’s employment structure. Joint Stip. ¶¶ 47, 54, 57; Certification ¶¶ 33-34.
- After PGM LLC’s formation, PepsiCo utilized PGM LLC as the single expatriate program entity for foreign-based (non-U.S.) secondments. Joint Stip. ¶ 58; Certification ¶ 36.
- Consolidation of expatriate program operations from three entities into one entity eliminated duplication of effort from managing multiple expatriate program entities and streamlined global mobility processes. Joint Stip. ¶ 58; Certification ¶ 46.
- Management and support functions for the expatriates were carried out for PGM LLC through a team of human resource personnel, referred to as the “Global Mobility HR Function.” Joint Stip. ¶¶ 103-110.
- PGM LLC was intended to operate as the common law employer of expatriates seconded outside the U.S. Joint Stip. ¶¶ 83-85; Certification ¶¶ 44-45, 50-54.
- PGM LLC was treated as the common law employer for U.S. payroll and tax reporting purposes. Joint Stip. ¶¶ 114-117.

- PGM LLC’s classification as the common law employer was necessary for business reasons without regard to any state tax savings (e.g., limit U.S. entity legal liability; minimize permanent establishment exposure; ease tax, business, and other government compliance requirements; support expatriate executives; etc.). See Joint Stip. ¶¶ 7, 26, 65, 67, 73, 81-82, and 92; Certification ¶¶ 55-56.
- PGM LLC was formed as a subsidiary of FLNA for a variety of non-tax business reasons (e.g., the importance of the snack-foods business to PepsiCo’s domestic and international operations; FLNA’s historic presence in international markets; FLNA’s consistent role in sending and receiving high performing expatriates; etc.). See Joint Stip. ¶¶ 13, 24-39, 68; Certification ¶ 47.
- After the need for PGM LLC was identified by HR / legal for all the non-tax reasons outlined above, PepsiCo’s tax department analyzed whether FLNA qualified as an 80/20 Company under Illinois law. Certification ¶ 60; Joint Stip., ¶ 158 - Exhibit 6 (PEP000002880-2888) (Background to the Change in Entity (Sept. 2010)); Certification ¶¶ 56-58.
- Prior to taking any return filing position, PepsiCo’s tax department analyzed the clear “mechanical” property and payroll measurements required under 35 ILCS 5/1501(a)(27)(A) and 86 Ill. Admin. Code § 100.9700(c)(2)(B) (“Mechanically, the computation of the 80-20 U.S. business activity test requires the formation of ... two fractions ...”). See Certification ¶ 63.
- Prior to taking any return filing position, PepsiCo’s tax department determined that FLNA’s property and payroll accurately satisfied the mechanical measurements of Illinois’s 80/20 statutory test, in both form and substance, in accordance with *Zebra Tech. Corp. v. Ill. Dept. of Revenue*, 344 Ill. App. 3d 474, 483-485 (1st Dist. 2003) (requiring an entity’s entire substantive business activity (measured by property and payroll) to be included within the 80/20 Company calculation). See Certification ¶¶ 63-69.
- Prior to taking any return filing position, PepsiCo’s tax department consulted with subject matter experts from PepsiCo’s global mobility transformation project team who confirmed that PGM LLC is the common law employer of all expatriates seconded outside the U.S. Certification ¶¶ 44-45, 72.

Viewed in totality, PepsiCo exercised ordinary business care and prudence in classifying FLNA as an 80/20 Company by evaluating the applicable authorities, confirming the ongoing non-tax business reasons for forming PGM LLC as a wholly owned subsidiary of FLNA, and confirming with subject matter experts that PGM LLC was intended to be the common law employer of the expatriate employees for various business reasons, separate and apart from the

Illinois 80/20 Rule and any resulting reduction in Illinois income tax liabilities. In cases such as this, Illinois courts routinely abate penalties. *See* 86 Ill. Admin. Code § 700.400(c); *Horsehead Corp. v. Ill. Dept. of Revenue*, 2019 IL 124155 at ¶¶ 50-51; *Security Life of Denver Insurance Company v. Ill. Dept. of Revenue*, 14 TT 89 (Tax Tribunal, Apr. 11, 2016); *Ill. Dept. of Revenue v. ABC Manufacturing Co., Dept. of Rev. Hearings*, No. IT 01-3 (Apr. 16, 2001) (“Given the complexity of the issue in this matter and the lack of judicial opinions in interpreting the meaning of ‘independent contractor’ for purposes of P.L. 86-272, it is apparent that the taxpayer made a good faith effort to determine the correct tax liability. As a result, it is recommended that the penalties be abated due to reasonable cause.”); and *Ill. Dept. of Revenue v. Apex, Inc., Dept. of Rev. Hearings*, No. IT 01-13 (Oct. 24, 2001) (“There is no relevant case law in Illinois addressing this issue and the issue is not specifically addressed in the statute or in the Department’s regulations. ... Giving consideration to the factors noted above, I conclude that the taxpayer acted in good faith and exercised reasonable care and prudence.”).

IV. The Department’s Refusal To Abate Penalties Here Is In Conflict With Its Interpretation Of Reasonable Cause In Other Illinois 80/20 Company Disputes

Contrary to the Department’s assertion, PepsiCo does not contest the constitutionality of the Uniform Penalty and Interest Act. *See* Dept. Penalty MSJ Resp. Br. at 12-13. Rather, the Department’s refusal to exercise discretion and abate late payment penalties for reasonable cause here, while previously abating penalties imposed against other similarly situated companies, violates the Equal Protection Clause. In this regard, the Department claims that PepsiCo “merely insinuated, with no factual basis” that “the Department did not seek to enforce penalties in the *Zebra* case” by providing “no context, no supporting caselaw [sic], and no factual analysis.” *Id.* As an initial matter, the Illinois Appellate Court in *Zebra* expressly states that “[t]he Department did not impose any penalties ...” *Zebra Technologies Corp. v. Ill. Dept. of Revenue*,

344 Ill. App. 3d 474, 480 (1st Dist. 2003). The Appellate Court's statement is fully supported by the Department's audit report filed as part of Zebra Tech. Corp.'s original complaint, stating no penalties were assessed.² Having determined that Zebra's actions satisfied the reasonable cause penalty abatement standard, the Department's refusal to abate penalties for reasonable cause here -- under a significantly more developed factual record and the parties' good faith dispute over a narrow legal issue of first impression -- violates equal protection. PepsiCo's original FLNA 80/20 Company determination was made in good faith and PepsiCo exercised ordinary business care and prudence. Penalties must be abated for reasonable cause.

CONCLUSION

The parties agree this matter is ripe for summary judgment. No material facts are in dispute. As stipulated by the parties, PepsiCo reasonably evaluated FLNA's 80/20 Company classification in accordance with the undisputed facts and existing law. The Department has not provided any facts to contradict PepsiCo's historic tax diligence and good compliance record. More importantly, the Department has not -- because it cannot -- refute the facts demonstrating PepsiCo exercised ordinary business care and prudence: i) in evaluating PGM LLC's intended business purpose; ii) in forming PGM LLC as a wholly owned subsidiary of FLNA; and iii) in confirming with subject matter experts that PGM LLC was intended to be the common law employer of the expatriate employees for various business reasons, separate and apart from the Illinois 80/20 Rule. The Tax Tribunal's after-the-fact ruling, solely on the 80/20 Company legal issue, does not contain any findings of fact and, thus, does not contradict the facts evidencing that PepsiCo acted in good faith and exercised ordinary business care and prudence

² See "Certification of Records," "Sch. CU I-A, Income Reconciliation," attached hereto as **Exhibit B**.

regarding its classification of FLNA as an 80/20 Company at the time its 2011- 2013 tax returns were filed.

For the reasons discussed herein, and in PepsiCo's prior briefing, penalty abatement is proper, PepsiCo's motion for summary judgment must be granted, and the Department's motion for summary judgment must be denied.

Respectfully submitted,

PepsiCo, Inc. and Affiliates

Dated: August 11, 2022

By: /s/ Theodore R. Bots
Attorney for Petitioner

Theodore R. Bots (ARDC No. 6224515)
David A. Hemmings (ARDC No. 6307850)
BAKER & MCKENZIE LLP
300 E. Randolph Street, Ste. 5000
Chicago, IL 60601
Telephone: (312) 861-8845
Fax: (312) 698-2004
theodore.bots@bakermckenzie.com
drew.hemmings@bakermckenzie.com

George M. Clarke (ARDC No. 6331046)
BAKER & MCKENZIE LLP
815 Connecticut Avenue, NW
Washington, DC 20006
Telephone: (202) 835-6184
Fax: (202) 416-7184
george.clarke@bakermckenzie.com

*Attorneys for Petitioner,
PepsiCo, Inc. and Affiliates*

EXHIBIT B

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, LAW DIVISION
TAX AND MISCELLANEOUS REMEDIES SECTION

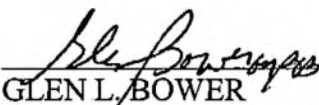
ZEBRA TECHNOLOGIES CORPORATION,)
)
Plaintiff,)
v.) No. 98 L 50479
)
JUDY BAAR TOPINKA, as Treasurer)
of the State of Illinois, and the ILLINOIS)
DEPARTMENT OF REVENUE,)
)
Defendants.)

CERTIFICATION OF RECORDS

As Director of the Illinois Department of Revenue, I hereby certify under authority provided by 35 ILCS 5/914 that the attached documents, records and/or memoranda, offered for the purpose of proving the determination of the Department of Revenue which is at issue, are true, correct and exact photographic reproductions of documents, records and/or memoranda made, kept and maintained on file by the Department in the ordinary course of its business.

To the extent such documents or records included herein consist of computer generated data, I further certify that such information is a true and exact representation of records properly entered into standard electronic computer equipment in the regular course of the Department's business, at or reasonably near the time of occurrence of the facts recorded, from trustworthy and reliable information.

DATE: October 30, 2000



GLEN L. BOWER
Director, Illinois Department of Revenue

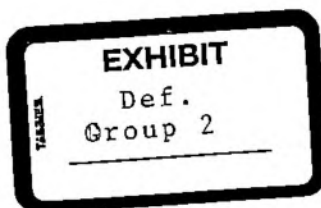
C00543

RV: 3/18/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Combined FTI per Sch CU I-A	25,505,976	30,217,629	37,756,995
Adjustment for Fed'l amendments			
Adjustment for Federal RAR's	2,247,556	495,643	
Contribtn adjstmt for current yr			
Less contr allowed from prior yr			
Separate capital loss adjustment			
NOL adjustment (pre-12/31/86)			
Less Fed'l 100% domestic div excl			
Less other Federal div excl	1,654,252	1,882,450	2,698,023
Other adjustments:			
(List each adjustment here, entering positive/negative numbers.)			
Combined Federal Taxable Income	<u>26,099,280</u>	<u>28,830,822</u>	<u>35,058,972</u>



C00544

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Line 28, Sep/Cons F1120's:			
ZTC	22,795,265	17,343,252	35,819,902
ZIH	2,110,253	2,893,006	3,488,347
ZEBRA DOMESTIC INTANGIBLES CO.		7,602,599	12,542,266
ZEBRA INTERNATIONAL INTANGIBLE CO		1,473,841	3,341,005
ZEBRA TECHNOLOGIES VTI, INC.			-1,125,840
ZEBRA TECHNOLOGIES V.I., LTD.	600,458	904,931	1,068,719

CONSOLIDATING ELIMS.	0	0	-17,377,404
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Combined FTI b/4 adj(to Sch CU I)	25,505,976	30,217,629	37,756,995
-----------------------------------	------------	------------	------------

DESCRIPTION	-----YEARS-----		
	12/31/93	12/31/94	12/31/95
Line 28, Sep/Cons F1120's:			
ZTC	22,795,265	17,343,252	35,819,902
ZIH	2,110,253	2,893,006	3,488,347
ZEBRA DOMESTIC INTANGIBLES CO.		7,602,599	12,542,266
ZEBRA INTERNATIONAL INTANGIBLE CO		1,473,841	3,341,005
ZEBRA TECHNOLOGIES VTI, INC.			-1,125,840

CONSOLIDATING ELIMS.	0	0	-17,377,404
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Combined FTI b/4 adj(to Sch CU I)	24,905,518	29,312,698	36,688,276
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Zebra Technologies Corporation

36-2675536

DESCRIPTION OF ADJUSTMENTS	YEARS		
	12/31/93	12/31/94	12/31/95
Federal exempt interest addback for each company:			
ZTC		400	2,090
ZTVI			
ZIH		252,027	293,725
All others			
Total Exempt Interest Addback	<u>0</u>	<u>252,427</u>	<u>295,815</u>
Illinois Income Tax addback for each filer:			
ZTC	1,524,356	1,112,486	1,191,820
ZTVI			
ZIH			
Total Income Tax Addback	<u>1,524,356</u>	<u>1,112,486</u>	<u>1,191,820</u>
Enter the separate CORRECTED RT addback for IT purposes for each filer:			
ZTC			
ZTVI			
ZIH			
Total RT Addback for IT Purposes	<u>0</u>	<u>0</u>	<u>0</u>

DESCRIPTION OF ADJUSTMENTS	YEARS		
	12/31/93	12/31/94	12/31/95
U.S. Government interest for each company:			
ZTC	27,256		
ZIH	113,632		
ZTVTI			
All others			
Total U.S. Government Interest	140,888	0	0
Section 78/subpart F div (Sch J) for each company:			
ZTC			
ZIH			
ZTVTI			
All others			
Total Sect 78/Subpart F Income	0	0	0
85/100% foreign div (Sch J) for each company:			
ZTC			
ZIH			
ZTVTI			
All others			
Total 85/100% Foreign Dividend	0	0	0

DESCRIPTION OF ADJUSTMENTS	YEARS		
	12/31/93	12/31/94	12/31/95
U.S. Government interest for each company:			
ZTC	27,256		
ZTVI			
ZIH	113,632		
All others			
Total U.S. Government Interest	140,888	0	0
Section 78/subpart F div (Sch J) for each company:			
ZTC			
ZTVI			
ZIH			
All others			
Total Sect 78/Subpart F Income	0	0	0
85/100% foreign div (Sch J) for each company:			
ZTC			
ZTVI			
ZIH			
All others			
Total 85/100% Foreign Dividend	0	0	0

RVM 3/18/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION OF ADJUSTMENTS	YEARS		
	12/31/93	12/31/94	12/31/95
Federal exempt interest addback for each company:			
ZTC		400	2,090
ZIH		252,027	293,725
ZTVTI			

All others

Total Exempt Interest Addback	0	252,427	295,815
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Illinois Income Tax addback
for each filer:

ZTC	1,524,356	1,112,486	1,191,820
ZIH			
ZTVTI			

Total Income Tax Addback

1,524,356	1,112,486	1,191,820
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Enter the separate CORRECTED

RT addback for IT purposes
for each filer:

ZTC			
ZIH			
ZTVTI			

Total RT Addback for IT Purposes

0	0	0
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C00550

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Items claimed:			
Interest	210,606	1,104,809	2,413,589
Dividends	1,814,785	2,171,203	3,566,889
Rental income			
Patent royalties			
Copyright royalties			
Other royalty income	85,670	30,472	
Cap'l gain(loss) on real prpty			
Gain(loss) on tngbl prsnl prpty	-15,905	1,567	
Gain(loss) on intngbl prsl ppty	3,389,703	1,666,062	561,192
Other:			
State, muni, & oth int income excluded in arriving at line 1.		252,427	
Expenses related to nonbus income		-465,180	
Total nonbusiness income claimed	5,484,859	4,761,360	6,541,670
Less amounts claimed in error:			
Interest	210,606	1,104,809	2,413,589
Dividends	1,814,785	2,171,203	3,566,889
Other royalty income	85,670	30,472	
Gain(loss) on tngbl prsnl prpty	-15,905	1,567	
Gain(loss) on intngbl prsl ppty	3,389,703	1,666,062	561,192
State, muni, & oth int income excluded in arriving at line 1.		252,427	
Expenses related to nonbus income		-465,180	

Nonbusiness Income as Allowed

0 0 0

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Nonbusiness income in Illinois:			
Interest			
Dividends			
Rental income			
Patent royalties			
Copyright royalties			
Other royalty income			
Cap'l gain(loss) on real prpty			
Gain(loss) on tngbl prsnl prpty			
Gain(loss) on intngbl prsl ppty			
Other:			
State, muni, & oth int income			
excluded in arriving at line 1.			
Expenses related to nonbus income			
 Nonbus Income as Allowed - ILL	<hr/>	<hr/>	<hr/>
	0	0	0
	=====	=====	=====

RVM 3/19/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Ordinary inc from III L.P.			
Int. inc from III L.P.			
Dividends from III L.P.			
Net cap gains III L.P.			
Deductions III L.P.			
Ordinary inc from AG&J			
Int. inc from AG&J			
Dividends from AG&J			
Net cap gains AG&J			
Deductions AG&J			
Unitary investment L.P.'s			
Total Partnership Subtraction	0	0	0
Illinois partnership income:			
None			
Illinois partnership income	0	0	0

RVM 3/19/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION	YEARS			
	3/31/92	12/31/93	12/31/94	12/31/95
Inventories	9,420,998	14,379,440	13,612,947	16,012,326
Buildings				
Land				
Lshld imprvmts				
Mach & equip				
Mobile proprty				
Bldgs & oth F/A	6,772,216	8,613,473	9,891,706	13,722,517
FSC w/i parent				
Subtotals	16,193,214	22,992,913	23,504,653	29,734,843
Less CIP				
Less cap lease				
Subtotals	16,193,214	22,992,913	23,504,653	29,734,843
Beginning balance		16,193,214	22,992,913	23,504,653
Subtotals		39,186,127	46,497,566	53,239,496
Average		19,593,064	23,248,783	26,619,748
Capitalized rent from below		3,107,920	0	8,642,368
Invntry Adj from Sch V-A, p.1				
Asset Adj from Sch V-A, p.2				
Combined Property Everywhere		22,700,984	23,248,783	35,262,116

Actual Rent	388,490	0	1,080,296
	x8	x8	x8
Capitalized rent	3,107,920	0	8,642,368

Significant fluctuation of Inventory, see Sch V-A, p. 1

Everywhr Property - As Filed	22,700,984	23,248,783	35,262,116
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THE TAXPAYER HAS GONE THROUGH SIGNIFICANT EXPANSION AT ITS VERNON HILLS, IL HDQ/PLANT DURING THE AUDIT PERIOD. IT HAD A STORAGE FIRE DURING THE AUDIT PERIOD AND THE MONTHLY INVENTORY RECORDS WERE NOT AVAILABLE.

C00554

RVM 3/19/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION	YEARS			
	12/31/92	12/31/93	12/31/94	12/31/95
Inventories	9,420,998	14,379,440	13,612,947	16,012,326
Buildings				
Land				
Lshld imprvmts				
Mach & equip				
Mobile proprty				
Bldgs & oth F/A	6,772,216	8,613,473	9,891,706	13,722,517
Subtotals	16,193,214	22,992,913	23,504,653	29,734,843
Less CIP				
Less cap lease				
Subtotals	16,193,214	22,992,913	23,504,653	29,734,843
Beginning balance		16,193,214	22,992,913	23,504,653
Subtotals		39,186,127	46,497,566	53,239,496
Average		19,593,064	23,248,783	26,619,748
Capitalized rent from below		3,107,920	0	8,642,368
Invntry Adj from Sch V-A, p.1				
Asset Adj from Sch V-A, p.2				
Combined Property Everywhere		22,700,984	23,248,783	35,262,116

Actual Rent	388,490 x8	0 x8	1,080,296 x8
Capitalized rent	3,107,920	0	8,642,368

Significant fluctuation of Inventory, see Sch V-A, p. 1

Everywhr Property - As Filed 1 1 35,162,101

THE TAXPAYER HAS GONE THROUGH SIGNIFICANT EXPANSION AT ITS VERNON HILLS, IL HDQ/PLANT DURING THE AUDIT PERIOD. IT HAD A STORAGE FIRE DURING THE AUDIT PERIOD AND THE MONTHLY INVENTORY RECORDS WERE NOT AVAILABLE.

C00555

DESCRIPTION	YEARS			
	12/31/92	12/31/93	12/31/94	12/31/95
Inventories	9,420,998	14,379,440	13,612,947	15,035,858
Buildings				
Land				
Lshld imprvmts				
Mach & equip				
Mobile proprty				
Bldgs & oth F/A	6,772,216	8,613,473	9,891,706	13,176,102
FSC w/i parent				
Subtotals	16,193,214	22,992,913	23,504,653	28,211,960
Less CIP				
Less cap lease				
Subtotals	16,193,214	22,992,913	23,504,653	28,211,960
Beginning balance		16,193,214	22,992,913	23,504,653
Subtotals		39,186,127	46,497,566	51,716,613
Average		19,593,064	23,248,783	25,858,307
Capitalized rent from below		3,107,920	0	8,318,984
Invntry Adj from Sch VI-A, p.1				
Asset Adj from Sch VI-A, p.2				
Illinois Property - Parent		22,700,984	23,248,783	34,177,291
Add Illinois Property of Subs		0	0	0
Total all Illinois Property		22,700,984	23,248,783	34,177,291
Actual Rent		388,490 x8	0 x8	1,039,873 x8
Capitalized rent		3,107,920	0	8,318,984

Significant fluctuation of Inventory, see Sch VI-A, p. 1

IL Property (Parent)-As Filed 22,700,984 23,248,783 34,177,291

THE TAXPAYER HAS GONE THROUGH SIGNIFICANT EXPANSION AT ITS VERNON HILLS, IL HDQ/PLANT DURING THE AUDIT PERIOD. IT HAD A STORAGE FIRE DURING THE AUDIT PERIOD AND THE MONTHLY INVENTORY RECORDS WERE NOT AVAILABLE.

DESCRIPTION	YEARS			
	2/31/92	12/31/93	12/31/94	12/31/95
Inventories				
Buildings				
Land				
Lshld imprvmts				
Mach & equip				
Mobile proprty				
Bldgs & oth F/A				
FSC w/i parent				
Subtotals	0	0	0	0
Less CIP				
Less cap lease				
Subtotals	0	0	0	0
Beginning balance		0	0	0
Subtotals		0	0	0
Average		0	0	0
Capitalized rent from below		0	0	0
Invntry Adj from Sch VI-A, p.3				
Asset Adj from Sch VI-A, p.4				
Total Illinois Property		0	0	0
Actual Rent		x8	x8	x8
Capitalized rent		0	0	0
IL Property (Sub1) - As Filed		0	0	0

THE FSC PROPERTY WAS IMPUTED BY ASSUMING THAT THE PARENTS SALES FORCE THAT DIRECTLY MADE SOLICITATIONS ON BEHALF OF ZEBRA TECHNOLOGIES V.I., LTD (66-0480852) IS ALREADY INCLUDED IN THE PARENTS IL APPORTIONMENT FORMULA.

C00557

/-----YEARS-----\

DESCRIPTION

12/31/93

12/31/94

12/31/95

Method II

Per Federal 1120:

Officers compensation, line 12	1,550,915	1,026,390	1,855,781
Salaries/Wages, line 13(a)	6,773,694	7,709,110	16,104,458
Salaries/Wages, Sch A, L3-COGS	1,793,820	6,460,683	5,411,507
Other lines:			

FSC payroll w/i parent factor

Less nonmembers incl in above:

Total Combined Payroll Evrywhere	<u>10,118,429</u>	<u>15,196,183</u>	<u>23,371,746</u>
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Everywhere Payroll - As Filed	<u>10,118,429</u>	<u>15,196,183</u>	<u>23,371,746</u>
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THE FSC PAYROLL WAS IMPUTED BY ASSUMING THAT THE PARENTS SALES FORCE THAT DIRECTLY MADE SOLICITATIONS ON BEHALF OF ZEBRA TECHNOLOGIES V.I., LTD (66-0480852) IS ALREADY INCLUDED IN THE PARENTS IL APPORTIONMENT FORMULA.

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Method II			
ILL breakdown of Federal 1120's			
for each filer(per Sch VIII-B):			
ZTC	9,840,987	15,190,657	22,488,807
ZTVI	3,102	3,165	3,707
ZIH			

Total Combined Payroll Illinois	9,844,089	15,193,822	22,492,514
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Illinois Payroll - As filed	9,844,089	15,193,822	22,492,514
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THE FSC PAYROLL WAS IMPUTED BY ASSUMING THAT THE PARENTS SALES FORCE THAT DIRECTLY MADE SOLICITATIONS ON BEHALF OF ZEBRA TECHNOLOGIES V.I., LTD (66-0480852) IS ALREADY INCLUDED IN THE PARENTS IL APPORTIONMENT FORMULA.

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Method II			
ILL breakdown of Federal 1120's			
for each filer(per Sch VIII-B):			
ZTC	9,844,089	15,193,822	22,492,514
ZIH			
ZTVTI			

Total Combined Payroll Illinois	9,844,089	15,193,822	22,492,514
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Illinois Payroll - As filed	1	1	20,837,640
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Sch VIII-B
P. 1,
RVM 3/19/97

PAYROLL FACTOR
Illinois wages by company per F1120's
Zebra Technologies Corporation

8/27/98
36-2675536

METHOD II	F1120, L. 12	L. 13(a)	Sch A, L. 3	Other lines
12/31/93				
ZTC	1,781,813	6,499,354	1,793,820	
ZTVI	3,102			
ZIH				

TOTALS	1,550,915	6,499,354	1,793,820	0
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	F1120, L. 12	L. 13(a)	Sch A, L. 3	Other lines
12/31/94				
ZTC	1,023,225	7,706,749	6,460,683	
ZTVI	3,165			
ZIH				

TOTALS	1,026,390	7,706,749	6,460,683	0
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	F1120, L. 12	L. 13(a)	Sch A, L. 3	Other lines
12/31/95				
ZTC	1,852,074	15,225,226	5,411,507	
ZTVI	3,707			
ZIH				

TOTALS	1,855,781	15,225,226	5,411,507	0
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C00561

Sch VIII-B
P. 1
RVM 3/19/97

PAYROLL FACTOR
Illinois wages by company per F1120's
Zebra Technologies Corporation

1/29/98
36-2675536

METHOD II 12/31/93	F1120, L. 12	L. 13(a)	Sch A, L. 3	Other lines
ZTC	1,550,915	6,499,354	1,793,820	
ZIH				
ZTVTI				

TOTALS	1,550,915	6,499,354	1,793,820	0
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12/31/94	F1120, L. 12	L. 13(a)	Sch A, L. 3	Other lines
ZTC	1,026,390	7,706,749	6,460,683	
ZIH				
ZTVTI				

TOTALS	1,026,390	7,706,749	6,460,683	0
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12/31/95	F1120, L. 12	L. 13(a)	Sch A, L. 3	Other lines
ZTC	1,855,781	15,225,226	5,411,507	
ZIH				
ZTVTI				

TOTALS	1,855,781	15,225,226	5,411,507	0
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C00562

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Product sales (net of R & A)	87,038,152	101,278,938	134,099,194
Total dividends per F-1120	1,745,393	2,032,448	3,639,333
Less div per 100.3380(b)(5)	1,745,393	2,032,448	3,639,333
Total interest per F-1120	218,659	988,782	2,413,589
Less U.S. Gvt int per Sch II	140,888	0	0
Less int per 100.3380(b)(5)			
Fed exempt intrst per Sch II	0	252,427	295,815
Less xmpt int-100.3380(b)(5)			
Gross rents in apprtntl inc FACTORABLE royalties		1,504,813	15,937,186
Sales of assets on Fed Sch D	3,389,703	1,529,004	561,192
Income from intangible sales			
Sales on F-1120 form 4797		1,567	
OTHER INCOME:			
Misc	242,638	225,554	252,765
Subtotals	90,748,264	105,781,085	153,559,741
Less intercompany amounts			
Total Combined Sales Evrywhr	90,748,264	105,781,085	153,559,741

Everywhere Sales - As Filed

1

1

134,071,953

C00563

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Product sales (net of R & A)	87,038,152	101,278,938	134,099,194
Total dividends per F-1120	1,745,393	2,032,448	3,639,333
Less div per 100.3380(b)(5)	1,745,393	2,032,448	3,639,333
Total interest per F-1120	218,659	988,782	2,413,589
Less U.S. Gvt int per Sch II	140,888	0	0
Less int per 100.3380(b)(5)			
Fed exempt intrst per Sch II	0	252,427	295,815
Less xmpt int-100.3380(b)(5)			
Gross rents in apprtntl inc FACTORABLE royalties		1,504,813	15,937,186
Sales of assets on Fed Sch D	3,389,703	1,529,004	561,192
Income from intangible sales			
Sales on F-1120 form 4797		1,567	
OTHER INCOME:			
Misc	242,638	225,554	252,765
FSC Sales w/i parent			

Subtotals	90,748,264	105,781,085	153,559,741
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Less intercompany amounts

Total Combined Sales Evrywhr	90,748,264	105,781,085	153,559,741
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Everywhere Sales - As Filed	90,748,264	105,781,085	153,559,741
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THE FSC SALES ARE ALREADY INCLUDED IN ZEBRA TECHNOLOGIES CORP'S
36-2675536 SALES FACTOR.

C00564

RVM 6/15/98

66-040852

Filing Status: U

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Product sales (net of R & A)			
Net dividends per F-1120			N/A
Less div excld from income			N/A
Total interest per F-1120			
Less U.S. Gvt int per Sch II			
Less other int not factorble			
Fed exempt intrst per Sch II			
Less xmpt int not factorable			
Gross rents in apprtnbl inc			
FACTORABLE royalties			
Sales of assets on Fed Sch D			
Income from intangible sales			
Sales on F-1120 form 4797			
OTHER INCOME:			
FSC Commission	1,736,513	2,612,137	3,072,535

Subtotals	1,736,513	2,612,137	3,072,535
Less intercompany amounts	1,736,513	2,612,137	3,072,535
Total Sales Everywhere	0	0	0

GROSS RECEIPTS OF RELATED SUPPLIER (ZEBRA TECHNOLOGIES CORP. 36-2675536)
AND FSC ARE ALREADY INCLUDED IN THE PARENT COMPANIES SALES FACTOR.

C00565

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Product sales shppd into IL	86,224,107	101,230,306	130,765,052
Shpmts to nontax sts(Sch X-A)	0	0	0
Total product sales	86,224,107	101,230,306	130,765,052
U S Govt sales shppd from IL			
Illinois' share of:			
Apportnable dividend income	0	0	0
Interest (excl US Gvt)	96,974	20,308	185,496
Federal exempt interest			
Gross rents			
Royalties		30,472	
Sales of assets on Fed Sch D	1,377,122		332,362
Income from intangible sales			
Sales on F-1120 form 4797		1,567	
OTHER INCOME:			
Misc	280,276	225,375	168,662
FSC Sales w/i parent			

Adjustments to IL sales:

Subtotals	87,978,479	101,508,028	131,451,572
Less ILL intercompany amounts			
Illinois Sales - Parent	87,978,479	101,508,028	131,451,572
Add Illinois Sales of Subs	0	0	0
Total all Illinois Sales	87,978,479	101,508,028	131,451,572

ILL Sales - As Filed	87,978,479	101,508,028	131,451,572
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THE FSC SALES WERE IMPUTED BY ASSUMING THAT THE PARENTS SALES FORCE THAT DIRECTLY MADE SOLICITATIONS ON BEHALF OF ZEBRA TECHNOLOGIES V.I., LTD (66-0480852) IS ALREADY INCLUDED IN THE PARENTS IL APPORTIONMENT FORMULA.

C00566

Sch X

SALES FACTOR
Illinois

1/29/98

RVM 3/20/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Product sales shppd into IL	86,224,107	101,230,306	130,765,052
Shpmts to nontax sts(Sch X-A)	0	0	0
Total product sales	86,224,107	101,230,306	130,765,052
U S Govt sales shppd from IL			
Illinois' share of:			
Apportnable dividend income	0	0	0
Interest (excl US Gvt)	96,974	20,308	185,496
Federal exempt interest			
Gross rents			
Royalties		30,472	
Sales of assets on Fed Sch D	1,377,122		332,362
Income from intangible sales			
Sales on F-1120 form 4797		1,567	
OTHER INCOME:			
Misc	280,276	225,375	168,662

Adjustments to IL sales:

Subtotals	87,978,479	101,508,028	131,451,572
Less ILL intercompany amounts			
Illinois Sales - Parent	87,978,479	101,508,028	131,451,572
Add Illinois Sales of Subs	0	0	0
Total all Illinois Sales	87,978,479	101,508,028	131,451,572

ILL Sales - As Filed	1	1	130,724,052
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C00567

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Product sales shppd into IL			
Shpmts to nontax sts(Sch X-A)	0	0	0
Total product sales	0	0	0
U S Govt sales shppd from IL			
Illinois' share of:			
Apportionable dividend income			N/A
Interest (excl USGvt)			
Federal exempt interest			
Gross rents			
Royalties			
Sales of assets on Fed Sch D			
Income from intangible assets			
Sales on F-1120 form 4797			
OTHER INCOME:			
Misc			
FSC Sales w/i parent			

Adjustments to IL sales:

Subtotals	0	0	0
Less ILL intercompany amounts			
Total Sales - Illinois	0	0	0

IL Sales (Sub1) - As Filed 0 0 0

THE FSC SALES WERE IMPUTED BY ASSUMING THAT THE PARENTS SALES FORCE THAT DIRECTLY MADE SOLICITATIONS ON BEHALF OF ZEBRA TECHNOLOGIES V.I., LTD (66-0480852) IS ALREADY INCLUDED IN THE PARENTS IL APPORTIONMENT FORMULA.

C00568

DESCRIPTION OF ITC	YEARS		
	12/31/93	12/31/94	12/31/95
Amount claimed for credit	0	0	0
FT & E Zone IT ITC claimed	0	0	0
Coal ITC claimed			
Jobs Tax Credit claimed			
Training Expense Cr claimed			
R & D Credit claimed	99,373	87,822	67,749
Prior year(s) C/O claimed			
Total IT Invstmt Cr claimed	99,373	87,822	67,749
Less disallowed invstmts:			
Net amount subject to credit	0	0	0
FT & E Zone IT ITC allowable	0	0	0
Coal ITC allowable			
Jobs Tax Credit allowable			
Training Expense Cr allowable			
R & D Credit allowable	99,373	87,822	67,749
Previous year Cr allowable			
Adjustments:			
Total IT Invstmt Cr allowable	99,373	87,822	67,749

RVM 3/21/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION OF ITEMS	YEARS		
	12/31/93	12/31/94	12/31/95
Amount claimed for credit	0	0	0
FT & E Zone IT ITC claimed	0	0	0
Coal ITC claimed			
Jobs Tax Credit claimed			
Training Expense Cr claimed			
R & D Credit claimed	99,373	87,822	79,705
Prior year(s) C/O claimed			
Total IT Invstmt Cr claimed	99,373	87,822	79,705
Less disallowed invstmts:			
Net amount subject to credit	0	0	0
FT & E Zone IT ITC allowable	0	0	0
Coal ITC allowable			
Jobs Tax Credit allowable			
Training Expense Cr allowable			
R & D Credit allowable	99,373	87,822	67,749
Previous year Cr allowable			
Adjustments:			
Total IT Invstmt Cr allowable	99,373	87,822	67,749

C00570

RVM 3/30/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION OF ITEMS	YEARS		
	12/31/93	12/31/94	12/31/95
MACHINERY & EQUIPMENT	1,702,528	1,389,392	3,040,947
AFTER PAYMENT UNDER PROTEST	-441,712		
ROUNDING ADJ.		8	

Amount claimed for credit	1,260,816	1,389,400	3,040,947
Cr for qualfid prprty claimed	6,304	6,947	15,205
Addtl Cr based on emplmnt Previous year C/F as filed	6,304	6,947	
Total RT Invstmnt Cr claimed	12,608	13,894	15,205
Add'l items recvd in audit LESS disallowed invstmnts:			
G/L 101224 ACCTG			
G/L 101226 SALES			
G/L 101227 MKTG			
G/L 101228 HR			
G/L 101250 FAC			
G/L 101262 FAC			

Net amount subject to credit	1,260,816	1,389,400	3,040,947
Cr for qualfid prprty allwble	6,304	6,947	15,205
Addtl Cr based on emplmnt Previous year CR allowable	6,304	6,947	0
Total RT Invstmnt Cr allowable	12,608	13,894	15,205

C00571

RVM 3/30/97

Zebra Technologies Corporation

36-2675536

	-----YEARS-----			
	12/31/92	12/31/93	12/31/94	12/31/95
Number of Covered Workrs:				
1st month	203	287	373	
2nd month	210	294	371	
3rd month	218	306	365	
4th month	222	207	383	
5th month	238	311	386	
6th month	250	312	390	
7th month	254	326	395	
8th month	259	332	398	
9th month	265	337	401	
10th month	268	346	416	
11th month	276	351	429	
12th month	281	367	434	
Total	2,944	3,776	4,741	0
Average:	245.33	314.67	395.08	0
Increase in Employment:		69.34	80.41	-395.08
Amount of Increase:		0.2826	0.2555	0
Credit Percentage:		0.005	0.005	0
Qualified Property allowed:		1,260,816	1,389,400	3,040,947
Additnl Base Employment Credit:		6,304	6,947	0

AUTOMATIC QUALIFICATION:

Enter X if the business is
new to Illinois in this year

C00572

SCH XII-B

REPLACEMENT TAX INVESTMENT CREDIT
GROSS RECEIPTS TEST - ILLINOIS FILERS

RVM 1/27/98
12/94

Zebra Technologies Corporation

APE: 12/31/94

Total Receipts	Gross Recpts	Interest	Gross Rents	Gr. Royalties	Capital Gains	Other Gains
ZTC	101,230,306	20,308		30,472		1,56
ZIH						
ZTVTI						

TOTAL GROSS RECEIPTS OF IL

INCOME FROM RETAILING, MANUFACTURING OR MINING ACTIVITIES

12/94

Qualifying:	Gross Receipts	Interest	Gross Rents	Gr. Royalties	Capital Gains	Other Gains
ZTC	79,971,942	20,308		30,472		1,56
ZIH						
ZTVTI						

TOTAL QUALIFYING RECEIPTS OF IL

PERCENTAGE OF QUALIFYING ACTIVITIES: 0.79

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Comments: ..

C00573

SCH XII-B

REPLACEMENT TAX INVESTMENT CREDIT
GROSS RECEIPTS TEST - ILLINOIS FILERS

RVM 1/27/98
12/95

Zebra Technologies Corporation

APE: 12/31/95

Total Receipts	Gross Recpts	Interest	Gross Rents	Gr. Royalties	Capital Gains	Other Gains
ZTC	130,765,052	185,496			332,362	
ZIH						
ZTVTI						

TOTAL GROSS RECEIPTS OF IL

INCOME FROM RETAILING, MANUFACTURING OR MINING ACTIVITIES

12/95

Qualifying:	Gross Receipts	Interest	Gross Rents	Gr. Royalties	Capital Gains	Other Gains
ZTC	104,612,042	185,496			332,362	
ZIH						
ZTVTI						

TOTAL QUALIFYING RECEIPTS OF IL

PERCENTAGE OF QUALIFYING ACTIVITIES: 0.80

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C005774

Comments:

RVM 3/21/97

Zebra Technologies Corporation

36-2675536

DESCRIPTION	YEARS		
	12/31/93	12/31/94	12/31/95
Federal Taxable Income	26,099,280	28,830,822	35,058,972
Addition Modifications:			
Exempt Interest		252,427	295,815
Illinois Income Tax	1,524,356	1,112,486	1,191,820
NOL Additions			
Other Additions:			
Subtotal	27,623,636	30,195,735	36,546,607
Subtraction Modifications:			
US Government Interest	140,888		
Section 78/Subpart F Div			
Foreign Div. (Sch J)			
Other Subtractions:			
Unitary Base Income	27,482,748	30,195,735	36,546,607
Nonbusiness Income			
Partnership Income			
Unitary Business Income	27,482,748	30,195,735	36,546,607

C00575

TAXPAYER NAME: Zebra Technologies Corporation

AUDIT PERIOD: 1/1/93 thru 12/31/95

STATUTE EXPIRES
7/31/98FEIN
36-2675536IBT#
0466-5831AUDIT CODE
FDAPE
12/31/93

PART I	(L#)	Column A (original/adj)	Column B (net change)	Column C (as corrected)
FED TAX INC	1	25,498,822	0	25,498,822
Additions:				
Exempt Interest	2a	0	0	0
IT Addback	2b	1,524,356	0	1,524,356
RT Addback	2c	0	0	0
NOL Addition	2c	0	0	0
	2d	0	0	0
	2d	0	0	0
	2d	0	0	0
Subtractions:				
US Gov't Int	5a	140,888	0	140,888
Sect 78/sub F Div	5c	0	0	0
Foreign Div(Sch J)	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
Base Income	7	26,882,290		26,882,290
PART II				
Base/UB Income	1	26,882,290	0	26,882,290
Nonbus Income	2a	5,484,859	-5,484,859	0
Prtnrshp Income	2b	0	0	0
APPRTNBL BUS INC		21,397,431	5,484,859	26,882,290
APPORTIONMENT				
		EVERYWHERE	ILLINOIS	FACTOR
Property Factor	5a	22,700,984	22,700,984	1.000000
Payroll Factor	5b	10,118,429	9,844,089	0.972887
Sales Factor	5c	90,748,264	87,978,479	0.969478
Sales Factor	5d	90,748,264	87,978,479	0.969478
Total Factors	6			3.911843
AVERAGE	7			0.977961
PART III				
		(Col. A cont)	(Col. B cont)	(Col. C cont)
IL Bus Income	8	21,397,431		26,289,831
IL Nonbus Inc	9	3,200,879	-3,200,879	0
IL Ptnrshp Inc	10	0	0	0
IL NLD C/F(C/B)		0	0	0
Base Inc - IL	11	24,598,310		26,289,831
Exemption	9	915	63	978
Net Income @ 4%	10	24,597,395		26,288,853
Tax @ 4%	11	983,896	67,658	1,051,554
Net Income @ .8%		24,597,395		26,288,853
IT @ .8%		196,779	13,532	210,311
ITC Recapture		0	0	0
Total Income Tax		1,180,675		1,261,865
IT Investment Cr	12	99,373	0	99,373
RT Tax Pd Cr		26,261	3,999	30,260
RT Tax Pd Cr C/F		0	0	0
Net Income Tax	13	1,055,041	77,191	1,132,232

EXHIBIT

Def. 2A

C00576

		(Col. A cont)	(Col. B cont)	12/31/93 (Col. C cont)
PART, III (cont'd)				
IL Base Inc - RT	1	24,598,310		26,289,831
RT Addback		0	0	0
Apprtnd Addback	2a	0		0
IL Base w/Adbk	4	24,598,310		26,289,831
Exemption	9	915	63	978
Net Inc @ 2.5%	10	24,597,395		26,288,853
RT Tax @ 2.5%	11	614,935	42,286	657,221
Net Inc @ .35%		0		0
RT Tax @ .35%		0	0	0
ITC Recapture		0	0	0
Total RT Tax		614,935		657,221
RT Investment Cr	12	17,026	-4,418	12,608
Net RT Tax	13	597,909	46,704	644,613

Part IV

Total Tax		1,652,950	123,895	1,776,845
IT, RT Est Pmts	16a	1,626,147	0	1,626,147
IL-505 Pmts	16b	0	0	0
Correct Pmts+Crs	1			1,626,147
Pmt W/ORF	2			0
Subsequent Pmts	3			126,594
Amt to Pen/Int	4			0
Total Tax Paid	5			1,752,741
Credit C/F	6			99,383
Released Refunds	7			408
Pmts to othr APE	8			0
Pending Refund	9			0
Amt Tax Paid	10			1,652,950
Amt Correct Tax	11			1,776,845
OVERPAYMENT	12			0
UNDERPAYMENT	13			123,895

PART V		INCOME	REPLACEMENT	TOTAL
Interest Due	1	27,983	15,932	43,915
Other Interest	2	0	0	0
3-3(a) Penalty	4	0	0	0
3-5 Penalty	5	0	0	0
3-3(b)(1) Pnlty	6	0	0	0
Other Penalty	7	0	0	0
Int on UPIA Pens		0	0	0
Tot Int/Pen Asmt		27,983	15,932	43,915
Less Int/Pen Pd		0	0	0
TOTAL TX,PEN,INT	12			\$167,810

Date of Report
4/21/98

Region Number
6

Auditor
Richard Morajda

Discussed with:
Aaron Broholm

Title
C.P.A./P.O.A.

Date
1/30/98

Interest has been computed through 4/24/98

C00577

INCOME TAX INTEREST COMPUTATION

TAXPAYER NAME: Zebra Technologies Corporation
 FEIN: 36-2675536 PERIOD ENDING: 12/31/93

Interest from: 3/16/94
 Interest through: 4/24/98 Deficiency: \$24,104

BEGIN	END	#DAYS	INTEREST	AMOUNT DUE	RATE
					11%
					10%
					9%
3/16/94	6/30/94	107	0.020521	494.63	7%
7/1/94	12/31/94	184	0.040329	972.08	8%
1/1/95	4/24/98	1,210	0.298356	7,191.58	9%

(No. of days) 1,501

INTEREST DUE \$8,658

Computation of interest due on credit c/f

Interest from: 4/15/94
 Interest through: 4/24/98 Deficiency: \$99,383

BEGIN	END	#DAYS	INTEREST	AMOUNT DUE	RATE
					11%
					10%
					9%
4/15/94	6/30/94	77	0.014767	1,467.60	7%
7/1/94	12/31/94	184	0.040329	4,007.99	8%
1/1/95	4/24/98	1,210	0.298356	29,651.53	9%

(No. of days) 1,471

INTEREST DUE \$35,127

SECTION 1003 INTEREST COMPUTATION

TAXPAYER: Zebra Technologies Corporation

FEIN: 36-2675536

APE: 12/31/93

Computed through: 4/24/98

Tax due per audit: 1,776,845

Total payments/credits: 1,752,741

Due before crdt/refnd: 24,104

	Amount of Payment	Interest Base Amt	Interest Start Dte	Number of Days	Interest Due
Net due before credits/refunds	24,104	24,104	3/16/94	1,501	8,658
Credit c/f amount	99,383	99,383	4/15/94	1,471	35,127
Amount(s) refunded	408	408	10/9/94	1,294	129
Other amounts refunded	0	0			

Total interest base amount		123,895			
		=====			

TOTAL INTEREST DUE

\$43,915
=====

Comments:

C00579

TAXPAYER NAME: Zebra Technologies Corporation

AUDIT PERIOD: 1/1/93 thru 12/31/95

STATUTE EXPIRES
10/15/98FEIN
36-2675536IBT#
0466-5831

AUDIT CODE

APE
12/31/94

		Column A (original/adj)	Column B (net change)	Column C (as corrected)
PART I	(L#)			
FED TAX INC	1	18,849,451	9,076,440	27,925,891
Additions:				
Exempt Interest	2a	252,427	0	252,427
IT Addback	2b	1,112,486	0	1,112,486
RT Addback	2c	0	0	0
NOL Addition	2c	0	0	0
	2d	0	0	0
	2d	0	0	0
	2d	0	0	0
Subtractions:				
US Gov't Int	5a	0	0	0
Sect 78/sub F Div	5c	0	0	0
Foreign Div(Sch J)	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
Base Income	7	20,214,364		29,290,804
PART II				
Base/UB Income	1	20,214,364	9,076,440	29,290,804
Nonbus Income	2a	4,761,360	-4,761,360	0
Prtnrshp Income	2b	0	0	0
APPRTNBL BUS INC		15,453,004	13,837,800	29,290,804
APPORTIONMENT				
		EVERYWHERE	ILLINOIS	FACTOR
Property Factor	5a	23,248,783	23,248,783	1.000000
Payroll Factor	5b	15,196,183	15,193,822	0.999845
Sales Factor	5c	105,781,085	101,508,028	0.959605
Sales Factor	5d	105,781,085	101,508,028	0.959605
Total Factors	6			3.919055
AVERAGE	7			0.979764
PART III				
		(Col. A cont)	(Col. B cont)	(Col. C cont)
IL Bus Income	8	15,453,004		28,698,075
IL Nonbus Inc	9	1,657,601	-1,657,601	0
IL Ptnrshp Inc	10	0	0	0
IL NLD C/F(C/B)		0	0	0
Base Inc - IL	11	17,110,605		28,698,075
Exemption	9	846	134	980
Net Income @ 4%	10	17,109,759		28,697,095
Tax @ 4%	11	684,390	463,494	1,147,884
Net Income @ .8%		17,109,759		28,697,095
IT @ .8%		136,878	92,699	229,577
ITC Recapture		0	0	0
Total Income Tax		821,268		1,377,461
IT Investment Cr	12	87,822	0	87,822
RT Tax Pd Cr		16,815	16,271	33,086
RT Tax Pd Cr C/F		0	0	0
Net Income Tax	13	716,631	539,922	1,256,553

		(Col. A cont)	(Col. B cont)	12/31/94 (Col. C cont)
PART III (cont'd)				
IL Base Inc - RT	1	17,110,605		28,698,075
RT Addback		0	0	0
Apprtd Addback	2a	0		0
IL Base w/Adbk	4	17,110,605		28,698,075
Exemption	9	846	133	980
Net Inc @ 2.5%	10	17,109,759		28,697,095
RT Tax @ 2.5%	11	427,744	289,683	717,427
Net Inc @ .35%		0		0
RT Tax @ .35%		0	0	0
ITC Recapture		0	0	0
Total RT Tax		427,744		717,427
RT Investment Cr	12	13,890	4	13,894
Net RT Tax	13	413,854	289,679	703,533

Part IV				
Total Tax		1,130,485	829,601	1,960,086
IT, RT Est Pmts	16a	1,904,791	-408	1,904,383
IL-505 Pmts	16b	0	0	0
Correct Pmts+Crs	1			1,904,383
Pmt W/ORF	2			0
Subsequent Pmts	3			15,166
Amt to Pen/Int	4			26,253
Total Tax Paid	5			1,893,296
Credit C/F	6			762,811
Released Refunds	7			0
Pmts to othr APE	8			0
Pending Refund	9			0
Amt Tax Paid	10			1,130,485
Amt Correct Tax	11			1,960,086
OVERPAYMENT	12			0
UNDERPAYMENT	13			829,601

PART V		INCOME	REPLACEMENT	TOTAL
Interest Due	1	145,354	81,382	226,736
Other Interest	2	0	0	0
3-3(a) Penalty	4	0	0	0
3-5 Penalty	5	0	0	0
3-3(b)(1) Pnlty	6	0	0	0
Other Penalty	7	0	0	0
Int on UPIA Pens		0	0	0
Tot Int/Pen Asmt		145,354	81,382	226,736
Less Int/Pen Pd		0	0	0
TOTAL TX,PEN,INT	12			\$1,056,337

Date of Report	Region Number	Auditor
4/21/98	6	Richard Morajda

Discussed with:	Title	Date
Aaron Broholm	C.P.A./P.O.A.	1/30/98

Interest has been computed through 4/24/98

C00581

INCOME TAX INTEREST COMPUTATION

TAXPAYER NAME: Zebra Technologies Corporation
 FEIN: 36-2675536 PERIOD ENDING: 12/31/94

Interest from: 3/16/95
 Interest through: 4/24/98 Deficiency: \$66,790

BEGIN	END	#DAYS	INTEREST	AMOUNT DUE	RATE
					11%
					10%
					9%
					7%
					8%
3/16/95	4/24/98	1,136	0.280110	18,708.52	9%

(No. of days) 1,136

INTEREST DUE \$18,709
 =====

Computation of interest due on credit c/f

Interest from: 4/15/95
 Interest through: 4/24/98 Deficiency: \$762,811

BEGIN	END	#DAYS	INTEREST	AMOUNT DUE	RATE
					11%
					10%
					9%
					7%
					8%
4/15/95	4/24/98	1,106	0.272712	208,027.96	9%

(No. of days) 1,106

INTEREST DUE \$208,028
 =====

SECTION 1003 INTEREST COMPUTATION

TAXPAYER: Zebra Technologies Corporation

FEIN: 36-2675536

APE: 12/31/94

Computed through: 4/24/98

Tax due per audit:	1,960,086
Total payments/credits:	1,893,296

Due before crdt/refnd:	66,790

	Amount of Payment	Interest Base Amt	Interest Start Dte	Number of Days	Interest Due
Net due before credits/refunds	66,790	66,790	3/16/95	1,136	18,709
Credit c/f amount	762,811	762,811	4/15/95	1,106	208,028
Amount(s) refunded	0	0			
Other amounts refunded	0	0			

Total interest base amount		829,601			
		=====			

TOTAL INTEREST DUE

\$226,736
=====

Comments:

TAXPAYER NAME: Zebra Technologies Corporation

STATUTE EXPIRES
10/15/99

AUDIT PERIOD: 1/1/93 thru 12/31/95

FEIN
36-2675536IBT#
0466-5831AUDIT CODE
PLAPE
12/31/95

		Column A	Column B	Column C
		(original/adj)	(net change)	(as corrected)
PART I	(L#)			
FED TAX INC	1	18,106,982	15,883,271	33,990,253
Additions:				
Exempt Interest	2a	295,815	0	295,815
IT Addback	2b	1,191,820	0	1,191,820
RT Addback	2c	0	0	0
NOL Addition	2c	0	0	0
	2d	0	0	0
	2d	0	0	0
	2d	0	0	0
Subtractions:				
US Gov't Int	5a	0	0	0
Sect 78/sub F Div	5c	0	0	0
Foreign Div(Sch J)	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
Base Income	7	19,594,617		35,477,888
PART II				
Base/UB Income	1	19,594,617	15,883,271	35,477,888
Nonbus Income	2a	6,541,670	-6,541,670	0
Prtnrshp Income	2b	0	0	0
APPRTNBL BUS INC		13,052,947	22,424,941	35,477,888
APPORTIONMENT				
		EVERYWHERE	ILLINOIS	FACTOR
Property Factor	5a	35,262,116	34,177,291	0.969235
Payroll Factor	5b	23,371,746	22,492,514	0.962381
Sales Factor	5c	153,559,741	131,451,572	0.856029
Sales Factor	5d	153,559,741	131,451,572	0.856029
Total Factors	6			3.643674
AVERAGE	7			0.910919
PART III				
		(Col. A cont)	(Col. B cont)	(Col. C cont)
IL Bus Income	8	12,664,948		32,317,482
IL Nonbus Inc	9	2,873,930	-2,873,930	0
IL Ptnrshp Inc	10	0	0	0
IL NLD C/F(C/B)		0	0	0
Base Inc - IL	11	15,538,878		32,317,482
Exemption	9	793	118	911
Net Income @ 4%	10	15,538,085		32,316,571
Tax @ 4%	11	621,523	671,140	1,292,663
Net Income @ .8%		15,538,085		32,316,571
IT @ .8%		124,305	134,228	258,533
ITC Recapture		0	0	0
Total Income Tax		745,828		1,551,196
IT Investment Cr	12	79,705	-11,956	67,749
RT Tax Pd Cr		14,208	20,452	34,660
RT Tax Pd Cr C/F		0	0	0
Net Income Tax	13	651,915	796,872	1,448,787

C00584

		(Col. A cont)	(Col. B cont)	12/31/95 (Col. C cont)
36-2675536,				
PART III (cont'd)				
IL Base Inc - RT	1	15,538,878		32,317,482
RT Addback		0	0	0
Apprtn'd Addback	2a	0		0
IL Base w/Adbk	4	15,538,878		32,317,482
Exemption	9	793	118	911
Net Inc @ 2.5%	10	15,538,085		32,316,571
RT Tax @ 2.5%	11	388,452	419,462	807,914
Net Inc @ .35%		0		0
RT Tax @ .35%		0	0	0
ITC Recapture		0	0	0
Total RT Tax		388,452		807,914
RT Investment Cr	12	15,205	0	15,205
Net RT Tax	13	373,247	419,462	792,709

Part IV				
Total Tax		1,025,162	1,216,334	2,241,496
IT, RT Est. Pmts	16a	987,811	0	987,811
IL-505 Pmts	16b	200,000	0	200,000
Correct Pmts+Crs	1			1,187,811
Pmt W/ORF	2			0
Subsequent Pmts	3			0
Amt to Pen/Int	4			0
Total Tax Paid	5			1,187,811
Credit C/F	6			162,649
Released Refunds	7			0
Pmts to othr APE	8			0
Pending Refund	9			0
Amt Tax Paid	10			1,025,162
Amt Correct Tax	11			2,241,496
OVERPAYMENT	12			0
UNDERPAYMENT	13			1,216,334

PART V				
		INCOME	REPLACEMENT	TOTAL
Interest Due	1	148,488	81,246	229,734
Other Interest	2	0	0	0
3-3(a-5) Penalty	4	0	0	0
3-5 Penalty	5	0	0	0
3-3(b)(1) Pnlty	6	0	0	0
Other Penalty	7	0	0	0
Int on UPIA Pens		0	0	0
Tot Int/Pen Asmt		148,488	81,246	229,734
Less Int/Pen Pd		0	0	0
TOTAL TX,PEN,INT	12			\$1,446,068

Date of Report	Region Number	Auditor
4/21/98	6	Richard Morajda
Discussed with:	Title	Date
Aaron Broholm	C.P.A./P.O.A.	1/30/98

Interest has been computed through 4/24/98

C00585

INCOME TAX INTEREST COMPUTATION

TAXPAYER NAME: Zebra Technologies Corporation
 FEIN: 36-2675536 PERIOD ENDING: 12/31/95

Interest from: 3/16/96
 Interest through: 4/24/98 Deficiency: \$1,053,685

BEGIN	END	#DAYS	INTEREST	AMOUNT DUE	RATE
					11%
					10%
					9%
					7%
					8%
3/16/96	4/24/98	770	0.189863	200,055.81	9%

(No. of days) 770

INTEREST DUE \$200,056
 =====

Computation of interest due on credit c/f

Interest from: 4/15/96
 Interest through: 4/24/98 Deficiency: \$162,649

BEGIN	END	#DAYS	INTEREST	AMOUNT DUE	RATE
					11%
					10%
					9%
					7%
					8%
4/15/96	4/24/98	740	0.182466	29,677.87	9%

(No. of days) 740

INTEREST DUE \$29,678
 =====

SECTION 1003 INTEREST COMPUTATION

TAXPAYER: Zebra Technologies Corporation

FEIN: 36-2675536

APE: 12/31/95

Computed through: 4/24/98

Tax due per audit: 2,241,496
 Total payments/credits: 1,187,811

 Due before crdt/refnd: 1,053,685

	Amount of Payment	Interest Base Amt	Interest Start Dte	Number of Days	Interest Due
Net due before credits/refunds	1,053,685	1,053,685	3/16/96	770	200,056
Credit c/f amount	162,649	162,649	4/15/96	740	29,678
Amount(s) refunded	0	0			
Other amounts refunded	0	0			

Total interest base amount		1,216,334			
		=====			

TOTAL INTEREST DUE

\$229,734
=====

Comments:

C00587

TAXPAYER NAME: Zebra Technologies Corporation

AUDIT PERIOD: 1/1/93 thru 12/31/95

STATUTE EXPIRES
2/15/99FEIN
36-2675536IBT#
0466-5831AUDIT CODE
PDAPE
12/31/93

		Column A	Column B	Column C
		(original/adj)	(net change)	(as corrected)
PART I	(L#)			
FED TAX INC	1	25,498,822	600,458	26,099,280
Additions:				
Exempt Interest	2a	0	0	0
IT Addback	2b	1,524,356	0	1,524,356
RT Addback	2c	0	0	0
NOL Addition	2c	0	0	0
	2d	0	0	0
	2d	0	0	0
	2d	0	0	0
Subtractions:				
US Gov't Int	5a	140,888	0	140,888
Sect 78/sub F Div	5c	0	0	0
Foreign Div(Sch J)	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
Base Income	7	26,882,290		27,482,748
PART II				
Base/UB Income	1	26,882,290	600,458	27,482,748
Nonbus Income	2a	0	0	0
Prtnrshp Income	2b	0	0	0
APPRTNBL BUS INC		26,882,290	600,458	27,482,748
APPORTIONMENT				
		EVERYWHERE	ILLINOIS	FACTOR
Property Factor	5a	22,700,984	22,700,984	1.000000
Payroll Factor	5b	10,118,429	9,844,089	0.972887
Sales Factor	5c	90,748,264	87,978,479	0.969478
Sales Factor	5d	90,748,264	87,978,479	0.969478
Total Factors	6			3.911843
AVERAGE	7			0.977961
PART III				
		(Col. A cont)	(Col. B cont)	(Col. C cont)
IL Bus Income	8	26,289,831		26,877,056
IL Nonbus Inc	9	0	0	0
IL Ptnrshp Inc	10	0	0	0
IL NLD C/F(C/B)		0	0	0
Base Inc - IL	11	26,289,831		26,877,056
Exemption	9	978	0	978
Net Income @ 4%	10	26,288,853		26,876,078
Tax @ 4%	11	1,051,554	23,489	1,075,043
Net Income @ .8%		26,288,853		26,876,078
IT @ .8%		210,311	4,698	215,009
ITC Recapture		0	0	0
Total Income Tax		1,261,865		1,290,052
IT Investment Cr	12	99,373	0	99,373
RT Tax Pd Cr		30,260	689	30,949
RT Tax Pd Cr C/F		0	0	0
Net Income Tax	13	1,132,232	27,498	1,159,730

C00588

36-2675536		(Col. A cont)	(Col. B cont)	12/31/93
PART III (cont'd)				(Col. C cont)
IL Base Inc - RT	1	26,289,831		26,877,056
RT Addback		0	0	0
Apprtn'd Addback	2a	0		0
IL Base w/Adbk	4	26,289,831		26,877,056
Exemption	9	978	0	978
Net Inc @ 2.5%	10	26,288,853		26,876,078
RT Tax @ 2.5%	11	657,221	14,681	671,902
Net Inc @ .35%		0		0
RT Tax @ .35%		0	0	0
ITC Recapture		0	0	0
Total RT Tax		657,221		671,902
RT Investment Cr	12	12,608	0	12,608
Net RT Tax	13	644,613	14,681	659,294

Part IV				
Total Tax		1,776,845	42,179	1,819,024
IT, RT Est Pmts	16a	1,626,147	0	1,626,147
IL-505 Pmts	16b	0	0	0
Correct Pmts+Crs	1			1,626,147
Pmt W/ORF	2			0
Subsequent Pmts	3			250,489
Amt to Pen/Int	4			0
Total Tax Paid	5			1,876,636
Credit C/F	6			99,383
Released Refunds	7			408
Pmts to othr APE	8			0
Pending Refund	9			0
Amt Tax Paid	10			1,776,845
Amt Correct Tax	11			1,819,024
OVERPAYMENT	12			0
UNDERPAYMENT	13			42,179

PART V				
		INCOME	REPLACEMENT	TOTAL
Interest Due	1	10,641	6,050	16,691
Other Interest	2	0	0	0
3-3(a) Penalty	4	0	0	0
3-5 Penalty	5	0	0	0
3-3(b)(1) Pnlty	6	0	0	0
Other Penalty	7	0	0	0
Int on UPIA Pens		0	0	0
Tot Int/Pen Asmt		10,641	6,050	16,691
Less Int/Pen Pd		0	0	0
TOTAL TX,PEN,INT	12			\$58,870

Date of Report	Region Number	Auditor
10/14/98	6	Richard Morajda
Discussed with:	Title	Date
Aaron Broholm	C.P.A./P.O.A.	9/15/98

Interest has been computed through 10/27/98

C00589

SECTION 1003 INTEREST COMPUTATION

Zebra Technologies Corp.

FEIN: 36-2675536

APE: 12/31/93

Computed through: 10/27/98

Tax due per audit: 1,819,024
 Total payments/credits: 1,876,636

 Due before crdt/refnd: -57,612

	Amount of Payment	Interest Base Amt	Interest Start Dte	Number of Days	Interest Due
Net due before credits/refunds	-57,612	0			0
Credit c/f amount	99,383	41,771	4/15/94	1,657	16,544
Amount(s) refunded	408	408	10/9/94	1,480	147
Other amounts refunded	0	0			0

Total interest base amount		42,179			
		=====			

TOTAL INTEREST DUE

 \$16,691
 =====

Interest has been computed through 10/27/98

Comments:

TAXPAYER NAME: Zebra Technologies Corporation

STATUTE EXPIRES
10/15/98

AUDIT PERIOD: 1/1/93 thru 12/31/95

FEIN
36-2675536IBT#
0466-5831AUDIT CODE
PDAPE
12/31/94

PART I		Column A (original/adj)	Column B (net change)	Column C (as corrected)
FED TAX INC	(L#) 1	27,925,891	904,931	28,830,822
Additions:				
Exempt Interest	2a	252,427	0	252,427
IT Addback	2b	1,112,486	0	1,112,486
RT Addback	2c	0	0	0
NOL Addition	2c	0	0	0
	2d	0	0	0
	2d	0	0	0
	2d	0	0	0
Subtractions:				
US Gov't Int	5a	0	0	0
Sect 78/sub F Div	5c	0	0	0
Foreign Div(Sch J)	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
Base Income	7	29,290,804		30,195,735
PART II				
Base/UB Income	1	29,290,804	904,931	30,195,735
Nonbus Income	2a	0	0	0
Prtnrshp Income	2b	0	0	0
APPRTNBL BUS INC		29,290,804	904,931	30,195,735
APPORTIONMENT				
Property Factor	5a	EVERYWHERE 23,248,783	ILLINOIS 23,248,783	FACTOR 1.000000
Payroll Factor	5b	15,196,183	15,193,822	0.999845
Sales Factor	5c	105,781,085	101,508,028	0.959605
Sales Factor	5d	105,781,085	101,508,028	0.959605
Total Factors	6			3.919055
AVERAGE	7			0.979764
PART III				
IL Bus Income	8	(Col. A cont) 28,698,075	(Col. B cont)	(Col. C cont) 29,584,694
IL Nonbus Inc	9	0	0	0
IL Ptnrshp Inc	10	0	0	0
IL NLD C/F(C/B)		0	0	0
Base Inc - IL	11	28,698,075		29,584,694
Exemption	9	980	0	980
Net Income @ 4%	10	28,697,095		29,583,714
Tax @ 4%	11	1,147,884	35,465	1,183,349
Net Income @ .8%		28,697,095		29,583,714
IT @ .8%		229,577	7,093	236,670
ITC Recapture		0	0	0
Total Income Tax		1,377,461		1,420,019
IT Investment Cr	12	87,822	0	87,822
RT Tax Pd Cr		33,086	1,043	34,129
RT Tax Pd Cr C/F		0	0	0
Net Income Tax	13	1,256,553	41,515	1,298,068

C00591

36-2675536				12/31/94
PART III (cont'd)		(Col. A cont)	(Col. B cont)	(Col. C cont)
IL Base Inc - RT	1	28,698,075		29,584,694
RT Addback		0	0	0
Apptnd Addback	2a	0		0
IL Base w/Adbk	4	28,698,075		29,584,694
Exemption	9	980	0	980
Net Inc @ 2.5%	10	28,697,095		29,583,714
RT Tax @ 2.5%	11	717,427	22,166	739,593
Net Inc @ .35%		0		0
RT Tax @ .35%		0	0	0
ITC Recapture		0	0	0
Total RT Tax		717,427		739,593
RT Investment Cr	12	13,894	0	13,894
Net RT Tax	13	703,533	22,166	725,699

Part IV

Total Tax		1,960,086	63,681	2,023,767
IT, RT Est Pmts	16a	1,904,791	-408	1,904,383
IL-505 Pmts	16b	0	0	0
Correct Pmts+Crs	1			1,904,383
Pmt W/ORF	2			0
Subsequent Pmts	3			844,767
Amt to Pen/Int	4			26,253
Total Tax Paid	5			2,722,897
Credit C/F	6			762,811
Released Refunds	7			0
Pmts to othr APE	8			0
Pending Refund	9			0
Amt Tax Paid	10			1,960,086
Amt Correct Tax	11			2,023,767
OVERPAYMENT	12			0
UNDERPAYMENT	13			63,681

PART V

		INCOME	REPLACEMENT	TOTAL
Interest Due	1	12,880	7,200	20,080
Other Interest	2	0	0	0
3-3(a) Penalty	4	0	0	0
3-5 Penalty	5	0	0	0
3-3(b)(1) Pnlty	6	0	0	0
Other Penalty	7	0	0	0
Int on UPIA Pens		0	0	0
Tot Int/Pen Asmt		12,880	7,200	20,080
Less Int/Pen Pd		0	0	0
TOTAL TX,PEN,INT	12			\$83,761

Date of Report
10/14/98

Region Number
6

Auditor
Richard Morajda

Discussed with:
Aaron Broholm

Title
C.P.A./P.O.A.

Date
9/15/98

Interest has been computed through 10/27/98

C00592

SECTION 1003 INTEREST COMPUTATION

Zebra Technologies Corp.

FEIN: 36-2675536

APE: 12/31/94

Computed through: 10/27/98

Tax due per audit: 2,023,767
 Total payments/credits: 2,722,897

 Due before crdt/refnd: -699,130

	Amount of Payment	Interest Base Amt	Interest Start Dte	Number of Days	Interest Due
Net due before credits/refunds	-699,130	0			0
Credit c/f amount	762,811	63,681	4/15/95	1,292	20,080
Amount(s) refunded	0	0			0
Other amounts refunded	0	0			0

Total interest base amount		63,681			
		=====			

TOTAL INTEREST DUE

 \$20,080
 =====

Interest has been computed through 10/27/98

Comments:

TAXPAYER NAME: Zebra Technologies Corporation

AUDIT PERIOD: 1/1/93 thru 12/31/95

STATUTE EXPIRES
10/15/99FEIN
36-2675536IBT#
0466-5831AUDIT CODE
PLAPE
12/31/95

		Column A (original/adj)	Column B (net change)	Column C (as corrected)
PART I	(L#)			
FED TAX INC	1	33,990,253	1,068,719	35,058,972
Additions:				
Exempt Interest	2a	295,815	0	295,815
IT Addback	2b	1,191,820	0	1,191,820
RT Addback	2c	0	0	0
NOL Addition	2c	0	0	0
	2d	0	0	0
	2d	0	0	0
	2d	0	0	0
Subtractions:				
US Gov't Int	5a	0	0	0
Sect 78/sub F Div	5c	0	0	0
Foreign Div(Sch J)	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
	5c	0	0	0
Base Income	7	35,477,888		36,546,607
PART II				
Base/UB Income	1	35,477,888	1,068,719	36,546,607
Nonbus Income	2a	0	0	0
Prtnrshp Income	2b	0	0	0
APPRTNBL BUS INC		35,477,888	1,068,719	36,546,607
APPORTIONMENT				
		EVERYWHERE	ILLINOIS	FACTOR
Property Factor	5a	35,262,116	34,177,291	0.969235
Payroll Factor	5b	23,371,746	22,492,514	0.962381
Sales Factor	5c	153,559,741	131,451,572	0.856029
Sales Factor	5d	153,559,741	131,451,572	0.856029
Total Factors	6			3.643674
AVERAGE	7			0.910919
PART III				
		(Col. A cont)	(Col. B cont)	(Col. C cont)
IL Bus Income	8	32,317,482		33,290,999
IL Nonbus Inc	9	0	0	0
IL Ptnrshp Inc	10	0	0	0
IL NLD C/F(C/B)		0	0	0
Base Inc - IL	11	32,317,482		33,290,999
Exemption	9	911	0	911
Net Income @ 4%	10	32,316,571		33,290,088
Tax @ 4%	11	1,292,663	38,941	1,331,604
Net Income @ .8%		32,316,571		33,290,088
IT @ .8%		258,533	7,788	266,321
ITC Recapture		0	0	0
Total Income Tax		1,551,196		1,597,925
IT Investment Cr	12	67,749	0	67,749
RT Tax Pd Cr		34,660	1,065	35,725
RT Tax Pd Cr C/F		0	0	0
Net Income Tax	13	1,448,787	45,664	1,494,451

C00594

36-2675536				12/31/95
PART III (cont'd)		(Col. A cont)	(Col. B cont)	(Col. C cont)
IL Base Inc - RT	1	32,317,482		33,290,999
RT Addback		0	0	0
Apprtnd Addback	2a	0		0
IL Base w/Adbk	4	32,317,482		33,290,999
Exemption	9	911	0	911
Net Inc @ 2.5%	10	32,316,571		33,290,088
RT Tax @ 2.5%	11	807,914	24,338	832,252
Net Inc @ .35%		0		0
RT Tax @ .35%		0	0	0
ITC Recapture		0	0	0
Total RT Tax		807,914		832,252
RT Investment Cr	12	15,205	0	15,205
Net RT Tax	13	792,709	24,338	817,047

Part IV				
Total Tax		2,241,496	70,002	2,311,498
IT, RT Est Pmts	16a	987,811	0	987,811
IL-505 Pmts	16b	200,000	0	200,000
Correct Pmts+Crs	1			1,187,811
Pmt W/ORF	2			0
Subsequent Pmts	3			1,216,334
Amt to Pen/Int	4			0
Total Tax Paid	5			2,404,145
Credit C/F	6			162,649
Released Refunds	7			0
Pmts to othr APE	8			0
Pending Refund	9			0
Amt Tax Paid	10			2,241,496
Amt Correct Tax	11			2,311,498
OVERPAYMENT	12			0
UNDERPAYMENT	13			70,002

PART V				
		INCOME	REPLACEMENT	TOTAL
Interest Due	1	10,186	5,569	15,755
Other Interest	2	0	0	0
3-3(a-5) Penalty	4	0	0	0
3-5 Penalty	5	0	0	0
3-3(b)(1) Pnlty	6	0	0	0
Other Penalty	7	0	0	0
Int on UPIA Pens		0	0	0
Tot Int/Pen Asmt		10,186	5,569	15,755
Less Int/Pen Pd		0	0	0
TOTAL TX,PEN,INT	12			\$85,757

Date of Report	Region Number	Auditor
10/14/98	6	Richard Morajda
Discussed with:	Title	Date
Aaron Broholm	C.P.A./P.O.A.	9/15/98

Interest has been computed through 10/27/98

SECTION 1003 INTEREST COMPUTATION

Zebra Technologies Corp.

FEIN: 36-2675536

APE: 12/31/95

Computed through: 10/27/98

Tax due per audit: 2,311,498
 Total payments/credits: 2,404,145

 Due before crdt/refnd: -92,647

	Amount of Payment	Interest Base Amt	Interest Start Dte	Number of Days	Interest Due
Net due before credits/refunds	-92,647	0			0
Credit c/f amount	162,649	70,002	4/15/96	926	15,755
Amount(s) refunded	0	0			0
Other amounts refunded	0	0			0

Total interest base amount		70,002			
		=====			

TOTAL INTEREST DUE

 \$15,755

Interest has been computed through 10/27/98

Comments:

EXPLANATION OF ADJUSTMENTS

Taxpayer Name: Zebra Technologies Corporation
 Audit Period: 12/31/93 12/31/94 12/31/95
 FEIN: 36-2675536

Adjustments

12/31/93 12/31/94 12/31/95

We adjusted IL-1120, line 1 to reflect the inclusion of subsidiaries deemed to be operating in a unitary business operation. Ref: IITA Section 1501(a)(27) or 404.

9,076,440 15,883,271

We changed to business income the interest income you earned from the investment of excess working capital. Ref: IAC Section 100.3010(d)(4).

Everywhere	-210,606	-892,056	-2,413,589
Illinois	-96,974	-20,708	-185,496

We disallowed dividends claimed as nonbusiness income because they were already subtracted from taxable income as a dividend exclusion. Ref: IITA Section 203(g).

Everywhere	-1,814,785	-2,171,203	-3,566,889
Illinois	-1,657,018	-1,604,854	-2,356,072

We changed to business income royalty income from copyrights and patents which originated in the regular course of your trade or business operations. Ref: IAC Sec. 100.3010(d)(6).

Everywhere	-85,670	-30,472	
Illinois	-85,670	-30,472	

We changed to business income(loss) the amount of gain(loss) from the sale of property previously used in your trade or business operations. Ref: IAC Section 100.3010(d)(3).

Everywhere	15,905	-1,567	
Illinois	15,905	-1,567	

We changed to business income(loss) the amount of gain(loss) from the sale of investments acquired with cash from excess working capital. Ref: IAC 100.3010(d)(1).

Everywhere	-3,389,703	-1,666,062	-561,192
Illinois	-1,377,122		-332,362

We adjusted your property factor to include in the unitary group those companies that meet the unitary business criteria. Ref: IITA Section 1501(a)(27).

Everywhere	22,700,983	23,248,782	100,015
Illinois	22,700,983	23,248,782	

We adjusted your payroll factor to include in the unitary group those companies that meet the unitary business criteria. Ref: IITA Section 1501(a)(27).

Everywhere	10,118,428	15,196,182	1,644,324
Illinois	9,844,088	15,193,821	1,654,874

We adjusted your sales factor to include in the unitary group those companies that meet the unitary business criteria. Ref: IITA Section 1501(a)(27).

Everywhere	90,748,263	105,781,084	19,487,788
Illinois	87,978,478	101,508,027	727,520

We have corrected your investment credit against the replacement tax by eliminating items which do not qualify for the credit. Ref: IITA Section 201(e).

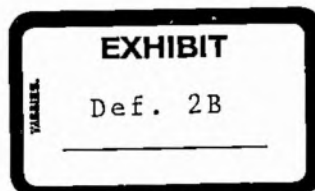
Replacement Tax	-4,418		
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We have changed your investment credit by allowing credit for a computational error. Ref: IITA Section 201(e).

Income Tax			
Replacement Tax		4	

We have reduced the credit claimed for research and development due to a lack of documentation for expenses shown on the IL-1299-D. Ref: IITA Section 203(f).

Income Tax			-11,956
Replacement Tax			



EXPLANATION OF ADJUSTMENTS

Page 1
8/28/98

Taxpayer Name: Zebra Technologies Corporation

FEIN:

36-2675536

Audit Period: 12/31/93 12/31/94 12/31/95

Adjustments

12/31/93

12/31/94

12/31/95

We adjusted your taxable income to include a FSC that was
in a unitary business operation with the parent company.
Ref: IITA Section 1501(a)(27).

600,458

904,931

1,068,719

C00598

CERTIFICATE OF SERVICE

The undersigned counsel of record certifies that a copy of **PEPSICO, INC. AND AFFILIATES' PENALTY ABATEMENT REPLY MEMORANDUM IN SUPPORT OF ITS MOTION FOR SUMMARY JUDGMENT** was served on August 11, 2022 to the following persons:

Judge James M. Conway Chief Administrative Law Judge Illinois Independent Tax Tribunal 160 N. LaSalle Street, Room N506 Chicago, IL 60601 James.Conway@illinois.gov	Alan V. Lindquist Illinois Department of Revenue Special Assistant Attorney General 100 W. Randolph Street, 7th Floor Chicago, IL 60601 Alan.Lindquist@illinois.gov
Joseph T. Kasiak Illinois Department of Revenue 100 W. Randolph Street, Ste. 7-900 Chicago, IL 60601 Joeseph.Kasiak@illinois.gov	Rebecca Kulekowskis Illinois Department of Revenue 100 W. Randolph Street, Ste. 7-900 Chicago, IL 60601 Rebecca.Kulekowskis@illinois.gov

/s/ Theodore R. Bots
Attorney for Petitioner,
PepsiCo, Inc. and Affiliates