

Illinois Chamber Government Affairs Committee

Key Issue Overview

The Multi-Billion Dollar Issues

State Budget Deficit/Pension Obligations

Before the state can restore its fiscal integrity, it must address a true budget deficit, estimated by the Comptroller as \$3 billion, and of a public pension system that is the worst funded in the nation.

Infrastructure Investment

Illinois has not passed transportation infrastructure program since the first year of the Ryan administration. Our state's critical infrastructure needs have been severely neglected. The legislature cannot wait any longer to adequately fund our roads, bridges, transit, and rail systems.

Education Funding

Senate President Emil Jones has indicated that education funding reform will be his chamber's top priority for the year. Education advocates will certainly pursue a major package that will have substantial impact on the business community. (see Gross Receipts Tax, below)

Health Care Coverage Expansion

Governor Blagojevich has made clear that his top priority for the 2007 session will be passage of a "universal" health care program in Illinois. Inclusion of an employer mandate or misguided insurance regulations would be especially damaging to the business climate of the state.

Taxes

Gross Receipts Tax

Advocates for increased state spending, especially those pursuing more money for elementary and secondary education, have begun promoting a gross receipts tax (GRT) for Illinois as a way to generate additional revenue.

The Illinois Chamber is opposed to adoption of a GRT in Illinois (see attached document). While there are various models for a GRT, all of them tax the gross revenues of a business rather than actual net income. Thus, businesses are forced to pay considerable income taxes even in years where they are unprofitable. In addition:

- A GRT will make Illinois products more expensive compared to those from states without a GRT;
- A GRT will act as a kind of service tax in that it will apply to businesses that supply products and services;
- Illinois consumers will pay higher costs for products that pass through multiple businesses prior to their final sale – the GRT will “pyramid.”

Corporate Income Tax Increases

Once again, Governor Blagojevich is making noise in the press about his desire to close “corporate tax loopholes.” This will mark the fifth consecutive year in which increasing income taxes on business will be a hallmark of his budget proposals.

Of course, the Governor’s “loopholes” are actually important tax incentives or policies that promote investment and employment in Illinois. The Governor’s effort to increase business taxes through this back door maneuver has been thwarted by the Illinois House in recent years. He is likely to bring many of them back. Of particular importance is the proposed tax on leased software:

- Software is a vital business tool that not only supports the creation of new technology jobs but allows all employers to maximize their competitiveness in what is otherwise a high-cost state.
- The Governor’s true agenda - creating a new tax on leases of software – will eliminate one of the few economic advantages Illinois possesses in attracting high technology employment

7% Assessment Cap

The Chamber will oppose renewed efforts in 2007 to extend the three-year-old assessment cap on residential property. Enacted only in Cook County, the cap has generated a tremendous property tax shift to both commercial/industrial property and residential property that has not seen assessed values increase more than 7%.

Tax Institute Agenda Items

Institute members have met and prioritized their “wish list” for 2007. They are listed in priority order:

1. An enhanced R & D Credit.
2. Reinstatement of Training Expense Credit (in more user friendly format);
3. Repeal of income tax throwback rule or replace it with a throwout rule;
3. Repeal of franchise tax or reform it to level the tax burden between franchise taxpayers;
4. Leg. to curb IDOR authority under Section 404;
5. Leg. to establish and Illinois Admin. Law Tax Court;
6. Leg. to curb use of Whistleblower lawsuits on tax issues;
7. Leg. to allow pass-through of the Jobs Tax Credit;
8. Sales tax exemption for airplanes and parts.

Workers' Compensation

Despite the workers compensation law amendments passed in 2005, employers are still struggling with the needlessly high cost of providing workers' comp. benefits in Illinois. While the jury remains out on the system's ability to reign in high medical costs, serious problems with remain with the benefit structure.

The Chamber Employment Law Council will continue pursuing changes to the workers compensation system in 2007 by:

- Drafting legislation reforming the benefit structure and working with the Joint Employers to design our legislative strategy;
- Also working with the Joint Employers, the Chamber will pursue activity that will promote much better implementation of the 2005 law that is supposed to result in medical cost savings for employers.

Economic Development

Enterprise Zone Hiring Benefit

Local economic developers have brought to the Chamber's attention a deficiency in one of the state's enterprise zone benefits. A provision that allows businesses a \$500 per hire tax credit for hiring low income individuals applies only to businesses organized as a corporation, and not to other businesses. The Chamber is pursuing legislation to remedy this problem and allow all businesses in zones to benefit from the incentive.

Transferable EDGE Credits

While the Economic Development for a Growing Economy (EDGE) has been an important tool for the state in its efforts to attract business investment, it needs to be retooled in order to be more competitive with other states. One important enhancement is to address the issue that businesses that have little or no state income tax liability receive no benefit from EDGE's state income tax credits. These credits should be transferable (salable) to other businesses that have a liability, providing the original business with an upfront cash benefit.

Environment

Cost/Benefit Analysis of Environmental Regulations

In 2006, Governor Blagojevich proposed a mercury reduction rule for coal-fired electric power plants that was so draconian, it put the continued operation of those plants in jeopardy. This rule was proposed despite the fact that most reputable experts agreed that those plants contributed no more than 1% of the mercury in our state's environment and that plants in China contribute more. While the mercury issue has been resolved for now, this episode illustrates the need for a thorough cost/benefit analysis on future environmental regulations. The Chamber is drafting and will introduce legislation requiring the completing of an analysis before new regulations are approved.

Wetland Regulation

Seeking to benefit from recent election gains, environmentalists are likely to pursue legislation setting up new, onerous wetland regulations. The Chamber remains opposed to environmentalists' county-by-county regulation plans and will continue to promote a statewide standard.

Additional Issues

Insurance Broker Disclosure (information attached)

Hardware Recycling

Medicare Drug Negotiations (information attached)