

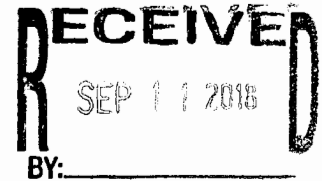
IN THE ILLINOIS INDEPENDENT TAX TRIBUNAL

VERTEX WIRELESS LLC,)
)
Petitioner,)
)
v.)
)
THE ILLINOIS DEPARTMENT OF REVENUE,)
)
Defendant.)

No.

NOTICE OF FILING

To: Illinois Department of Revenue
Office of Legal Services
100 W Randolph St., Ste. 7-900
Chicago, IL 60601



PLEASE TAKE NOTICE that on the 11th day of September, 2018, we filed with the Illinois Independent Tax Tribunal, 160 N. LaSalle Street, Room N506, Chicago, IL 60601 Vertex Wireless LLC's **Petition**, a copy of which accompanies this notice and is served on you herewith.

Respectfully submitted,

VERTEX WIRELESS LLC
Petitioner

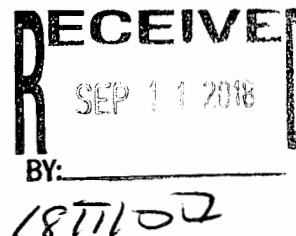
By: David A. Hughes
One of Petitioner's Attorneys

David A. Hughes (dhughes@hmblaw.com)
Samantha K. Breslow (sbreslow@hmblaw.com)
Horwood Marcus & Berk Chartered
500 W. Madison Street, Suite 3700
Chicago, IL 60661
(312) 606-3200

IN THE ILLINOIS INDEPENDENT TAX TRIBUNAL

VERTEX WIRELESS LLC,)
)
Petitioner,)
)
v.)
)
THE ILLINOIS DEPARTMENT OF REVENUE,)
)
Defendant.)

No.



PETITION

Petitioner, Vertex Wireless LLC (“Petitioner”), by and through its attorneys, Horwood Marcus & Berk Chartered, complains of the Defendant, the Illinois Department of Revenue (“Department”), and alleges as follows:

PARTIES

1. Petitioner is an Illinois limited liability company taxed as a partnership for federal and state income tax purposes. Petitioner’s principal business address is 500 Wegner Drive, West Chicago, Illinois 60185.

2. Petitioner is represented by David A. Hughes and Samantha K. Breslow of Horwood Marcus & Berk Chartered, located at 500 West Madison St., Suite 3700, Chicago, Illinois 60661, who can be reached at 312-606-3212 or dhughes@hmblaw.com, or 312-606-3206 or sbreslow@hmblaw.com.

3. Petitioner’s FEIN is 32-0171641.

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

NOTICE

5. On July 24, 2018, the Department issued two Notices of Deficiency to Petitioner for the Tax Years Ending December 31, 2014 and December 31, 2015 (“Years at Issue”) in the amounts of \$220,699.16 and \$88,317.82, respectively. True and accurate copies of the Notices of Deficiency (“Notices”) are attached hereto as Exhibit A.

JURISDICTION

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

7. The Tribunal has jurisdiction over this matter pursuant to sections 1-45 and 1-50 of the Tribunal Act because Petitioner timely filed this petition within 60 days of the Notices.

BACKGROUND

8. Petitioner provides customized mobility and wireless solutions, including the distribution and sale of cellular devices, to value-added resellers, direct-to-business distributors, Fortune 500 companies, and government agencies.

9. Petitioner’s members are Terence Lydon, John Wessel, Teri Pinney, Dean Darrus, and Brian Sipe (hereafter referred to collectively as “the Members”).

10. Mr. Lydon is the Chairman of the Board of Directors (“Board”) and the Managing Member of Petitioner.

11. As Chairman of the Board, Mr. Lydon is responsible for managing the efforts of the Board and reviewing and approving all corporate minutes.

12. As Managing Member, Mr. Lydon is also actively engaged in planning discussions, financial reporting, human relations, client management, administrative functions, and banking and client relationships.

13. Mr. Wessel is the Chief Executive Officer (“CEO”) of Petitioner.
14. As CEO, Mr. Wessel is responsible for the overall operations of Petitioner, including corporate strategy, financial reporting, human relations, business operations, client management, and information technology.
15. Mr. Wessel also manages the daily operations of the Petitioner’s business, develops and maintains client relationships, and manages the technology and application development of Petitioner.
16. Ms. Pinney is a founding Member of Petitioner.
17. Ms. Pinney is actively involved in the business activities of Petitioner, including running the corporate office and managing administrative functions.
18. On a daily basis, Ms. Pinney maintains vendor relations, manages the corporate office design, layout, and implementation, and adapts her tasks to the needs of the Petitioner, including joining internal planning meetings, attending client consultations, and assisting with the Members’ responsibilities at the corporate level.
19. Mr. Darrus is a Member of Petitioner.
20. As a Member, Mr. Darrus actively participates in Petitioner’s business by managing relationships with vendors, engaging in corporate strategy, and assisting with financial planning.
21. On a daily basis, Mr. Darrus is responsible for handling employee benefit issues, attending to legal issues of Petitioner by collaborating with outside counsel, and managing relationships with insurance providers.
22. Mr. Sipe is Petitioner’s President.

23. As President, Mr. Sipe assists Mr. Wessel in his daily operational responsibilities, including assisting the sales, marketing, business development, vendor management, engineering, and legal relations functions of Petitioner.

24. In addition, as Vice President of New Business Development for Petitioner, Mr. Sipe is responsible for leveraging his substantial experience in the wireless industry to create and develop new client relationships.

25. During the Years at Issue, Petitioner distributed all of its income to the Members.

26. The payments Petitioner made to its Members were in exchange for their personal services performed for the business.

27. On its Illinois Income and Replacement Tax Returns for the Years at Issue and in accordance with section 203(d)(2)(H) of the Illinois Income Tax Act (“Act”), Petitioner deducted the payments made to its Members as compensation for services rendered by the Members.

28. On audit, the Department substantially disallowed Petitioner’s deduction for compensation paid for services rendered by the Members.

29. As a result of the disallowance of the deduction, the Department increased Petitioner’s net income to \$11,150,455 for the 2014 tax year.

30. In accordance with the disallowance, the Department assessed Replacement Tax in the amount of \$167,257, plus penalties and interest for the 2014 tax year.

31. For the Tax Year Ending December 31, 2015, the Department increased Petitioner’s net income to \$4,567,000 as a result of the disallowance of the personal service deduction.

32. In accordance with the disallowance, the Department assessed Replacement Tax against Petitioner in the amount of \$68,505, plus penalties and interest.

COUNT I

Petitioner is Entitled to A Deduction for Personal Service Income or a Reasonable Allowance for Compensation Paid to its Members for Services Rendered

33. Petitioner realleges and incorporates by this reference the allegations made in paragraphs 1 through 32, inclusive, hereinabove.

34. The Act allows a partnership to deduct “[a]ny 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, whichever is greater.” 35 ILCS 5/203(d)(2)(H).

35. Internal Revenue Code Section 1348, as in effect on December 31, 1981, provides that “personal service income” consists of “[a]ny income which is earned income within the meaning of section 401(c)(2)(C) or section 911(b) or which is an amount received as a pension or annuity which arises from an employer-employee relationship or from tax deductible contributions to a retirement plan.”

36. Internal Revenue Code section 911(b), as in effect on December 31, 1981, provided that the term “earned income” means wages, salaries, or professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of compensation derived by the taxpayer for personal profits rather than a reasonable allowance as compensation for services actually rendered.

37. The question of what constitutes reasonable compensation for services rendered to a business is one of fact. *Lydia E. Pinkham Medicine Co. v. Commissioner*, 128 F. 2d 986, 990 (1st Cir. 1942).

38. For payments to partners to be considered reasonable compensation for services rendered, it must be the intent of the business to compensate the partners for their services. *Whitcomb v. Commissioner*, 733 F.2d 1991 (1st Cir. 1984).

39. As part of its distribution and sale of cellular devices, Petitioner provides customized mobility and wireless solutions to customers, including consultation with customers to select the device hardware, development of a software application that is particularly customized to the customer's specifications, ongoing management of the software application, including updates and customizations of the customer's operating system, customized packaging, logistics solutions such as fulfillment services, and ongoing customer support.

40. The services performed by the Members are exactly the type of activity envisioned by the personal services or reasonable compensation deduction. *See*, Ill. PLR No. IT 91-0339-PLR (12-24-1991) ("The ultimate effect of this definition of personal service income is to greatly reduce or eliminate the replacement tax liability of partnerships of doctors, lawyers, accountants, architects and other professional practitioners.").

41. The Members are professional practitioners who leverage more than 150 years in combined experience in the mobility and wireless solutions industry and their extensive professional networks to engage and develop customers.

42. The Members are not passive investors in a partnership.

43. The Members are active participants in all operations of the business, including but not limited to, financial reporting, human relations, client management, marketing, engineering, operations, and administrative functions.

44. The exclusive source of Petitioner's income is derived from the experience and personal services performed by the Members.

45. The payments made to the Members constitute a reasonable compensation for services rendered.

46. Because the payments made to the members constitute personal service income or reasonable allowance for compensation paid for services performed, Petitioner was entitled to deduct these payments from its income pursuant to Act section 203(d)(2)(H).

WHEREFORE, Petitioner prays that the Tribunal enter an order that:

- (a) finds and declares that the Petitioner is entitled to deduct from its income the payments it made to its members as personal service income or a reasonable allowance for compensation paid for services rendered by the members;
- (b) enters judgment in favor of Petitioner and against the Defendant and orders Defendant to withdraw and cancel the Notices;
- (c) grants such further relief as the Tribunal deems appropriate under the circumstances.

COUNT II

All Late Payment Penalties Should be Abated Based on Reasonable Cause

47. Petitioner realleges and reincorporates the allegations in paragraphs 1 through 46, inclusive, hereinabove.

48. In its Notices, the Department assessed late payment penalties of \$47,152.40.

49. Illinois law provides that late payment penalties do not apply if a taxpayer shows that its failure to pay tax at the required time was due to reasonable cause. 35 ILCS §734-8.

50. 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 its proper tax liability and to pay its proper tax liability in a timely fashion. 86 Ill. Admin. Code §700.400(b).

51. A taxpayer will be considered to have made a good faith effort to determine and pay its proper tax liability if it exercised ordinary business care and prudence in doing so. 86 Ill. Admin. Code §700.400(b).

52. Petitioner reasonably deducted the income that it paid to its Members for services rendered to the company.

53. Petitioner, relying on Illinois law and regulations, exercised ordinary business care and prudence when it reasonably determined its Illinois replacement tax liability for the Years at Issue.


54. The Department's determination that Petitioner owes penalties on late payment of tax is not supported by fact or law.

WHEREFORE, Petitioner prays that the Tribunal enter an order that:

- (a) finds and declares that all penalties should be fully abated based on reasonable cause;
- (b) enjoins the Department from taking any action to assess, lien, levy, offset, or in any other way prosecute and collect the amount of penalties on the Notices; and
- (c) grants such further relief as the Tribunal deems appropriate under the circumstances.

Respectfully submitted,

VERTEX WIRELESS LLC
Petitioner

By: 
One of Petitioner's Attorneys

David A. Hughes (dhughes@hmblaw.com)
Samantha K. Breslow (sbreslow@hmblaw.com)
Horwood Marcus & Berk Chartered
500 W. Madison Street, Suite 3700
Chicago, IL 60661
(312) 606-3200

CERTIFICATE OF SERVICE

Undersigned counsel of record hereby certifies that he caused a copy of the foregoing **Petition** to be served by electronic mail and by enclosing the same in an envelope, properly addressed, first-class postage prepaid and deposited in the US Mail at 500 West Madison Street, Chicago, Illinois, 60661, before the hour of 5:00 p.m. on the 11th day of September, 2018.

James R. Reynolds
Illinois Department of Revenue
Office of Legal Services
100 W. Randolph St., 7-900
Chicago, IL 60601

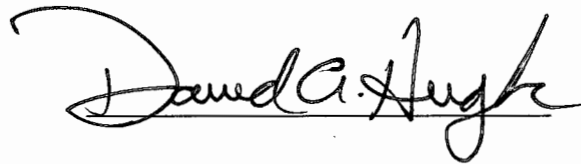
A handwritten signature in black ink that reads "David A. Hughes". The signature is written in a cursive style with a large, sweeping initial "D" and a horizontal line underlining the name.

EXHIBIT A

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



July 24, 2018



Letter ID: CNXXX7517528166

Taxpayer ID: 32-0171641
Audit ID: A2009780224
Reporting period: December 2014
Total Deficiency: \$220,699.16
Balance due: \$220,699.16

#BWNKMGV
#CNXX XX75 1752 8166#
VERTEX WIRELESS LLC
500 WEGNER DR

WEST CHICAGO IL 60185-2684

RECEIVED JUL 30 2018

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: July 24, 2018
Name: VERTEX WIRELESS LLC
Taxpayer ID: 32-0171641
Letter ID: CNXXXX7517528166

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	\$16,100,020.00
Total unmodified base income	\$16,100,020.00
Income or loss	
Illinois bonus depreciation addition	\$82,346.00
Other additions	\$0.00
Total income or loss	\$16,182,366.00
Illinois base income or net loss	
Income dist. to a partner subject to rep. tax	\$5,010,073.00
Illinois bonus depreciation subtraction	\$20,838.00
Total subtractions	\$5,030,911.00
Base income or loss	\$11,151,455.00
Income allocable to Illinois	
Nonbusiness income or loss	\$0.00
Non-unitary partnership business income/loss	\$0.00
Business income or loss	\$11,151,455.00
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 apprt n to IL	\$0.00
Base income or net loss allocable to IL	\$0.00
Net income	
Base income or net loss	\$11,151,455.00
Illinois net loss deduction (NLD)	\$0.00
Income after NLD	\$11,151,455.00
Exemption allowance	\$1,000.00
Net income	\$11,150,455.00
Base income or loss allocable to Illinois	\$11,150,455.00
Net replacement tax	
Replacement tax	\$167,257.00
Recapture of investment credits	\$0.00
Replacement tax before investment credits	\$167,257.00
Replacement tax investment credits	\$0.00

Statement

Date: July 24, 2018
Name: VERTEX WIRELESS LLC
Taxpayer ID: 32-0171641
Letter ID: CNXXXX7517528166

Computation of deficiency

Reporting period: 31-Dec-2014

Net replacement tax due	\$167,257.00
Pass-through Withholding Payments	\$113,131.00
Total New Replacement Tax & Pass-Through	\$280,388.00
Minus tax previously assessed	-\$113,131.00
Total tax deficiency	\$167,257.00
UPIA-5 late-payment penalty (Audit)	\$33,451.40
Plus interest on tax through July 24, 2018	\$19,990.76
Total deficiency	* \$220,699.16

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	* \$220,699.16
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Explanation of Audit Adjustments

Income Tax

RECEIVED JUL 30 2018



July 24, 2018



Letter ID: CNXXXX39735992X8

Taxpayer ID: 32-0171641

Account ID: 14892-77184

Audit ID: A2009780224

Reporting period: December 2014

#BWNKMGV
#CNXX XX39 7359 92X8#
VERTEX WIRELESS LLC
500 WEGNER DR
WEST CHICAGO IL 60185-2684

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

We have adjusted or disallowed the subtraction modifications for the amount of your income that is distributable to a partner subject to replacement tax.

[35 ILCS 5/203(d)(2)(I)]

Return Impact

-\$5,010,073.00

Tax impact

-\$75,158.00

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)]

\$16,161,000.00

\$242,415.00

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)]

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

RECEIVED JUL 30 2018



July 24, 2018



Letter ID: CNXXX15479358561

Taxpayer ID: 32-0171641
Audit ID: A2009780224
Reporting period: December 2015
Total Deficiency: \$88,317.82
Balance due: \$88,317.82

#BWNKMGV
#CNXX X154 7935 8561#
VERTEX WIRELESS LLC
500 WEGNER DR
WEST CHICAGO IL 60185-2684

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: July 24, 2018
Name: VERTEX WIRELESS LLC
Taxpayer ID: 32-0171641
Letter ID: CNXXX15479358561

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

Computation of deficiency

Reporting period: 31-Dec-2015

Unmodified base income or loss	
Total unmodified base income or loss	\$6,544,231.00
Total unmodified base income	\$6,544,231.00
Income or loss	
Illinois bonus depreciation addition	\$139,475.00
Other additions	\$0.00
Total income or loss	\$6,683,706.00
Illinois base income or net loss	
Income dist. to a partner subject to rep. tax	\$2,052,291.00
Illinois bonus depreciation subtraction	\$63,415.00
Total subtractions	\$2,115,706.00
Base income or loss	\$4,568,000.00
Income allocable to Illinois	
Nonbusiness income or loss	\$0.00
Non-unitary partnership business income/loss	\$0.00
Business income or loss	\$4,568,000.00
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 apprt to IL	\$0.00
Base income or net loss allocable to IL	\$0.00
Net income	
Base income or net loss	\$4,568,000.00
Illinois net loss deduction (NLD)	\$0.00
Income after NLD	\$4,568,000.00
Exemption allowance	\$1,000.00
Net income	\$4,567,000.00
Base income or loss allocable to Illinois	\$4,567,000.00
Net replacement tax	
Replacement tax	\$68,505.00
Recapture of investment credits	\$0.00
Replacement tax before investment credits	\$68,505.00
Replacement tax investment credits	\$0.00

Statement

Date: July 24, 2018
Name: VERTEX WIRELESS LLC
Taxpayer ID: 32-0171641
Letter ID: CNXXX15479358561

Computation of deficiency

Reporting period: 31-Dec-2015

Net replacement tax due	\$68,505.00
Pass-through Withholding Payments	\$34,757.00
Total New Replacement Tax & Pass-Through	\$103,262.00
Minus tax previously assessed	-\$34,757.00
Total tax deficiency	\$68,505.00
UPIA-5 late-payment penalty (Audit)	\$13,701.00
Plus interest on tax through July 24, 2018	\$6,111.82
Total deficiency	* \$88,317.82

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	* \$88,317.82
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Explanation of Audit Adjustments

Income Tax

RECEIVED JUL 30 2018



July 24, 2018



Letter ID: CNXXX11X34421285

Taxpayer ID: 32-0171641

Account ID: 14892-77184

Audit ID: A2009780224

Reporting period: December 2015

#BWNKMGV

#CNXX X11X 3442 1285#
VERTEX WIRELESS LLC
500 WEGNER DR
WEST CHICAGO IL 60185-2684

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)]

\$4,567,000.00

\$68,505.00

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)]