ILLINOIS INDEPENDENT
TAX TRIBUNAL

CORELOGIC, INC.,
Petitioner,

v.

ILLINOIS DEPARTMENT
OF REVENUE,
Respondent.

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PETITION

The Petitioner, CoreLogic, Inc., hereby petitions the Illinois Independent Tax Tribunal to review and reverse and/or modify the Notice of Deficiency ("Notice") issued by the Illinois Department of Revenue ("Department"), for the reasons stated below.

INTRODUCTION

1. The Notice was issued by the Department on August 1, 2016 assessing a corporation income tax deficiency in the amount of $170,549.00 in tax, $12,096.60 in penalties and $2,195.61 in interest for the taxable reporting period January 1, 2014 through December 31, 2014. As of the date of the Notice, the total balance due, after the application of estimated tax payments made by the Petitioner, is $66,258.21. A copy of the Notice is attached to this Petition.

2. The Petitioner is a corporation with its principal place of business in Irvine, California. It is located at 40 Pacifica, Suite 900, and its telephone number is (949) 214-1000. The Taxpayer Account number is 95-1068610.

3. The Department disallowed the Petitioner's Illinois Net Loss Deduction claimed on its Corporation Income and Replacement Tax Return for the taxable reporting period January 1, 2014 through December 31, 2014. The Illinois Income Tax Act provides an Illinois Net Loss Deduction for any taxable year which is computed by aggregating the Illinois net loss carryovers and Illinois net loss carrybacks to such taxable year.

BACKGROUND AND RELEVANT FACTS

4. The Petitioner is the parent company and designated member/reporting entity of a unitary group of corporations that files a combined Illinois Corporation Income and Replacement Tax Return (Form IL-1120).

5. The Petitioner timely filed its Form IL-1120 for the taxable reporting period January 1, 2014 through December 31, 2014 on October 15, 2015.

6. The Petitioner properly computed its Illinois combined net loss deduction in the amount of $650,704 for the taxable reporting period January 1, 2014 through December 31, 2014. A historical account of how the Petitioner generated and utilized its Illinois net loss carryovers is described in the paragraphs below.

7. The Petitioner generated a combined Illinois net loss carryover for the taxable reporting period January 1, 2011 through December 31, 2011 in the amount of $738,024.

8. In a Return Correction Notice dated March 26, 2013, the Department adjusted the Petitioner's Distributive Share of Subtractions reported to it from partnerships for the taxable reporting period January 1, 2011 through December 31, 2011. The resulting combined Illinois net loss carryover generated by the Petitioner for the period was recomputed by the Department to be $734,523.

9. The Petitioner disagreed with the Department's adjustment to its Distributive Share of Subtractions and its combined Illinois net loss carryover for the taxable reporting period January 1, 2011 through December 31, 2011. The Petitioner mailed to the Department additional information and an explanation for its subtractions related to interests in partnerships that do not file an Illinois Form IL-1065 or Schedule K-1-P. The Petitioner's correspondence was dated April 16, 2013.

10. In an Error Notification Response dated October 18, 2013, the Department did not accept the Petitioner's explanation provided above, stating they could not except spreadsheets in lieu of the required form (Schedule K-1-P).

11. The Petitioner again disagreed with the Department and reiterated that the Distributive Share of Subtractions were from partnerships that did not file an Illinois Form IL-1065 or Schedule K-1-P. The Petitioner's correspondence was dated November 12, 2013 and addressed directly to the Department's representative Ms. Britton Swaine.

12. In an Error Notification Response dated November 20, 2013, the Department's representative continued to disallow the Petitioner's Distributive Share of Subtractions since copies of Schedules K-1-P were not provided. However, if the Petitioner disagreed with this position, they could write the Office of Legal Services.

13. The Petitioner abandoned any further action against the Department's adjustment since it only reduced the Petitioner's combined Illinois net loss carryover for the taxable reporting period January 1, 2011 through December 31, 2011 by $3,501 (from $738,024 to $734,523).

14. During the Petitioner's taxable reporting period January 1, 2011 through December 31, 2011, several of its unitary group members that generated a separate Illinois net loss carryover merged into other unitary group members. The next several paragraphs provide a description of each such merger.

15. On December 31, 2011 CoreLogic Information Solutions, Inc. (Taxpayer ID: 01-0606588) merged into CoreLogic Solutions, LLC (EIN: 33-0779353), a single member limited liability company ("SMLLC") treated as a disregarded entity or division of CoreLogic, Inc. for Federal and Illinois income tax purposes. Therefore, the separate Illinois net loss carryover generated by CoreLogic Information Solutions, Inc. in 2011 was effectively transferred to and carried over by CoreLogic, Inc. to the following year.

16. On December 31, 2011 CoreLogic Proxix Solutions, Inc. (Taxpayer ID: 36-4523554) merged into CoreLogic Flood Services, LLC (EIN: 94-3366403), a SMLLC treated as a disregarded entity or division of CoreLogic, Inc. for Federal and Illinois income tax purposes. Therefore, the separate Illinois net loss carryover generated by CoreLogic Proxix Solutions, Inc. in 2011 was effectively transferred to and carried over by CoreLogic, Inc. to the following year.

17. On December 31, 2011 CoreLogic US, Inc. (Taxpayer ID: 61-1437565) merged into CoreLogic Information Resources, LLC (EIN: 45-3534943), a SMLLC treated as a disregarded entity or

division of CoreLogic, Inc. for Federal and Illinois income tax purposes. Therefore, the separate Illinois net loss carryover generated by CoreLogic US, Inc. in 2011 was effectively transferred to and carried over by CoreLogic, Inc. to the following year.

18. On December 31, 2011 MarketLinx, Inc. (Taxpayer ID: 62-1666940) merged into CoreLogic Solutions, LLC (EIN: 33-0779353), a SMLLC treated as a disregarded entity or division of CoreLogic, Inc. for Federal and Illinois income tax purposes. Therefore, the separate Illinois net loss carryover generated by MarketLinx, Inc. in 2011 was effectively transferred to and carried over by CoreLogic, Inc. to the following year.

19. On August 31, 2012 the Petitioner sold one of its unitary group members, American Driving Records, Inc. (Taxpayer ID: 95-4226078), to an unrelated third party. The remaining separate Illinois net loss carryover generated by this member in 2011 was removed from the Petitioner's combined Illinois net loss carryover to the following year.

20. For its taxable reporting period January 1, 2012 through December 31, 2012, the Petitioner only used $100,000 of its combined Illinois net loss carryover since the Department placed a limitation on the amount of net loss carryovers that taxpayers could use for the year. Although the Petitioner did not adjust its combined Illinois net loss carryover schedules to reflect the Department's prior period adjustment, the resulting net loss carryover to the following year would have been $614,071.

21. For its taxable reporting period January 1, 2013 through December 31, 2013, the Petitioner only used $100,000 of its combined Illinois net loss carryover since the Department placed a limitation on the amount of net loss carryovers that taxpayers could use for the year. Although the Petitioner did not adjust its combined Illinois net loss carryover schedules to reflect the Department's prior period adjustment, the resulting combined Illinois net loss carryover to the following year would have been $514,071.

22. On March 25, 2014, the Petitioner completed the acquisition of two other corporations who immediately joined the Petitioner's Illinois unitary combined group during its taxable reporting period January 1, 2014 through December 31, 2014.

23. DataQuick Information Systems, Inc. (Taxpayer ID: 94-3360022) joined the Petitioner's unitary group with a separate Illinois net loss carryover of $157,823.

24. As successor to Decision Insight Information Group, Inc. (Taxpayer ID: 91-1265245), Decision Insight Information Group (U.S.) I, Inc. (Taxpayer ID: 27-4117032) joined the Petitioner's unitary group with a separate Illinois net loss carryover of $16,093,891. It is important to note that Decision Insight Information Group, Inc. converted to a SMLLC treated as a disregarded entity or division of Decision Insight Information Group (U.S.) I, Inc. just prior to the Petitioner's acquisition. Therefore, the separate Illinois net loss carryover from Decision Insight Information Group, Inc. was effectively transferred to, carried over and used by Decision Insight Information Group (U.S.) I, Inc. during the Petitioner's taxable reporting period January 1, 2014 through December 31, 2014.

25. The Petitioner's combined Illinois net loss carryover to its taxable reporting period January 1, 2015 through December 31, 2015 is $16,115,081.

APPLICABLE LAW

26. According to ILCS § 5/207(a)(3), "If after applying all of the (i) modifications provided for in paragraph (2) of Section 203(b), paragraph (2) of Section 203(c) and paragraph (2) of Section 203(d)

and (ii) the allocation and apportionment provisions of Article 3 of this Act and subsection (c) of this Section, the taxpayer's net income results in a loss; for any taxable year ending on or after December 31, 2003, such loss shall be allowed as a net operating loss carryover to each of the 12 taxable years following the taxable year of such loss, except as provided in subsection (d)."

27. Subsection (d) of ILCS § 5/207 states, "In the case of a corporation (other than a Subchapter S corporation), no carryover deduction shall be allowed under this Section for any taxable year ending after December 31, 2010 and prior to December 31, 2012, and no carryover deduction shall exceed $100,000 for any taxable year ending on or after December 31, 2012 and prior to December 31, 2014; provided that, for purposes of determining the taxable years to which a net loss may be carried under subsection (a) of this Section, no taxable year for which a deduction is disallowed under this subsection, or for which the deduction would exceed $100,000 if not for this subsection, shall be counted.

28. According to Ill. Admin. Code 100.2310(b), "Every taxpayer claiming an Illinois net loss deduction for any taxable year shall file, in accordance with the tax return instructions for that year, a concise statement in such form as the Department shall require setting forth the amount of the net loss deduction claimed and all material and pertinent facts required by the instructions. The Illinois net loss for any taxable year shall be determined under the law applicable to that year."

29. The Illinois Income Tax Act follows the provisions of Internal Revenue Code ("IRC") § 381 regarding carryovers in certain corporate acquisitions and reorganizations.

30. IRC § 381(a) states, "In the case of the acquisition of assets of a corporation by another corporation - (1) in a distribution to such other corporation to which section 332 (relating to liquidations of subsidiaries) applies; or (2) in a transfer to which section 361 (relating to nonrecognition of gain or loss to corporations) applies, but only if the transfer is in connection with a reorganization described in subparagraph (A), (C), (D), (F), or (G) of section 368(a)(1), the acquiring corporation shall succeed to and take into account, as of the close of the day of distribution or transfer, the items described in subsection (c) of the distributor or transferor corporation, subject to the conditions and limitations specified in subsections (b) and (c). For purposes of the preceding sentence, a reorganization shall be treated as meeting the requirements of subparagraph (D) or (G) of section 368(a)(1) only if the requirements of subparagraphs (A) and (B) of section 354(b)(1) are met."

31. ILCS § 5/405(a) provides for the transfer of Illinois net loss carryovers and Article 2 credits between corporations following an IRC Section 381(a) transaction. The section states, "In the case of the acquisition of assets of a corporation by another corporation described in Section 381(a) of the Internal Revenue Code, the acquiring corporation shall succeed to and take into account, as of the close of the day of distribution or transfer, all Article 2 credits and net losses under Section 207 of the corporation from which the assets were acquired."

32. In Illinois Dept. of Rev. General Information Letter No. IT 09-0032-GIL, 09/23/2009, the Department ruled that, following a 2001 merger, the entire net loss carryover of an acquired company had to be carried to the surviving company's taxable year ending January 31, 2002.

ERROR I

33. According to its Notice, the Department disallowed the Petitioner's entire combined Illinois net loss deduction claimed on its Form IL-1120 for the taxable reporting period January 1, 2014 through December 31, 2014.

34. The Illinois Income Tax Act provides for net operating loss carryovers and conforms to IRC § 381 regarding carryovers in certain corporate acquisitions and reorganizations.

35. The Department has issued a general information letter stating that the entire Illinois net loss carryover following the merger of an acquired company had to be carried over to the surviving company's taxable year.

36. The Department's disallowance of the Petitioner's combined Illinois net loss deduction is contrary to that allowed under the Illinois Income Tax Act, the Department regulations and its general letter opinion.

CONCLUSION AND RELIEF REQUESTED

37. The Petitioner properly applied the relevant Illinois tax law with regard to corporate reorganizations to its Illinois net loss carryover for the taxable reporting period January 1, 2011 through December 31, 2011.

38. The Petitioner properly applied the relevant Illinois tax law with regard to the limitations on the utilization of its Illinois net loss carryover for the taxable reporting periods January 1, 2012 through December 31, 2013.

39. The Petitioner properly applied the relevant Illinois tax law with regard to corporate acquisitions to its Illinois net loss carryover for the taxable reporting period January 1, 2014 through December 31, 2014.

40. The Petitioner properly computed its Illinois combined net loss deduction in the amount of $650,704 for the taxable reporting period January 1, 2014 through December 31, 2014.

41. The Petitioner properly reported its Illinois combined net loss carryovers and deductions on forms and schedules prescribed by the Department for the taxable reporting periods January 1, 2011 through December 31, 2014.

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

I DECLARE UNDER THE PENALTIES OF PERJURY THAT THE INFORMATION ABOVE IS TRUE AND CORRECT.

SIGNED THIS 30th day of September, 2016.

CORELOGIC, INC.

By: ____________________

Jim Balas, Chief Financial Officer

Notice of Deficiency

COPY

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

STATE OF **Illinois**
DEPARTMENT OF REVENUE
tax.illinois.gov

#BWNKMGV
#CNXX X143 13X3 2485#
CORELOGIC INC
ATTN: DAVID SCHALLER
40 PACIFICA STE 900
IRVINE CA 92618-7487

RECEIVED
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...gic Tax Department

August 1, 2016

Letter ID: CNXXX14313X32485

Taxpayer ID:	95-1068610
Reporting period:	December 2014
Total deficiency:	$184,841.21
Balance due:	$66,258.21

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).** 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**), 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

Constance Beard
Director of Revenue

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

LTR393-NLS (R 07/13)

CORELOGIC INC

COPY

Letter ID:	CNXXX14313X32485
Taxpayer ID:	95-1068610
Reporting Period:	December 2014

STATEMENT

Computation of Deficiency

Tax year ending:December 2014	**Corrected Amount**
Base income(loss) allocable to IL	$1,795,250.00
IL net loss deduction(NLD)	$0.00
Net Income	$1,795,250.00
Tax Due	$170,549.00
Plus late-filing or nonfiling penalty	$0.00
Plus late-payment penalty	$12,096.60
Plus interest on tax through 08/01/2016	$2,195.61
Total deficiency	*$184,841.21

*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)	*$184,841.21
Minus tax withheld per Form W-2	$0.00
Minus additional tax withheld	$0.00
Minus estimated tax payments	$118,583.00
Remaining amount due or overpaid	
Current amount due (this notice)	$66,258.21

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