

Illinois Chamber of Commerce

TAX INSTITUTE

The Tax Institute aggressively and proactively promotes the interests of the Illinois business community by advocating pro-business tax policies at the federal, state and local levels.

Membership in the Illinois Chamber Tax Institute provides those members with a forum to effectively share tax knowledge and experience and participate in the development of pro-business tax policies in Illinois. The Tax Institute provides regular guidance to the Illinois Chamber Board of Directors on tax policy issues to assist the board in formulating tax policy positions that encourage sound economic growth and increasing business investment in our state.

Legislators and business leaders seek the advice of Tax Institute staff on key tax policy issues. Whether responding to the hundreds of anti-business tax bills filed every year in the General Assembly, proposed Department of Revenue regulations or administrative policies that affect the business community, the Tax Institute is there to educate and explain to legislators and their staff the potential impact of their actions on business and advocate for better solutions whenever and wherever needed.

The Tax Institute members are a reflection of the diverse nature of the Illinois business community. This diversity brings invaluable expertise that makes us so effective. Through its members, the Tax Institute seeks solutions, builds consensus, formulates action plans and offers leadership in Springfield that facilitates pro-business tax policy.

The collective experience and expertise of the Tax Institute members, along with executive director Keith Staats' familiarity and experience with the state and local tax laws and the Illinois legislative and regulatory processes, make the Tax Institute the go-to tax policy association in Springfield.

PROVIDING VALUE

As someone who deals in state tax practice, I find being a member of the Chamber's Tax Institute to be invaluable. It allows me to see the way Illinois tax policy is through both legislative and regulatory channels and makes it easier to deal with officials.

If you're not involved in the political process, you're forced to wait to see what happens as they happen. And if you're part of the process, you can see what might happen—and you may have a chance to help change it. That's what the Chamber does for businesses.

*Michael Wynne
Reed Smith LLP*

DEVELOPING TAX POLICY

The Tax Institute meets at least quarterly for tax policy updates, to develop pro-business tax initiatives, and to hear and share expertise with state legislators and agency directors about key tax issues. Members may choose from an array of engagement opportunities the Tax Institute offers within the legislative process, including:

- Weekly government affairs calls to advise, and seek input from, members on key tax legislation
- Spring lobby days to meet face-to-face with legislators in Springfield
- Conference calls to discuss particular tax policy issues
- The "Tax Institute Update" issued each Friday to report on the week's legislative and regulatory actions, as well as tax-related litigation.

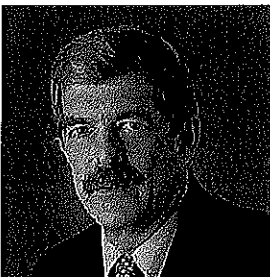
PROMOTING GOOD TAX POLICY

The Tax Institute staff regularly speaks with legislators, regulators, reporters, business leaders and other associations and trade groups to explain the potential impact of proposed legislation, rules or administrative policies on businesses. We research and report to members of the General Assembly about important tax issues—frequently to debunk myths and misinformation.



ON THE FRONT LINES EVERY DAY

We meet with, talk to, and correspond with regulators and legislators in support of, or in opposition to, tax legislation or rules that affect our members. Tax Institute staff relentlessly promotes tax policy that results in an even playing field for all types of business. We strive for state laws and regulations that are clear and predictable. We testify at House and Senate Revenue Committees to raise legislative awareness on key business tax issues and work with legislative staff to develop alternative proposals when needed. Last but not least, the Tax Institute speaks with reporters, radio show hosts, and editorial boards to educate the public by raising awareness of the business community's perspective on tax policy issues.



KEITH STAATS

An expert in tax law, Keith Staats took over as the executive director of the Chamber's Tax Institute after working for the Grant Thornton and the McDermott Will & Emery State and Local Tax (SALT) practices in Chicago. He also served as general counsel of the Illinois Department of Revenue.



ILLINOIS CHAMBER OF COMMERCE

Tax Institute Priorities:

- Reinstatement of the Research and Development Illinois income tax credit and make the credit permanent
- Replace the EDGE credit with a new Business and Employment Development Tax Credit
- Repeal the Illinois Franchise Tax.

Section 201(k) of the Illinois Income Tax Act provides a credit against the tax for increasing research activities in Illinois. The credit is equal to 6.5% of the qualifying expenditures. "Qualifying expenditures" are qualifying expenditures under the federal research and development credit that are conducted in Illinois.

The credit expired by operation of law for tax years beginning on and after January 1, 2016. Since the enactment of the Illinois credit in the early 1990s, the credit has been periodically scheduled for expiration. We support legislation to reinstate the credit and make the credit permanent. Making the credit permanent will encourage businesses to make investments in employees and facilities to conduct research and development in Illinois. Uncertainty about the future of the credit will have the opposite impact: Businesses will locate their research and development activities to other states in which the credit is not subject to expiration.

The Chamber's proposal would also strengthen the research and development credit by extending the credit carryforward period from five years to 20 years and by modifying the base period calculation for purposes of calculating the required increase in qualifying expenditures.

We seek repeal of the archaic and inefficient Franchise Tax. Illinois levies its corporate franchise tax on corporations on the privilege of doing business in Illinois. The franchise tax is based on the concept of "paid-in capital." Paid-in capital is not a tax term or reporting term required under Generally Accepted Accounting Principles, federal or state income tax laws, or federal or state securities laws. As a result, businesses are required to maintain additional and unique bookkeeping records solely to comply with the Illinois franchise tax and incur additional administrative expenses to do so.

The Economic Development for a Growing Economy Tax Credit (EDGE), is a credit against the Illinois income tax. Eligibility for the credit is based on new investment and job creation in Illinois. The EDGE credit is scheduled to "sunset" (expire) at the end of 2016. While the EDGE credit has been a valuable tool in promoting economic development in Illinois, experience with the credit over the past few years has disclosed ways in which the current EDGE credit could be improved by replacing EDGE with another tax credit that would be even more effective in promoting Illinois employment and economic development.

The Chamber is proposing legislation that would establish credits against the Illinois Income Tax Act for investment and increasing employment in Illinois, with additional credit granted for creating jobs with wages in excess of 150% of the Illinois minimum wage, and for increasing employment in areas of high poverty.