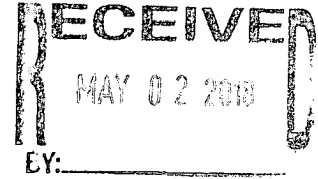


ILLINOIS INDEPENDENT
TAX TRIBUNAL

VIP Partners I, LLC,)
 Petitioner,)
 v.)
 ILLINOIS DEPARTMENT)
 OF REVENUE,)
 Respondent.)

18750



PETITION

Petitioners, VIP Partners I, LLC, by and through his attorneys, THOMAS J. DWYER & ASSOCIATES, LLC, hereby petition for a redetermination of the deficiencies set forth by the ILLINOIS DEPARTMENT OF REVENUE (the “Department”) in the Department’s Notice of Deficiency letters dated March 13, 2018. As the basis for Petitioner’s case, Petitioner alleges as follows:

1. Petitioner is a limited liability company, VIP Partners I, LLC, with legal address currently at 970 N Oaklawn Avenue, Suite 300, Elmhurst, Illinois 60126, and phone number (630) 333-1920.
2. A copy of the Notice of Deficiency for reporting period December 2014 is attached as Exhibit A.
3. A copy of the Notice of Deficiency for reporting period December 2015 is attached as Exhibit B.

JURISDICTION

4. Pursuant to 35 ILCS 1010/1-45(a), the Illinois Independent Tax Tribunal has “original jurisdiction over all determinations of the Department reflected on a ... Notice of Deficiency ... issued under the Illinois Income Tax Act” where the aggregate amount at issue exceeds \$15,000, exclusive of penalties and interest. 35 ILCS 1010/1-45(a)
5. The deficiencies, as determined by the Department, are as follows:

Tax Year Ending	Tax Amount at Issue	Type of Tax
12/31/2014	\$8,882	Income
12/31/2015	\$12,519	Income
TOTAL	\$21,401	

6. The entire amount of the deficiency, penalties, and statutory interest thereon are in dispute.
7. The aggregate tax at issue is **\$21,401**. Therefore, the Illinois Independent Tax Tribunal has original jurisdiction in this case.

TIMELINESS

8. The due date for filing this Petition based on the dates of the Notice of Deficiency in the years at issue is **May 11, 2018**

ERRORS OF FACT OR LAW MADE BY THE DEPARTMENT

9. The determination of taxes and penalties set forth in the Notice of Deficiency for the tax year ending December 31, 2014 is based upon the following errors:
 - A. The Department erroneously disallowed the subtraction modifications for the amount of income of the partnership which constitutes personal service income or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership for the period ending December 31, 2014.
 - B. The Department erroneously determined that Petitioner is subject to a UPIA-5 late-payment penalty for the period ending December 31, 2014 in the amount of \$1,776.40.
10. The determination of taxes and penalties set forth in the Notice of Deficiency for the tax year ending December 31, 2015 is based upon the following errors:
 - A. The Department erroneously disallowed the subtraction modification for the amount of income of the partnership which constitutes personal service income or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership for the period ending December 31, 2015.
 - B. The Department erroneously determined that Petitioner is subject to a UPIA-5 late-payment penalty for the period ending December 31, 2015 in the amount of \$2,503.80.

FACTUAL BACKGROUND

11. The facts upon which Petitioner rely as the basis of its case are as follows:
 - A. During both years at issue, Petitioner was a limited liability company located in Illinois.
 - B. Petitioner's main trade or business is raising capital for investments in industrial real estate properties to own and manage.

- C. During both years at issue, Petitioner paid its members a reasonable compensation for professional services rendered by the members to the Petitioner.
- D. Certain members are actively involved in the day-to-day operations of the business.

RETURNS FILED

- 12. Petitioner timely filed Form IL-1065 for the calendar year ending December 31, 2014. Petitioner has copies of the return which can be produced upon request but which has not been attached pursuant to the Tribunal's rules.
- 13. Petitioner timely filed Form IL-1065 for the calendar year ending December 31, 2015. Petitioner has copies of the return which can be produced upon request but which has not been attached pursuant to the Tribunal's rules.

COUNT ONE

ASSERTION THAT PETITIONER IS NOT ENTITLED TO A DEDUCTION FOR PERSONAL SERVICE INCOME OR A REASONABLE ALLOWANCE FOR COMPENSATION PAID OR ACCRUED FOR SERVICES RENDERED

- 14. Pursuant to 35 ILCS 5/203(d)(2)(H) (the "Statute"), a partnership (or an LLC taxed as a partnership) is allowed to deduct from its base income: 1) any income of the partnership which constitutes "personal services income," as defined in Section 1348(b)(1) of the Internal Revenue Code, or 2) a "reasonable allowance for compensation" paid or accrued for services rendered by the partners to the partnership, whichever is greater.
- 15. The taxpayer claimed a deduction from base income as reasonable allowance for compensation paid and accrued for services rendered by the members of the taxpayer.
- 16. The amount claimed was based on the money distributed to the members for participating in the taxpayer's business, specifically, for assisting the promotion of the taxpayer's business, for soliciting new members, and for raising capital for the business. The amount claimed as the deduction was equal to the money distributed to the members for their share of the profits earned by the taxpayer as reported on the members' Federal Schedule K-1s.
- 17. The taxpayer's main trade or business is raising capital for investments in industrial real estate properties to own and manage. A significant amount of the members are active managers of the real estate investments. The taxpayer's business requires substantial investment capital which the taxpayer raised through the personal efforts of its members.
- 18. The taxpayer determined it was reasonable to deduct the payments made to the members as reasonable compensation because the taxpayer would have had to pay similar amounts to outside professionals or employees to assist with raising the capital needed had it not been for its members.

19. The taxpayer utilized the skills and relationships of its members to procure the capital necessary for the investments, and each member put in varying amount of time and energy to procure capital necessary to run the taxpayer's business.
20. The taxpayer viewed the profit distributions as quasi-commission payments, or compensation, to its members and determined the amounts were reasonable and appropriate to deduct from Illinois base income when determining the amount subject to Illinois Replacement Tax (the "Tax").
21. The Department has stated in a private letter ruling that "'Compensation paid or accrued to partners' is the payment to partners for their services rendered to the partnership in carrying on the partnership's activities. Such amount may or may not include an amount equal to the guaranteed payments paid to partners of the partners' proportionate shares of partnership income." See Illinois Department of Revenue IT 91-0339-PLR (12/24/1991). The Department further explains, "As a general rule, reasonable and true compensation is only such amount as would ordinarily be paid for like services by like enterprises under like circumstances."
22. In direct accordance with the Department's own language, the taxpayer paid its members compensation for services rendered to the taxpayer in such an amount as it would have paid to outside professionals for like services by like enterprises under like circumstances.
23. In private letter ruling IT 91-0339-PRL, the Department specifically states, "The Department will not contest deductions for compensation paid to partners unless the amount subtracted is patently unreasonable." The fact that the taxpayer would have had to pay outside professionals similar amounts for the same services is clear and convincing evidence as to its reasonableness, thus far deviating from the level of "patently unreasonable."
24. If the Department does not agree with the above arguments, then the taxpayer respectfully requests the Department consider these two alternative arguments to decrease and/or eliminate the Tax:
 - A. Certain partners are actively involved in the day-to-day operations of the business, and their share of the taxpayer profits should be considered reasonable compensation and not subject to the Tax; and,
 - B. The Department is violating the due process clause of the Fourteenth Amendment because Section 35 ILCS 5 of the Illinois Income Tax Act is vague as to the enforcement and collection of this Tax.
25. First, there are three partners that are actively involved in the day-to-day operations of the business. These partners are real estate professionals, are licensed real estate brokers, and actively manage each property owned by the taxpayer. The three partners' names are: (1) John Horrigan, (2) Brian Liston, and (3) Brian Gedvilas. These three partners own a combined share of 14.07% of VIP Partners I, LLC. These three partners are actively

engaged in the operations of the company and, in addition to procuring capital, provide the following services on a daily basis:

- A. Actively search for properties to purchase;
 - B. Manage the development and maintenance of all properties;
 - C. Oversee marketing and lease activity of all tenants;
 - D. Provide brokerage services for the purchase and sale of properties; and
 - E. Secure financing for property purchases and development.
26. At a minimum, the distributions to these three individuals should be considered reasonable compensation and the Department should allow a subtraction for their share of distributions.
27. Secondly, the Department is violating the due process clause of the Fourteenth Amendment because Section 35 ILCS 5 of the Illinois Income Tax Act is vague as to the enforcement and collection of this Tax. What the Department determines to qualify for the subtraction of personal service income or reasonable allowance for compensation of partners is the *opinion* of the Department staff, not written law provided by the Illinois legislature. Aside from one line on the partnership tax form, there are no instructions, regulations, or law to support or deny a taxpayer from taking this subtraction. Absent any law, the Department should not be able to enforce the collection of this Tax. The reason the Department has never enforced the collection of this Tax historically is because it is vague, indefinite, uncertain, and not capable of being understood without any instruction. The Department has not provided taxpayers with explicit standards for enforcement; therefore, the Department should not be allowed to collect this Tax because it violates the due process clause of the Fourteenth Amendment.
28. In summary, absent any statutory authority provided by the Department to the contrary, the taxpayer believes it has met its burden of proof by providing the above explanation to the Department. What the taxpayer determines to be reasonable meets the definition of “reasonable” pursuant to Webster’s and Black Laws Dictionary, which is the only authority available on this Tax. The taxpayer believes the deduction from base income was appropriate, the deduction should be considered a reasonable allowance for compensation paid and accrued for services rendered by the members of the taxpayer, and there should be no adjustment to the taxpayer’s base income reported on the originally filed F. IL-1065 for the tax years ending December 31, 2014 and 2015.

COUNT TWO
ASSERTION OF PETITIONER LIABILITY FOR PENALTIES

29. Section 3-8 of the UPIA, 35 ILCS 735/3-8 addresses the issue of when penalties can be abated. It states: No penalties if reasonable cause exists. The penalties imposed under the provisions of Sections 3-3, 3-4, 3-5, and 3-7.5 of this Act shall not apply if the taxpayer

shows his failure to file a return or pay tax at the required time was due to reasonable cause.

30. The Department has promulgated rules interpreting reasonable cause at 86 Ill. Admin. Code, Ch. I, Section 700.400. These rules provide that reasonable cause shall be determined in each situation in accordance with the rules and regulations promulgated by the Department. The determination whether a taxpayer acted with reasonable cause shall be made on a case by case basis taking into account all pertinent facts and circumstances. The most important factor to be considered in making a determination to abate a penalty will be the extent to which the taxpayer made a good faith effort to determine his proper tax liability and to file and pay his proper liability in a timely fashion.
31. Petitioner prepared and calculated the tax due on the tax returns for the reporting periods ending December 31, 2014 and December 31, 2015 based on rules and regulations provided by the Department. Petitioner timely filed the income tax returns required to be filed. Petitioner exercised the required ordinary business care and prudence in doing so. Therefore, no late-payment penalties should be assessed.

PRAYER FOR RELIEF

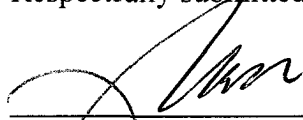
WHEREFORE, Petitioner prays that this Court hear this case and determine that:

- (1) The Illinois statute, 35 ILCS 5/203(d)(2)(H), which provides a deduction for a reasonable allowance for compensation paid or accrued for services rendered by the partners to the partnership is applied so accordingly;
- (2) Petitioner is entitled to a deduction for a reasonable allowance for compensation paid or accrued for services rendered by the partners to the partnership for the tax year ending December 31, 2014;
- (3) Petitioner is entitled to a deduction for a reasonable allowance for compensation paid or accrued for services rendered by the partners to the partnership for the tax year ending December 31, 2015;
- (4) Petitioner is not liable for late-payment penalties for the tax year ending December 31, 2014 in the amount of \$1,776.40; and
- (5) Petitioner is not liable for late-payment penalties for the tax year ending December 31, 2015 in the amount of \$2,503.80; and

give such other and further relief as the Court may deem fit and proper.

5/1/18
Date

Respectfully submitted,



Attorney for Petitioner

Thomas J. Dwyer Jr., Attorney at Law
Thomas J. Dwyer & Associates, LLC
401 South LaSalle Street, Suite 606
Chicago, IL 60605
(312) 786-5959
tjdwyer@tjdwyerlaw.com



IL-2848 Power of Attorney

Read this information first

Attach a copy of this form to each specific tax return or item of correspondence for which you are requesting power of attorney. **Do not send this form separately.**

Step 1: Complete the following taxpayer information

1 <u>VIP PARTNERS I, LLC</u> Taxpayer's name	3 <u>970 N. OAKLAWN AVENUE, SUITE 300</u> Taxpayer's street address
2 <u>20-3805196</u> Taxpayer's identification number(s)	<u>ELMHURST</u> <u>IL</u> <u>60126</u> City State ZIP

Step 2: Complete the following information

4 The taxpayer named above appoints the following to represent him before the Illinois Department of Revenue.

<u>THOMAS J. DWYER JR.</u> Name	<u>JOHN R. STEGER</u> Name	<u>KELLEY FERGUSON</u> Name
<u>THOMAS J. DWYER & ASSOC.</u> Name of firm	<u>THOMAS J. DWYER & ASSOC.</u> Name of firm	<u>THOMAS J. DWYER & ASSOC.</u> Name of firm
<u>401 S. LASALLE ST., STE. 606</u> Street address	<u>401 S. LASALLE ST., STE. 606</u> Street address	<u>401 S. LASALLE ST., STE. 606</u> Street address
<u>CHICAGO</u> <u>IL</u> <u>60605</u> City State ZIP	<u>CHICAGO</u> <u>IL</u> <u>60605</u> City State ZIP	<u>CHICAGO</u> <u>IL</u> <u>60605</u> City State ZIP
<u>(312) 786-5946</u> Daytime phone number	<u>(312) 786-5974</u> Daytime phone number	<u>(312) 374-0618</u> Daytime phone number
<u>tid-ir@tidwyerlaw.com</u> E-mail address	<u>john@johnrstegeercpa.com</u> E-mail address	<u>kferguson@tidwyerlaw.com</u> E-mail address
<u>INCOME</u> <u>2012-2016</u> Specific tax type Year or period	<u>INCOME</u> <u>2012-2016</u> Specific tax type Year or period	<u>INCOME</u> <u>2012-2016</u> Specific tax type Year or period

5 The attorneys-in-fact named above shall have, subject to revocation, full power and authority to perform any act that the principals can and may perform, including the authority to receive confidential information.

The attorneys-in-fact named above **do not** have the power to – *Check only the items below you do not wish to grant.*

- endorse or collect checks in payment of refunds.
- receive checks in payment of any refund of Illinois taxes, penalties, or interest.
- execute waivers (including offers of waivers) of restrictions on assessment or collection of deficiencies in tax and waivers of notice of disallowance of a claim for credit or refund.
- execute consents extending the statutory period for assessments or collection of taxes.
- delegate authority or substitute another representative.
- file a protest to a proposed assessment.
- execute offers in compromise or settlement of tax liability.
- represent the taxpayer before the department in all proceedings including hearings (requiring representation by an attorney) pertaining to matters specified above.
- obtain a private letter ruling on behalf of the taxpayer.
- perform other acts (explain) _____

6 This power of attorney revokes all prior powers of attorney on file with the department with respect to the same matters and years or periods covered by this form, except for the following:

Name _____	Name _____	Name _____
Street address _____	Street address _____	Street address _____
City _____ State _____ ZIP _____	City _____ State _____ ZIP _____	City _____ State _____ ZIP _____
() _____	() _____	() _____
Daytime phone number _____	Daytime phone number _____	Daytime phone number _____
Date granted _____	Date granted _____	Date granted _____



7 Copies of notices and other written communications addressed to the taxpayer in proceedings involving the matters listed on the front of this form should be sent to the following:

THOMAS J. DWYER JR.		
Name	Name	Name
401 S. LASALLE ST., STE. 606		
Street address	Street address	Street address
CHICAGO IL 60605		
City State ZIP	City State ZIP	City State ZIP
(312) 786-5946		
Daytime phone number	Daytime phone number	Daytime phone number

Step 3: Taxpayer's signature

If signing as a corporate officer, partner, fiduciary, or individual on behalf of the taxpayer, I certify that I have the authority to execute this power of attorney on behalf of the taxpayer.

<i>[Signature]</i>	MANAGING MEMBER	1/2/18
Taxpayer's signature	Title, if applicable	Date

Step 4: Complete the following if the power of attorney is granted to an attorney, a certified public accountant, or an enrolled agent

- I declare that I am **not** currently under suspension or disbarment and that I am
- a member in good standing of the bar of the highest court of the jurisdiction indicated below; or
 - duly qualified to practice as a certified public accountant in the jurisdiction indicated below; or
 - enrolled as an agent pursuant to the requirements of United States Treasury Department Circular Number 230.

ATTORNEY, C.P.A.	ILLINOIS	<i>[Signature]</i>	1/2/18
Designation (attorney, C.P.A., enrolled agent)	Jurisdiction (state(s), etc.)	Signature	Date
C.P.A.	ILLINOIS	<i>[Signature]</i>	1/2/18
Designation (attorney, C.P.A., enrolled agent)	Jurisdiction (state(s), etc.)	Signature	Date
C.P.A.	ILLINOIS	<i>[Signature]</i>	1/2/18
Designation (attorney, C.P.A., enrolled agent)	Jurisdiction (state(s), etc.)	Signature	Date

Step 5: Complete the following if the power of attorney is granted to a person other than an attorney, a certified public accountant, or an enrolled agent

If the power of attorney is granted to a person other than an attorney, a certified public accountant, or an enrolled agent, this document must be witnessed or notarized below. Please check and complete one of the following.

Any person signing as or for the taxpayer

_____ Is known to and this document is signed in the presence of the two disinterested witnesses whose signatures appear here.

Signature of witness	Date
Signature of witness	Date

_____ appeared this day before a notary public and acknowledged this power of attorney as his or her voluntary act and deed.

Signature of notary	Date
---------------------	------

Notary seal



Notice of Deficiency
for Form IL-1065, Partnership Replacement Tax Return



#BWNKMGV
#CNXX X122 4X74 X966#
VIP PARTNERS I LLC
ATTN: MR JOHN F HORRIGAN
970 N OAKLAWN AVE STE 300
ELMHURST IL 60126-1027

March 13, 2018



Letter ID: CNXXX1224X74X966

Taxpayer ID: 20-3805196
Audit ID: A1054989312
Reporting period: December 2014
Total Deficiency: \$11,584.69
Balance due: \$11,584.69

We have audited your account 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, pay the total balance due as soon as possible to minimize penalty and interest assessed. Make your check payable to the "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 the date 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 and administrative hearing. An administrative hearing is a formal legal proceeding conducted pursuant to the 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 liability 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 assessment total 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, call us at the telephone number shown below.

Sincerely,

Constance Beard
Director

ILLINOIS DEPARTMENT OF REVENUE
AUDIT BUREAU
PO BOX 19012
SPRINGFIELD IL 62794-9012
(217) 558-4960

Statement

Date: March 13, 2018
Name: VIP PARTNERS I LLC
Taxpayer ID: 20-3805196
Letter ID: CNXXX1224X74X966

The attached EDA-27, Explanation of Adjustments, details your audit adjustments.

Computation of deficiency

Reporting period: 31-Dec-2014

Unmodified base income or loss	
Total unmodified base income or loss	\$920,074.00
Total unmodified base income	\$920,074.00
Income or loss	
Other additions	\$0.00
Total income or loss	\$920,074.00
Illinois base income or net loss	
Income dist. to a partner subject to rep. tax	\$323,759.00
Illinois bonus depreciation subtraction	\$3,192.00
Total subtractions	\$326,951.00
Base income or loss	\$593,123.00
Income allocable to Illinois	
Nonbusiness income or loss	\$0.00
Non-unitary partnership business income/loss	\$0.00
Business income or loss	\$593,123.00
Apportionment formula	
Total sales everywhere	\$0.00
Total Illinois sales	\$0.00
Apportionment factor	1.000000
Business income/loss apportionable to IL	\$0.00
Non-business income/loss allocable to IL	\$0.00
Non-unitary part bus income/loss apprtn to IL	\$0.00
Base income or net loss allocable to IL	\$0.00
Net income	
Base income or net loss	\$593,123.00
Illinois net loss deduction (NLD)	\$0.00
Income after NLD	\$593,123.00
Exemption allowance	\$1,000.00
Net income	\$592,123.00
Base income or loss allocable to Illinois	\$592,123.00
Net replacement tax	
Replacement tax	\$8,882.00
Recapture of investment credits	\$0.00
Replacement tax before investment credits	\$8,882.00
Replacement tax investment credits	\$0.00

Statement

Date: March 13, 2018
Name: VIP PARTNERS I LLC
Taxpayer ID: 20-3805196
Letter ID: CNXXX1224X74X966

Computation of deficiency		Reporting period: 31-Dec-2014
Net replacement tax due		\$8,882.00
Pass-through Withholding Payments		\$15,612.00
Total New Replacement Tax & Pass-Through		\$24,494.00
Minus tax previously assessed		-\$15,612.00
Total tax deficiency		\$8,882.00
UPIA-5 late-payment penalty (Audit)		\$1,776.40
Plus interest on tax through March 13, 2018		\$926.29
Total deficiency		* \$11,584.69

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

Computation of balance due		Reporting period: 31-Dec-2014
Balance due		* \$11,584.69

Explanation of Audit Adjustments

Income Tax



#BWNKMGV
#CNXX XX75 1995 9526#
VIP PARTNERS I LLC
ATTN: MR JOHN F HORRIGAN
970 N OAKLAWN AVE STE 300
ELMHURST IL 60126-1027

March 13, 2018



Letter ID: CNXXXX7519959526

Taxpayer ID: 20-3805196
Account ID: 19834-93632
Audit ID: A1054989312
Reporting period: December 2014

Explanation of adjustments for tax period ending 12/31/2014

<u>Return Impact</u>	<u>Tax Impact</u>
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We adjusted or disallowed the subtraction modifications for the amount of income of the partnership which constitutes personal service income as defined in Section 1348(b)(1) of the Internal Revenue Code (as in effect December 31, 1981) or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership. [35 ILCS 5/203(d)(2)(H)]

\$610,000.00	\$8,882.00
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Interest on tax and penalty, if applicable, has been computed as allowed by Illinois law. [35 ILCS 735/3-2]

We are imposing a penalty because you did not pay the amount required to be shown due on your return by the due date for payment. Once an audit has been initiated, the late payment penalty is assessed at 15 percent of the late payment. Failure to pay the amount due or invoke protest rights within 30 days from the "Date of Issuance" on Form IL-870, Waiver of Restrictions, has resulted in this penalty increasing to 20 percent. [35 ILCS 735/3-3(b-20)(2)]

Notice of Deficiency
for Form IL-1065, Partnership Replacement Tax Return



#BWNKMGV
#CNXX XX18 44X8 X161#
VIP PARTNERS I LLC
ATTN: MR JOHN F HARRIGAN
970 N OAKLAWN AVE STE 300
ELMHURST IL 60126-1027

March 13, 2018



Letter ID: CNXXX1844X8X161

Taxpayer ID: 20-3805196
Audit ID: A1054989312
Reporting period: December 2015
Total Deficiency: \$15,949.01
Balance due: \$15,949.01

We have audited your account 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, pay the total balance due as soon as possible to minimize penalty and interest assessed. Make your check payable to the "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 the date 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 and administrative hearing. An administrative hearing is a formal legal proceeding conducted pursuant to the 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 liability 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 assessment total 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, call us at the telephone number shown below.

Sincerely,

Constance Beard
Director

ILLINOIS DEPARTMENT OF REVENUE
AUDIT BUREAU
PO BOX 19012
SPRINGFIELD IL 62794-9012

(217) 558-4960

Statement

Date: March 13, 2018
Name: VIP PARTNERS I LLC
Taxpayer ID: 20-3805196
Letter ID: CNXXXX1844X8X161

Computation of deficiency

Reporting period: 31-Dec-2015

Replacement tax before investment credits	\$12,519.00
Replacement tax investment credits	\$0.00
Net replacement tax due	\$12,519.00
Pass-through Withholding Payments	\$16,794.00
Total New Replacement Tax & Pass-Through	\$29,313.00
Minus tax previously assessed	-\$16,794.00
Total tax deficiency	\$12,519.00
UPIA-5 late-payment penalty (Audit)	\$2,503.80
Plus interest on tax through March 13, 2018	\$926.21
Total deficiency	* \$15,949.01

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

Computation of balance due

Reporting period: 31-Dec-2015

Balance due	* \$15,949.01
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Statement

Date: March 13, 2018
Name: VIP PARTNERS I LLC
Taxpayer ID: 20-3805196
Letter ID: CNXXXX1844X8X161

Computation of deficiency

Reporting period: 31-Dec-2015

Replacement tax before investment credits	\$12,519.00
Replacement tax investment credits	\$0.00
Net replacement tax due	\$12,519.00
Pass-through Withholding Payments	\$16,794.00
Total New Replacement Tax & Pass-Through	\$29,313.00
Minus tax previously assessed	-\$16,794.00
Total tax deficiency	\$12,519.00
UPIA-5 late-payment penalty (Audit)	\$2,503.80
Plus interest on tax through March 13, 2018	\$926.21
Total deficiency	* \$15,949.01

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

Computation of balance due

Reporting period: 31-Dec-2015

Balance due	* \$15,949.01
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Explanation of Audit Adjustments

Income Tax



#BWNKMGV
#CNXX XX81 33X3 76X4#
VIP PARTNERS I LLC
ATTN: MR JOHN F HARRIGAN
970 N OAKLAWN AVE STE 300
ELMHURST IL 60126-1027

March 13, 2018



Letter ID: CNXXXX8133X376X4

Taxpayer ID: 20-3805196
Account ID: 19834-93632
Audit ID: A1054989312
Reporting period: December 2015

Explanation of adjustments for tax period ending 12/31/2015

Return impact

Tax impact

We adjusted or disallowed the subtraction modifications for the amount of income of the partnership which constitutes personal service income as defined in Section 1348(b)(1) of the Internal Revenue Code (as in effect December 31, 1981) or a reasonable allowance for compensation paid or accrued for services rendered by partners to the partnership. [35 ILCS 5/203(d)(2)(H)]

\$1,300,000.00

\$12,519.00

Interest on tax and penalty, if applicable, has been computed as allowed by Illinois law. [35 ILCS 735/3-2]

We are imposing a penalty because you did not pay the amount required to be shown due on your return by the due date for payment. Once an audit has been initiated, the late payment penalty is assessed at 15 percent of the late payment. Failure to pay the amount due or invoke protest rights within 30 days from the "Date of Issuance" on Form IL-870, Waiver of Restrictions, has resulted in this penalty increasing to 20 percent. [35 ILCS 735/3-3(b-20)(2)]