ILLINOIS ECONOMIC
AND
FISCAL COMMISSION

CORPORATE INCENTIVES IN THE STATE OF ILLINOIS

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CORPORATE INCENTIVES IN THE STATE OF ILLINOIS: AUGUST 2001

EXECUTIVE SUMMARY

A crucial part of improving Illinois' corporate landscape comes from the various incentive programs that the State has initiated in an attempt to sustain or enhance Illinois' position in corporate America. These incentives are often a determining factor for businesses trying to decide whether to establish or relocate their business in Illinois or look elsewhere.

The following report provides a summary of the State's incentive programs designed to encourage economic development in Illinois. Through the assistance of the Department of Commerce and Community Affairs (DCCA), the information in this report gives a brief description of these programs. In some cases, the incentive program's description will be accompanied by examples of how these programs have affected the economic climate of Illinois.

The report also provides specific information on Enterprise Zones, High Impact Business corporations, Tax Increment Financing (TIF), Boeing's relocation into Illinois, national trends of corporate incentives, arguments against corporate incentives, and a list of the tax expenditures associated with the State's business tax credits and exemptions. Highlights of the report are summarized below.

- DCCA maintains over 40 programs and services designed to help Illinois businesses thrive in the global economy. These services include expansion incentives, technology support services, access to capital, and job training and education for workers.

- The High Impact Business Program provides investment tax credits, sales tax exemptions, and an exemption from state tax on utilities for businesses meeting certain requirements. There are currently 13 companies in Illinois that are certified as High Impact Business designated facilities.

- The Illinois EDGE (Economic Development for a Growing Economy) program provides tax credits to qualifying businesses that create new jobs and make capital investments in Illinois. Two companies that have benefited from EDGE are Molex and John Deere.

- The Industrial Training Program assists Illinois companies in training new workers and retaining/upgrading the skills of their existing workplace. At the end of 2000, it was reported that since January 1999, DCCA has targeted $24 million in ITP funds for incentives for companies to relocate or expand.

- DCCA maintains eight foreign trade offices located in Brussels, Tokyo, Hong Kong, Budapest, Mexico City, Warsaw, Toronto, and Johannesburg; and a network of five International Trade Centers, including two NAFTA Opportunity Centers located throughout Illinois.

- There are currently 93 Enterprise Zones in Illinois, the maximum number that may be designated according to current Illinois law. All offer the same mix of state incentives designed to encourage companies to locate or expand within a zone. These incentives include sales tax exemptions, utility tax exemptions, and various tax credits and deductions.

- As of December 31, 2000, there were 700 Tax Increment Financing (TIF) districts located in 304 municipalities throughout Illinois. Examples of the benefits of TIF include an increase in private investment and development, the creation/retention of jobs, the creation of job training programs, and a stronger economic tax base.

- Boeing’s decision to relocate their headquarters in Illinois could have a significant economic impact on the Chicagoland region. A major factor in persuading Boeing to relocate in Illinois was an estimated $52.1 million incentive package. Before this incentive package could become applicable, some changes to current law had to take place. These changes came by way of the Public Headquarters Relocation Act (P.A. 92-0207).

- Since the 1970s, the number of states providing tax incentives to businesses has increased steadily. For example, by 1998, more than 40 states offered tax concessions or credits to businesses for equipment and machinery, goods in transition, manufacturers’ inventories, raw materials in manufacturing, and job creation.

- Business incentives are viewed as ineffective by some. There is concern that investment and job creation may be unaffected by incentives. Critics argue that these incentives may be pulling dollars away from the improvement of public services, such as education and infrastructure.

- The State Comptroller reports in the Fiscal Year 2000 edition of the *Tax Expenditure Report*, that the total amount of business expenditures in Illinois in FY 2000 was $909.7 million. This is up from the $776.0 million spent in FY 1999.

PROGRAMS AND SERVICES

This section provides a summary of the many corporate incentive programs that are available for businesses in Illinois. Much of the information comes directly from DCCA's latest corporate incentive guide entitled, "Program and Services." The follow-up success stories included with many of these programs come from various articles released by DCCA and other sources.

Participation Loan Program: DCCA works with banks and other conventional lenders to provide financial assistance to small businesses that will employ Illinois workers. The State will participate in loans up to 25 percent of the total amount of a project, but not less than $10,000 or more than $750,000 in size.

Development Corporation Participation Loan Program: DCCA participates with Development Corporations to provide financial assistance to small businesses that will employ Illinois workers in the region served by that Development Corporation. The State will participate in loans up to 25 percent of the total amount of a project, but not less than $10,000 or more than $750,000.

Minority, Women and Disability Participation Loan Program: Similar to the Participation Loan Program, except that participations may not exceed 50 percent of the total project, subject to a maximum of $50,000.

Illinois Capital Access Program (CAP): CAP is designed to encourage financial institutions to make loans to small and new businesses that do not qualify under conventional lending policies. CAP is a form of loan portfolio insurance, which provides additional reserve coverage to the lender on loan defaults. By participating in CAP, lenders have available to them a proven financing mechanism to meet the needs of financial institutions and Illinois small businesses.

At the end of 2000, DCCA reported that $62 million in loans have been made since FY 1997, serving over 1,100 small businesses. Over 3,500 jobs have been created as a result of the Illinois Capital Access Program.

Security Bond Guaranty Program: This program provides Illinois' small, minority and woman contractors with: technical assistance and outreach services; helps them receive experience in the industry; and assists them, through bond guaranties, in obtaining bid, performance and payment bonds for government, public utility and private contracts.

Business Development Public Infrastructure Program: Provides low-interest financing to units of local government for public improvements on behalf of businesses undertaking expansion or relocation projects that meet the program criteria and demonstrate potential for creating and retaining jobs. The infrastructure improvements must be made on public property and must directly result in the creation or retention of private sector jobs. The local government must demonstrate clear need for financial assistance to undertake the improvements.

Affordable Financing of Public Infrastructure Program: Provides financial assistance to local governments, public entities, medical facilities and public health clinics to help make affordable the financing of public infrastructure improvements needed to ensure health, safety and economic development in a community.

Enterprise Zone Program: Enterprise Zones offer a number of State and local tax incentives to businesses that make investments to create or retain jobs in any of the 93 certified zones located in communities throughout the State. Eligibility varies according to specific incentive requirements. A detailed look of the State incentives associated with the Enterprise Zones will be discussed later.

Enterprise Zone Financing Program: This financing mechanism is a derivative of the Participation Loan Program and is designed to encourage economic development and neighborhood revitalization in Illinois Enterprise Zones. DCCA can provide below-market subordinated debt to companies located in or expanding in an Illinois Enterprise Zone.

High Impact Business Program: Provides investment tax credits, a state sales tax exemption on building materials, an exemption from state tax on utilities and an expanded state sales tax exemption on purchases of personal property used or consumed in the manufacturing or assembly process or in the operation of a pollution control facility. Businesses located within Enterprise Zones are not eligible for this program.

Eligibility is contingent on the business making a minimum eligible investment of $12 million placed in service in qualified property at a designated location in Illinois which caused the creation of 500 full-time equivalent jobs at the designated location; or making a minimum eligible investment of $30 million placed in service in qualified property in a designated location in Illinois which causes the retention of 1,500 full-time equivalent jobs at a designated location in Illinois.

According to State statute (20 ILCS 655/5.5), DCCA is authorized to receive and approve applications for the designation of “High Impact Business” status in Illinois. After approval, DCCA is obligated to submit a report to the Illinois General Assembly and the Illinois Economic and Fiscal Commission regarding the granting of “High Impact Business” tax status to business entities.

In response to obtaining this information, the Illinois Economic and Fiscal Commission is providing a list of the 13 companies in Illinois that are certified as having High Impact Business designated facilities. Included with this listing is the location of the High Impact Business, and the date that the company obtained this designation.

TABLE 1:

High Impact Business Designated Facilities in Illinois

Business	Location	Date of Designation	Business	Location	Date of Designation
ABN AMRO North America, Inc.	Chicago	May 11, 2001	*The Pampered Chef, Ltd.*	Addison	May 1, 2001
Abbott Laboratories	Lake Forest, Abbott Park	June 15, 2001	*The Pillsbury Company*	Geneva	July 1, 1999
Caterpillar	Mossville	July 31, 1987	*TAP Holdings, Inc.*	Lake Forest, Vernon Hills	Sep. 1, 1998
Lucent Technologies	Naperville, Lisle	May 7, 1998	*Tellabs*	Bolingbrook, Lisle	Feb. 15, 1996
Molex Incorporated	Lisle, Bolingbrook, Downers Grove	Aug. 15, 2000	*3Com Corporation*	Rolling Meadows	Aug. 26, 1997
Motorola	Libertyville	Nov. 9, 1989	*3Com Corporation*	Mt. Prospect	Nov. 15, 1995
Motorola	Harvard	Aug. 31, 1994	*UBS, AG*	Chicago	Apr. 3, 2001
Motorola	Elgin	June 10, 1996	*WorldCom, Inc.*	Rockford	Nov. 23, 1999
Motorola	Deer Park, Elgin, Schaumburg	Mar. 15, 2000			

Tax Increment Financing (TIF) Program: A municipal financing technique that may be used to renovate declining areas or redevelop blighted areas while improving the tax base of such areas. The program allows a municipality to acquire and prepare property for redevelopment and make needed public (and some private) improvements. A detailed look at tax increment financing will be discussed later on in the report.

Community Development Assistance Program (CDAP) Economic Development Component: This federally funded program assists smaller Illinois local governments in financing economic development needs. Grants are made to units of local government and may be loaned to businesses for projects that will create or retain jobs in the community. Grant funds also may be used by the local government for improvements to public infrastructure that directly support economic development. The program is limited to communities with populations under 50,000 that are not located within an entitlement city or one of the eight large urban counties that receive funds directly from the federal government. Funds are targeted toward projects that primarily benefit low to moderate-income people.

Illinois EDGE (Economic Development for a Growing Economy): EDGE provides tax credits to qualifying businesses that create new jobs and make capital investments in Illinois. Credits are calculated from the personal income tax collected on salaries paid to employees in the new jobs created, which may be taken as a non-refundable tax credit against corporate income taxes over a period not to exceed 10 taxable years (15 years beginning in FY 2002). To qualify, firms must make an investment of at least $5 million in capital improvements and create a minimum of 25 new jobs, although demonstrated public benefit may result in waiver of these requirements.

DCCA provided two cases studies that looked into the impact that Illinois EDGE has on Illinois companies. The first of these companies is Molex. Molex decided to expand their company to two Illinois facilities in Lisle and Bolingbrook instead of locations in Arkansas and Mexico. A pivotal factor in their decision to locate in Illinois was an estimated $10.95 million total tax credit that Illinois EDGE provided. The two Molex facilities brought to Illinois a $45 million investment, resulting in the creation of 1,050 jobs.

The second company benefiting from Illinois EDGE is John Deere. Illinois was competing with Iowa for John Deere's investment of $13.5 million. A pivotal factor in why John Deere chose Illinois was the estimated $1.65 million total tax credit that Illinois Edge provided. This resulted in 82 jobs being retained in Illinois.

Large Business Development Program (LBDP): Provides incentive financing to encourage large out-of-state companies to locate in Illinois, and also encourages existing Illinois companies to undertake major job expansion or retention projects. Funds available through the program may be used by large businesses (500 or more employees) for typical business activities, including financing purchase of land and buildings, construction or renovation of fixed assets, site preparation, and purchase of machinery and equipment. LBDP funds are targeted to major economic development opportunities that result in substantial private investment and the creation and/or retention of 300 or more jobs.

Industrial Training Program (ITP): Assists Illinois companies in training new workers and retaining/upgrading the skills of their existing workplace. ITP grants may be awarded to individual companies as well as to intermediary organizations offering training to meet the common training needs of multiple companies.

At the end of 2000, DCCA reported that since January 1999, DCCA has targeted $24 million in ITP funds for incentives for companies to relocate or expand. Those ITP investments have helped leverage:

- 23,122 jobs created
- 20,259 jobs retained
- $3 billion in private investment

DCCA provided two case studies of how ITP is used to attract businesses. The first of these occurred in Spring Valley, Illinois where ITP helped bring in a Wal-Mart Distribution Center. Here, a $600,000 ITP commitment resulted in 600 new jobs, as well as a $55 million private investment.

The second example occurred in Rockford Illinois, where a $550,000 ITP commitment brought in MCI Worldcom. This resulted in 900 new jobs and a $20 million private investment.

Community Services Block Grant (CSBG) Loan Program: Provides long-term, fixed-rate financing to new or expanding businesses that create jobs and employment opportunities for low-income individuals. The program links federal, state and private financing by using CSBG funds at low interest rates in combination with bank funds and equity.

First-Stop Business Information Center of Illinois: Provides individuals and businesses with access to information and referral assistance to guide them through the permitting, licensing and regulatory processes. First-Stop also can link them to other available resources that can help them comply with government regulations and enhance their competitiveness. This service has been given a 97%+ high satisfaction rate by its users.

Illinois Trade Office: DCCA maintains a full-time staff of international business experts in its Chicago office; eight foreign trade offices located in Brussels, Tokyo, Hong Kong, Budapest, Mexico City, Warsaw, Toronto, and Johannesburg; and a network of five International Trade Centers, including two NAFTA Opportunity Centers located throughout Illinois to help Illinois businesses begin exporting or gain entry to new world markets. These experts also work with foreign-owned businesses to help them find locations in Illinois.

For Illinois, exports topped $33 billion in 1999. DCCA states that 1 in 8 Illinois jobs are dependant on exports, while 1 in 4 Illinois jobs are dependant on manufacturing, sustaining 580,000 jobs. Currently, Illinois is the nation's 6th largest exporting state. Illinois is also the number one ranked destination in the Midwest for foreign direct investment, attracting over 3,500 international companies that employ over 250,000 Illinois residents.

The Illinois Trade Office recently represented by proxy 233 Illinois companies at overseas trade shows in FY 2000. Their participation has led to 3,197 leads for Illinois companies with $15 million in direct sales.

Illinois Small Business Environmental Assistance Program: Offers services to help small businesses understand regulatory requirements under the clean Air Act Amendments of 1990. A hotline is available to answer environmental compliance questions. The program also operates a clearinghouse of more than 300 environmental publications, including rules, fact sheets, guides, case studies, a listing of Illinois environmental service companies and more.

On-Site Safety and Health Consultation Program: Provides safety and health consultations at no cost to Illinois businesses to help in prevent costly occupational injuries and illnesses. Consultants help firms identify hazards and establish effective safety and health management programs, including information on corrective actions that may be utilized. The program further guides companies toward compliance with OSHA regulations.

Business Expansion, Retention, and Location Assistance: Industry development specialists provide business development assistance to companies wishing to locate or expand in Illinois.

Community Profiles: Community Profiles detailing information on businesses and industries, health care facilities, airports, utilities, schools and other amenities are available from DCCA.

Illinois Small Business Development Center Network (ISBDCN): Provides prospective and existing business owners with a variety of business resource programs. Centers are located throughout the state and include:

- Small Business Development Centers which provide businesses with management, marketing and financial counseling.
- Procurement Technical Assistance Centers which assist existing business owners in doing business with the federal, state, and local governments.
- Small Business Technology Resources Centers which provide counseling, training, and technical assistance to technology-oriented entrepreneurs to enhance their opportunities to compete for federal research and development awards.

At the end of 2000, there were approximately 625,000 small businesses in Illinois who could have benefited from the one-on-one marketing, management and financial counseling that the 39 statewide small business development centers provided.

Office of Women's Business Development: Works with individual companies and women's professional associations to help women entrepreneurs tackle problems. Provides information, referral and procurement assistance and serves as an information conduit to business resources throughout the state. Through the ISBDCN, this service provides educational workshops and professional assistance.

Office of Minority Business Development: Provides Illinois minority entrepreneurs preparing to start or expand a business with liaisons to state government programs and resources. Advocates work with individual companies and professional associations to find answers to the wide range of questions that arise from business ownership.

Small Business Regulatory Flexibility Program: Conducts impact analyses of proposed rules and regulations affecting the small business community and can suggest ways of making the rules more flexible, or cost effective or restrictive for small businesses. In some instances, small businesses may be exempted completely from compliance. The program publishes *Regulatory Alert*, summarizing rules proposed during the previous week that have the potential to affect small business. Published each Monday, *Regulatory Alert* is designed to inform and involve the public regarding changes taking place in licensing, registration and permitting.

Illinois Focused Industrial Retention Support Team: Illinois Focused Industrial Retention Support Team brings together the resources of DCCA and Argonne National Laboratory, NORBIC (North Business and Industrial Council), Chicagoland Enterprise Center, ComEd, People's Gas and the *Chicago Tribune* to identify and assist manufacturers interested in expanding modernizing, relocating, training, retraining or developing new technologies. The team is supported by many private volunteers and professional technical service providers. The public/private partnership provides information and technical assistance to the Northern Illinois industrial base in a way that promotes Illinois' positive business climate.

Small Business Policy and Advocacy: The Small Business Division assists in the development of small business policy and advocacy efforts on behalf of the small business community. The division emphasizes information, communications and consensus through a variety of activities, including serving as a clearinghouse for activities by business and trade organizations. A primary activity is management of the Illinois Small Business 100, a statewide focus and panel group of 100 small business owners and entrepreneurs. The Illinois Small Business 100 respond to various regulatory, legislative and programmatic issues surveys. The division also directs research on issues that impact the small business community.

Illinois Small Business Energy Program: DCCA provides energy conservation and energy efficiency information and technical assistance to Illinois businesses, with services including on-site walk-through energy surveys, small business energy educational seminars, and the "Motor Master" computer software program.

Illinois Recycling Grants Program: Through a competitive grant process, the program annually awards grants to help governmental, not-for-profit organizations or for-profit businesses establish new recycling collection/processing programs or expand existing programs. In addition to grants, the program also provides technical assistance through day-to-day communication and periodic workshops.

Recycling Industry Modernization (RIM) Program: Provides grants to manufacturers to encourage modernization improvements in their operations. The program is designed to boost the competitiveness of Illinois manufacturing firms while diverting materials from the solid waste stream. RIM projects increase the use of recycled materials and expand solid waste source reduction activities. Grants of $30,000 are available for modernization assessments, with grants up to $100,000 available for modernization implementation projects. Grants under this program require an investment by the applicant. Manufacturers implementing modernization projects may use the funds for consultant and technical services, or for capital equipment needed as they review their operations, implement best practices and install advance technologies.

Industrial Energy Efficiency Demonstration Program: DCCA promotes energy efficiency in Illinois industries and businesses. DCCA has conducted surveys of the Illinois plastics, die casting, metal fasteners, and food and kindred products industries, focused on their energy use and potential for cost-effective energy efficiency investments. The demonstration projects have resulted in comprehensive educational programs for the selected industries and will be used to develop industry-wide energy use guidelines. Other leading Illinois energy groups will be targeted in future projects.

Business Information: DCCA can provide business listings or mailing labels for more than 450,000 Illinois business locations. The data may be supplied as hard copy or on disks or tapes. A fee is charged.

Illinois Business and Industry Date Center (BIDC): A network of 28 local and regional affiliates, many from colleges and universities, regional planning commissions, public libraries, and small business development centers, that work to help entrepreneurs and small businesses get easy access to statistical data. Local affiliates deal directly with small businesses and other end users of data, while regional affiliates collect and disseminate information to both end users and local affiliates. Regional affiliates also prepare quarterly regional analyses for statewide distribution.

Manufacturing Extension Partnership of Illinois: Through the Manufacturing Extension Partnership of Illinois, DCCA provides access for manufacturers to information and technology expertise enabling them to modernize their operations and become more efficient. With manufacturing professionals operating out of regional offices throughout the State, services range from assessments of a firm’s overall competitive position to projects employing advanced technologies and modern business practices to solve specific problems and enhance a firm’s competitiveness. The MEPI also funds projects to assist firms involved in environmental assessments or multi-company collaborative efforts. MEPI is jointly funded by DCCA, the Illinois Board of Higher Education, the U.S. Department of Commerce, the City of Chicago and local institutions.

Manufacturing and Export Base Services Program: The purpose of this program is to establish statewide assistance to the state’s manufacturing and services export base, serving the needs of small and medium-sized companies, providing better access to information, reducing impediments to the flow of technical information and providing Illinois manufacturers, producer firms and export services with better or more timely access to the State’s and nation’s technology base.

Illinois Technology Enterprise Development and Investment Program: Provides investments, loans, or qualified security investments to or on behalf of young or growing businesses, in cooperation with private investment companies, private investors or conventional lending institutions. Investors also assume a portion of the investment loan or financing for a business project. New or emerging businesses are also eligible through financial intermediaries as they commercialize advanced technology projects.

Illinois Technology Enterprise Centers Program (ITECs): A statewide network of centers to assist entrepreneurs, innovators, and start-up firms in high-growth, high-technology sectors in furthering the technical or managerial skills of owners; aid ventures in locating financing, and help new companies with product development and marketing in support of new venture formation within the state.

Technology Challenge Grant Program: Secures federal research and development projects for the State, serves as a catalyst for technology development, and assures a strong base to develop, transfer, or commercialize new technologies.

Labor Market Information: DCCA can provide detailed information on labor force/unemployment rates; industry, occupation and employment trends; wages and commuting patterns. A fee is charged for many of the reports.

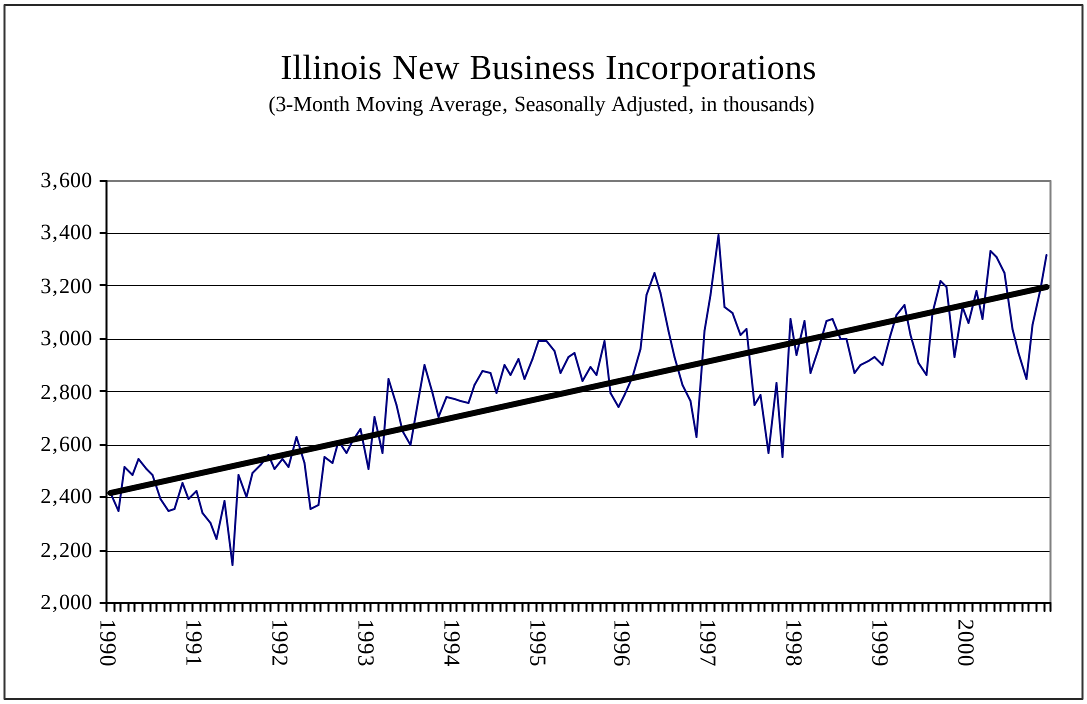
Technologies and Practices Demonstration Program: Supports the development of innovative ideas in recycling and waste reduction through grants and loans. Projects involving new methods and techniques may be supported from proof-of-concept through initial commercialization. The program also targets recycling of non-conventional materials.

Recycling Market Development Program: Provides grants to encourage private-sector investment in the manufacture, marketing and procurement/demonstration of products containing recycled materials. These funds may be used for capital equipment, certain marketing expenses, and to offset costs to procure and test recycled products.

Illinois Labor-Management–Community Relations Program: Provides grants, matching grants and other resources to promote better labor-management-community and government operations by assisting in the development of local labor-management-community committees and coalitions established to address employment issues facing families. Also helps Illinois employers attract and retain a diverse workforce through the promotion and support of dependent care policies and programs within the workplace and community.

The programs and services previously described are all designed to promote economic development in our State. Although the actual impact that these incentives have had on Illinois corporation economic decisions is not known, it is interesting to note that the number of new business incorporations in Illinois has been on an upward trend over the last several years. The following chart displays new business incorporations (for profit) in Illinois between 1990 and 2000 using a 3-month moving average.

CHART 1



ENTERPRISE ZONES

Enterprise Zones are among Illinois' most important tools to stimulate economic growth and neighborhood revitalization. The Enterprise Zone program depends upon a creative partnership between the State and local government, businesses, labor and community groups to encourage economic growth in the areas designated as Enterprise Zones. Although the program is administered at the State level by DCCA, its ultimate success depends on the level of local commitment.

There are currently 93 Enterprise Zones in Illinois, the maximum number that may be designated according to Illinois law. All offer the same mix of state incentives designed to encourage companies to locate or expand within a zone. In addition, each zone offers distinctive local incentives to enhance business or neighborhood development efforts. Such local incentives include abatement of property taxes on new improvements, homesteading and shopsteading programs, waiver of business licensing and permit fees, streamlined building code and zoning requirements, and special local financing programs and resources.

STATE INCENTIVES

Sales Tax Exemption: A 6.25 percent state sales tax exemption is permitted on building materials to be used in an Enterprise Zone. Materials must be permanently affixed to the property and must be purchased from a retailer located in the sponsoring unit of government of the enterprise zone.

Enterprise Zone Machinery and Equipment Consumables/Pollution Control Facilities Sales Tax Exemption: a 6.25 percent state sales tax exemption on purchases of tangible personal property to be used in manufacturing or assembly process or in the operation of a pollution control facility within an Enterprise Zone is available. Eligibility is based on a business making an investment in an Enterprise Zone of at least $5 million in qualified property that creates a minimum of 200 full-time equivalent jobs, a business investing at least $40 million in a zone and retaining at least 2,000 jobs, or a business investing at least $40 million in a zone which causes the retention of a least 90 percent of the jobs existing on the date it is certified to receive the exemption.

Enterprise Zone Utility Tax Exemption: A state utility tax exemption on gas, electricity and the Illinois Commerce Commission's administrative charge and telecommunication excise tax is available to businesses located in Enterprise Zones. Eligible businesses must make an investment of at least $5 million in qualified property that creates a minimum of 200 full-time equivalent jobs, or an investment of $175 million that creates 150 full-time equivalent jobs in Illinois. The majority of the jobs created must be located in the Enterprise Zone where the investment occurs.

Enterprise Zone Investment Tax Credit: A state investment tax credit of 0.5 percent is allowed a taxpayer who invests in qualified property in a Zone. Qualified property includes machinery, equipment and buildings. The credit may be carried forward for up to five years. This credit is in addition to the regular 0.5 percent investment tax credit which is available throughout the state, and up to 0.5 percent credit for increased employment over the previous year.

Dividend Income Deduction: Individuals, corporations, trusts, and estates are not taxed on dividend income from corporations doing substantially all their business in an Enterprise Zone.

Jobs Tax Credit: The Enterprise Zone Jobs Tax Credit allows a business a $500 credit on Illinois income taxes for each job created in the Zone for which a certified eligible worker is hired. The credit may be carried forward for up to five years. A minimum of five workers must be hired to qualify for the credit. The credit is effective for people hired on or after January 1, 1986.

Interest Deduction: Financial institutions are not taxed on the interest received on loans for development within an Enterprise Zone.

Contribution Deduction: Businesses may deduct double the value of a cash or in-kind contribution to an approved project of a designated organization from taxable income.

Source: DCCA's "Enterprise Zones" handout, September 2000

The following is a list of all of the Enterprise Zones in Illinois. (It should be noted that only designated areas within the cities listed would receive the Enterprise Zone benefits).

Altamont

American Bottoms (Cahokia, Dupo, Sauget, St. Clair County)

Bartonville, Bellevue, Mapleton, Peoria County

Beardstown

Belleville

Belvidere/Boone County

Benton/Franklin County

Bloomington/Normal/McLean County

Bureau/Putnam County Area (Ladd, Mark, Princeton, Spring Valley, Hennepin, Bureau and Putnam Counties)

Cairo/Alexander County

Cal-Sag (Alsip, Blue Island, Dixmoor, Robbins, Calumet Park, Cook County)

Calumet Region (Calumet City, Dolton, Riverdale)

Canton/Fulton County

Carmi/White County

Centralia Area (Central City, Centralia, Wamac, Clinton County/Marion, Washington and Jefferson County)

Champaign/Champaign County

Chicago I

Chicago II

Chicago III

Chicago IV

Chicago V
Chicago VI

Chicago Heights

Cicero

Clark County (Casey, Marshall, Martinsville, Westfield, Clark Co.)

Coles County (Charleston, Mattoon, Oakland, Coles County)

Danville/Tilton

Decatur

Des Plaines River Valley (Joliet, Rockdale, Romeoville, Lockport)

East Peoria

East St. Louis, Alorton, Centreville, Washington Park

Effingham/Effingham County

Elgin

Fairfield/Wayne County

Flora, Clay City/Clay County

Ford Heights

Freeport, Stephenson County /Hanover, Jo Daviess County

Galesburg

Gateway Commerce Center (Edwardsville, Pontoon Beach, Madison County)

Greenville

Harvey/Phoenix

Hoffman Estates

Illinois Valley (LaSalle, Peru, N. Utica, Oglesby, LaSalle County)

Jackson County (Murphysboro, Carbondale, Jackson County)

Jacksonville

Kankakee County (Manteno)

Kankakee River Valley (Aroma Park, Kankakee, Bradley, Bourbonnais, Kankakee County)

Kewanee

Lawrenceville/Lawrence County

Lee County (Ashton, Franklin Grove, Dixon, Amboy, Paw Paw and Lee County)

Lincoln/Logan County

Macomb/McDonough County

Macoupin County (Gillespie, Carlinville, Macoupin County)

Marshall County (Henry, Lacon, Sparland, Toluca, Wenona, Marshall County)

Massac County (Metropolis, Joppa, Massac County)

Maywood

McCook/Hodgkins

McLeansboro/Hamilton County
Mendota
Monmouth

Montgomery County (Litchfield, Hillsboro, Schram City, Taylor Springs, Montgomery County)

Morton

Mound City/Pulaski County

Mt. Carmel

Mt. Vernon/Jefferson County

Nashville/Washington County

Olney/Richland County

Ottawa/LaSalle County

Pekin/Tazewell County

Peoria

Perry County (DuQuoin, St. Johns, Pinckneyville, Perry County)

Quad Cities (Moline, East Moline, Silvis, Rock Island County)

Quincy/Adams County

Rantoul

Riverbend (Alton, East Alton, Hartford, Roxana, South Roxana, Wood River, Madison County)

Robinson/Crawford County

Rock Island

Rockford

Salem/Marion County

Saline County (Carrier Mills, Eldorado, Harrisburg, Mudy, Raleigh, Saline County)

South Beloit/Rockton/Winnebego County

Southwestern Madison County (Granite City, Madison, Venice, Madison and St. Clair Counties)

Springfield

St. Clair County Mid America (Lebanon, Mascoutah, O'Fallon, Shiloh, and St. Clair County)

Streator/LaSalle and Livingston Counties

Summit/Bedford Park

Taylorville/Christian County

Urbana

Vandalia/Fayette County

Washington

West Frankfort

Whiteside County (Morrison, Rock Falls, Sterling, Prophetstown, Fulton, Lyndon, Whiteside County, Savana, Thomson, Carroll County)

Williamson County (Carterville, Herrin, Johnston City, Marion, Cambria, Crainville, Energy, Williamson County)

TAX INCREMENT FINANCING

Tax Increment Financing began in the State of Illinois over 20 years ago. This financing tool was created to help local governments restore their most run-down areas or jumpstart economically sluggish parts of town. It allows municipalities to make the infrastructure improvements they need and provide incentives to attract businesses or help existing businesses expand, without tapping into general funds or raising taxes.

Over the last several years, billions of dollars nationwide, in federal and state aid to local governments have been eliminated. At the same time, unfunded federal and state mandates have increased the financial burden on many municipalities. Factor in property tax caps, and the funding problems facing local governments make it apparent that local governments are left to do more with less. Tax Increment Financing offers local governments a way to revitalize their communities by expanding their tax base, offsetting, in part, the federal and state funds that are no longer available to them *without imposing increased property taxes on the whole community*.

So how does tax increment financing (TIF) work? In a TIF district, dollars for improvements are generated by new and old businesses, attracted by the benefits of TIF. Specifically, money for improvements to infrastructure and other incentives comes from the growth in property tax revenues – the tax increment.

Once an area is declared a TIF, the amount of tax the TIF area generates is set as a "baseline." The taxing entities within an area, which generally receive portions of property tax revenue generated in the area, continue to receive that set amount during the life of the TIF. Parks, Schools, and other agencies continue to receive the same amount of revenue, so there is no loss of revenue to those taxing bodies. As vacant and dilapidated properties developed with TIF assistance return to productive and appropriate uses, the equalized assessed value (EAV) of those properties increases. This productivity creates an incremental increase in the revenue generated within the TIF district. The increment created between the baseline and the new EAV is captured and used solely for improvements within the TIF district. This increment can be used as a source of revenue to pay back the bonds issued to pay "upfront" costs, or can be used on a "pay-as-you-go" basis for individual projects.

The maximum life of a TIF district is 23 years. As the TIF expires and the investments in the redevelopment projects are paid back, property tax revenues are again shared by all the different taxing entities. Those taxing entities realize a budget windfall, receiving the higher revenues based on much higher EAVs which would not have been possible without the TIF.

Through the use of tax increment financing, property values increase while being assessed and taxed the same way as in non-TIF areas. But the advantages of TIF do not stop there. The following examples from the Illinois Tax Increment Association website show the variety of ways that communities have benefited from TIF.

- **Private investment and development**

Chicago Heights — ABC Rail Corporation had two manufacturing facilities in operation in Chicago Heights. The corporation wanted to expand its operations and open a third plant in the City. ABC Rail purchased a vacant industrial property and renovated the 195,000 square foot facility into a plant that will manufacture railroad tracks and switches. Chicago Heights provided $1.5 million in TIF assistance to acquire and renovate the property. ABC Rail invested $16 million in the expansion project.

- **More jobs**

Peoria — The $50 million expansion of the PMP Fermentation Products Facility created 30 new technical jobs in addition to the current 60 positions. Approximately 250 construction jobs were created during the two-year construction period.

- **Job Retention**

Granite City — National Steel Corporation needed to add new coating line facilities to its existing operations. The company opted to remain in Granite City because TIF incentives made expansion possible — keeping more than 3,500 jobs in the area.

- **Job training programs**

Riverdale —To increase its tax base and ensure employment opportunities for area residents, the Village of Riverdale offered $10,000 annually in matching funds for job training programs to each of the companies in the district.

- **Stronger, broader tax base**

Washington — Infrastructure improvements in the City of Washington — new roads, demolition of dilapidated structures, a new well, a new water treatment plant, and a water tower — attracted private developers to invest in the community. As a result, the equalized assessed value of the city went from $318,000 in 1985 to more than $1.8 million in 1993.

- **Stronger economic base**

Chicago — After the demise of the union stockyards in the 1960's, hundreds of acres of land on Chicago's south side were left vacant with inadequate infrastructure. $15 million in TIF funds were used to rehabilitate the area. Today, the Stockyards Industrial Park is one of the nation's most successful inner city industrial parks with an industrial community of 200 firms and 17,000 workers.

- **Locally controlled**

Chicago — One of the City of Chicago's primary development goals in its North Loop TIF district was the creation of a theater district to be the "Broadway of the Midwest." The Oriental Theater, part of this entertainment district, is expected to add $3.5 million annually to city tax revenue. No federal or state approval of this project was required.

- **Incremental revenue is reinvested in the TIF district**

Bartlett — The Village of Bartlett plans to use funds from a downtown TIF district for streetscaping in the business district. The $600,000 in improvements includes street resurfacing, landscaping, brick payers, streetlights, and benches.

- **Stimulates investment outside TIF district boundaries**

In 1993, a subsidiary of Tru Vue, Inc. of New York City relocated its 40,000 square foot industrial facility to the Eastman — North Branch TIF in Chicago. This $5 million project brought over 20 new jobs to the district and encouraged other industrial interests to establish operations in the area.

The last example shows how TIF helps Illinois stay competitive with neighboring states that intensively use TIF to bolster economic development and attract new businesses. In fact, the only states that do not utilize TIF as a catalyst for needed redevelopment projects are New Hampshire, Delaware, and North Carolina. The Midwest leads the nation in TIFs. Four of the seven leading states in TIF are Indiana, Minnesota, Wisconsin, and Illinois.

The Illinois Department of Commerce and Community Affairs (DCCA) estimates that 304 Illinois municipalities located in 69 counties have created 700 TIF districts through December 31, 2000. DCCA uses five major categories to classify TIFs: central business district, shopping mall / commercial, industrial, mixed development / non-central business district, and housing. The following table shows the distribution of the TIFs by these DCCA categories.

TABLE 2:

Types of TIF Districts in Illinois 1997 – 2000		
Types of TIF District	**Number**	**Percent**
Central Business District	128	18.2
Shopping Mall/Commercial Strip	65	9.3
Industrial/Conservation/Blight/Other	106	15.2
Mixed Development	357	51.0
Housing	412	6.0
Undetermined	2	0.3
	700	**100.0**

The economic impact that TIF has on Illinois communities varies from town to town. According to the City of Chicago's website, the Loop TIFs have created and retained over 20,000 jobs for the people of Chicago. They also estimate that when the Central Loop TIF ends in 2007, it could produce more than $68 million in additional revenue, 45% of which will go to Chicago Public Schools.

A SUCCESS STORY: BOEING'S RELOCATION INTO ILLINOIS

In May of 2001, Boeing announced that it would move its corporate headquarters from the State of Washington to the State of Illinois. The city of Chicago beat out Houston and Denver to obtain the aerospace giant. A major factor in persuading Boeing to relocate in Illinois was an estimated $52.1 million incentive package arranged by State leaders. The following is a list of those incentives included in the final agreement:

EDGE Corporate Credit (extended to 15 years @ 60%)	$17.0 million
Large Business Program	$1.0 million
High Impact Business Credit (over 20 years)	$1.0 million
Training Dollars (over 2 years)	$2.0 million
Relocation Costs (over 10 years)	$8.6 million
Tech Challenge Grants	$0.5 million
Total State Incentives:	**$29.1 million**
City of Chicago Incentives (Property Taxes):	**$23.0 million**
TOTAL INCENTIVES:	**$52.1 million**

Source: Chicago Tribune (6/01/01)

Before this incentive package could become applicable, some changes to current law had to take place. These changes come by way of the Corporate Headquarters Relocation Act, which Governor Ryan signed into law on August 1, 2001 (P.A. 92-0207). The goal of P.A. 92-0207 is to encourage multinational corporations from outside Illinois to relocate their corporate headquarters to Illinois through the use of incentives that are not otherwise available through existing programs. The major provisions include:

- Amending the EDGE Tax Credit Act to authorize an eligible business relocating its corporate headquarters to Illinois to earn tax credits for 15 years, instead of 10 years. It also limits credits to 60% of those otherwise available. (Under the original deal with Boeing, the 60% provision was not included, but legislators wanted this provision included in the bill, which Boeing later accepted).
- Authorizing DCCA to enter into agreements to reimburse up to 50% of relocation costs subject to certain terms.
- Authorizing taxing districts, other than school districts, to abate taxes on an eligible business or to enter into an agreement with an eligible business to make payments to that business for up to 20 years.

As stated before, Boeing could be eligible for up to $52.1 million in state incentives over 20 years. In turn, the June 2001 edition of *Tax Facts* reports that the aerospace giant could have a $4.5 billion economic impact on the Chicagoland region.

STATE BUSINESS INCENTIVES: NATIONAL TRENDS

As demonstrated, Illinois offers a wide variety of incentives to corporations as a way to lure them into our state. Illinois must do this in order to compete with other states that also want the economic opportunities that these businesses can create. Because of this competition, new incentive programs are continuing to be created in an attempt to stay one step ahead of other competing states.

Over the past twenty years, states have offered various incentive programs to create, retain, or expand jobs. In addition to financial and tax incentives, some states have used customized, company-specific incentives to engage in bidding wars which other states, such as Illinois did in obtaining Boeing's headquarters. Other states have offered incentives to recruit business from abroad.

An article from *The Book of the States, 2000-2001* entitled, "State Business Incentives: Trends," looks at the recent trends of corporate incentives in the United States. The following is an excerpt from that book.

> *Since the 1970s, the number of states providing tax incentives to businesses has steadily increased. For example, by 1998, more than 40 states offered tax concessions or credits to businesses for equipment and machinery, goods in transition, manufacturers' inventories, raw materials in manufacturing and job creation. Other tax exemption programs that are becoming increasingly popular in the states are linked to corporate income, personal income, and research and development.*
>
> *Similarly, the number of states with financial-incentive programs also increased over the past two decades. By 1998, more than 40 states offered special low-interest loans for building construction, equipment, machinery, plant expansion and establishment of industrial plants in areas of high unemployment.*
>
> *In recent years, most state legislatures have enacted laws to strengthen their business incentive programs. Legislative actions have centered on tax and financial incentives, new economic development organizations, economic zones and worker's compensation. In the next five years, a majority of the states are likely to maintain or increase their incentive activities at current levels.*

The article goes on to discuss an intriguing argument against corporate incentives. That is, do incentives unfairly shift the tax burden, skew competition in favor of certain firms, and offer a misleading "quick fix" approach to economic development? The answer to this is highly debatable. Critics feel that incentives represent a "zero sum game", or in other words, the total amount of investment and job creation is unaffected by incentives. The concern is that cities and states are spending public dollars to influence how the pie is divided, not to expand the size of the pie itself.

Opponents also argue that many of these companies benefiting from these incentives would have located in a particular state anyway, regardless of these incentives. Under this argument, the money spent on these incentives would be "bonus" money for the corporations. To the taxpayer, these incentives would represent tax dollars thrown away.

The previously mentioned article continues the argument against business incentives by stating that "incentives are not the most important factor considered in business location decisions. (These) business incentives are ineffective in creating jobs; raise questions about equity in the treatment of existing businesses; pull dollars away from the improvement of public services, such as education and infrastructure; and create a self-defeating zero-sum game between states."

The proponent viewpoint for incentives is relatively simple. Those in favor of state business incentives maintain that these incentives have a positive effect on corporate-location decisions, finance, job creation, are cost-effective, help foster competitiveness, and are politically popular. They argue that incentives are, in today's world, politically necessary for individual cities and states that are trying to lure or keep investment.

The fact is, state and local governments, in the face of competition, are forced to put up incentives or risk losing desired investment. Because of this, right or wrong, business incentives are not going away in the near future. Many scholars, economic development professionals, and state legislators have called for federal intervention to stop incentives. However, this cannot be accomplished on a state by state basis because any state that does not remove its incentive packages would immediately be the welcoming target of businesses looking to relocate, leaving other states behind. It is for this reason, that a resolution can only come at a national level.

On the following pages, two attached tables from *The Book of the States*, *2000 – 2001*, have been provided. The first table summarizes the state financial incentives for businesses for the fifty states. The second table summarizes the state tax incentives available for businesses. Any questions regarding the data used in these tables can be addressed through the data source mentioned earlier.

TABLE 3:

State Financial Incentives for Business, 1998

	State-sponsored industrial development authority	*Privately-sponsored development credit corporation*	*State authority or agency revenue bond financing*	*State authority or agency general obligation bond financing*	*City and/or county revenue bond financing*	*City and/or county general obligation bond financing*	*State loans for building construction*	*State loans for equipment machinery*	*City and/or county loans for building construction*	*City and/or county loans for equipment, machinery*	*State loan gurantees for building construction*	*State loan gurantees for equipment machinery*	*State financing aid for existing plant expansion*	*State matching funds for city and/or county industrial financing programs*	*State incentives for establishing industrial plants in areas of high unemployment*	*City and/or county incentives for establishing industrial plans in areas of high unemployment*
Alabama	*	*	*		*	*	*	*	*	*			*	*	*	*
Alaska	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Arizona					*	*	*	*			*	*	*		*	*
Arkansas	*	*	*	*	*	*	*	*	*	*	*	*	*		*	*
California	*	*	*	*		*	*	*	*	*	*	*	*		*	*
Colorado	*	*			*		*	*	*	*	*	*	*	*	*	*
Connecticut	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Delaware	*	*	*		*		*	*	*	*			*	*	*	*
Florida		*	*		*	*	*	*	*	*			*		*	*
Georgia	*	*	*		*	*			*	*					*	*
Hawaii	*		*	*	*	*	*	*					*		*	*
Idaho		*			*	*			*	*						
Illinois	*	*	*		*		*	*	*	*			*		*	*
Indiana	*	*	*		*	*	*	*	*	*	*	*	*	*	*	*
Iowa	*	*	*		*	*	*	*	*	*	*	*	*	*	*	*
Kansas			*	*	*	*			*	*			*	*	*	*
Kentucky	*		*	*	*	*	*	*	*	*			*	*	*	*
Louisiana		*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Maine	*		*		*	*	*	*	*	*	*	*	*		*	*
Maryland	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Massachusetts	*	*	*		*	*	*	*	*	*	*	*	*	*	*	*
Michigan	*	*	*		*	*	*	*	*	*			*	*	*	*
Minnesota	*	*	*	*	*	*	*	*	*	*			*	*	*	
Mississippi	*	*	*	*	*	*	*	*	*	*	*	*	*		*	*
Missoui	*	*	*		*	*	*	*	*	*	*	*	*		*	*
Montana		*	*	*	*	*	*	*	*	*			*			
Nebraska	*	*	*	*		*	*	*	*	*	*	*	*	*	*	*
Nevada	*	*	*	*	*				*	*					*	*
New Hampshire	*	*	*		*	*			*	*	*	*	*			
New Jersey	*		*		*	*	*	*	*	*	*	*	*		*	*
New Mexico	*	*	*	*	*	*	*	*	*	*			*		*	*
New York	*	*	*	*	*		*	*	*	*	*	*	*		*	*
North Carolina	*				*	*			*	*					*	
North Dakota		*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Ohio	*	*	*		*		*	*	*	*			*	*	*	*
Oklahoma	*		*	*	*	*	*	*	*	*	*	*	*	*	*	*
Oregon	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Pennsylvania	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Rhode Island	*	*	*	*	*		*	*	*	*	*	*	*	*	*	*
South Carolina	*	*	*		*	*	*	*	*	*			*		*	*
South Dakota	*		*	*	*	*	*	*	*	*			*	*		
Tennessee			*	*	*	*	*	*	*	*	*	*	*	*	*	
Texas	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Utah	*	*			*	*			*	*					*	
Vermont	*	*	*		*	*	*	*	*	*	*	*	*	*		
Virginia	*	*	*		*	*	*	*	*	*			*		*	*
Washington	*	*	*		*			*				*		*	*	
West Virginia	*	*	*		*		*	*	*	*	*	*	*	*		
Wisconsin	*	*	*		*	*	*	*	*	*			*		*	
Wyoming	*		*		*	*	*	*	*	*	*	*	*	*		
State totals	42	39	45	24	49	41	42	43	47	47	28	30	44	27	43	37

Source: The Book of the State, Volume 33

TABLE 4:

State Tax Incentives for Business, 1998

	Corporate income tax exemption	*Personal income tax exemption*	*Excise tax exemption*	*Tax exemption or roratorium on equipment machinery*	*Tax exemption or moratorium on equipment, machinery*	*Inventory tax exemption on goods in transit (Freeport)*	*Tax exemption on manufacturers inventories*	*Sales/use tax exemption on new equipment*	*Tax exemption on raw materials used in manufacturing*	*Tax incentive for creation of jobs*	*Tax incentive for industrial investment*	*Tax credits for use of specified state products*	*Tax Stabilization agreements for specified industries*	*Tax exemption to encourage research and development*	*Accelerated depreciation of industrial equipment*
Alabama	*	*	*	*	*	*	*	*	*	*	*				*
Alaska		*	*	*				*	*			*			*
Arizona	*	*		*	*	*	*	*	*	*	*			*	*
Arkansas	*		*	*	*		*	*	*	*	*	*		*	*
California		*	*	*	*	*	*	*	*	*	*			*	*
Colorado	*		*		*	*	*	*	*	*	*				
Connecticut	*			*	*	*	*	*	*	*	*			*	*
Delaware	*	*	*	*	*	*	*	*	*	*	*			*	*
Florida	*	*		*	*	*	*	*	*	*	*			*	*
Georgia				*	*	*	*	*	*	*	*			*	
Hawaii	*	*	*		*	*	*	*	*	*			*	*	*
Idaho	*				*	*	*	*	*		*			*	*
Illinois	*	*	*	*	*	*	*	*	*	*	*			*	*
Indiana	*	*		*	*	*	*	*	*	*	*			*	*
Iowa	*	*	*	*	*	*	*	*	*	*	*			*	*
Kansas	*	*		*	*	*	*	*	*	*	*			*	*
Kentucky				*	*	*	*	*	*	*	*			*	*
Louisiana	*	*		*	*	*	*		*	*	*		*	*	*
Maine	*	*			*	*	*	*	*	*	*			*	*
Maryland	*	*	*	*	*	*	*	*	*	*	*			*	*
Massachusetts	*	*	*	*	*	*	*	*	*	*	*		*	*	*
Michigan	*	*		*	*	*	*	*	*	*	*				*
Minnesota			*	*	*	*	*	*	*	*			*	*	*
Mississippi	*	*		*	*	*	*	*	*	*	*			*	*
Missoui	*	*	*		*	*	*	*	*	*	*			*	*
Montana	*	*		*	*	*	*	*	*	*	*	*	*	*	*
Nebraska		*		*	*	*	*	*	*	*	*				*
Nevada	*	*	*			*	*	*	*	*					
New Hampshire		*			*	*	*	*	*	*	*				*
New Jersey	*	*		*	*	*	*	*	*	*	*			*	
New Mexico				*	*	*	*	*	*		*			*	*
New York	*	*	*	*	*	*	*	*	*	*	*			*	
North Carolina						*	*	*	*	*	*			*	
North Dakota	*		*	*	*	*	*	*	*	*	*			*	
Ohio	*	*		*	*	*	*	*	*	*	*			*	*
Oklahoma	*	*	*	*	*	*		*	*	*	*	*	*	*	*
Oregon			*	*	*	*	*	*	*		*			*	*
Pennsylvania	*		*	*	*	*	*	*	*	*	*	*		*	*
Rhode Island			*	*	*		*	*	*	*	*	*	*	*	*
South Carolina	*			*	*	*	*	*	*	*	*			*	*
South Dakota	*	*	*	*		*	*		*	*	*			*	*
Tennessee	*	*	*	*	*	*	*	*	*		*			*	*
Texas	*	*		*	*	*		*	*	*	*				
Utah					*	*	*	*	*	*					*
Vermont			*			*	*	*	*				*		*
Virginia	*	*		*	*	*	*	*	*	*	*			*	*
Washington	*	*	*			*	*	*	*	*	*			*	
West Virginia	*	*		*		*		*	*	*	*	*	*	*	*
Wisconsin	*	*			*	*	*	*	*	*	*			*	*
Wyoming	*	*	*			*	*		*						
State totals	**37**	**34**	**26**	**38**	**42**	**48**	**46**	**47**	**50**	**43**	**43**	**7**	**9**	**38**	**41**

Source: The Book of the State, Volume 33

BUSINESS EXPENDITURES

Business Expenditures – As Reported in the Comptroller's Tax Expenditure Report: FY 2000

(in thousands of dollars)

Expenditure	FY 2000 Annual Impact	FY 1999 Annual Impact
Tax: Sales Tax		
Manufacturing and Assembling Machinery and Equipment Exemption	$143,600	$127,200
Rolling Stock Exemption	127,500	70,000
Retailer's Discount	102,950	89,760
Newsprint and Ink to Newspapers and Magazines Exemption	40,000	40,000
Designated Tangible Personal Property within Enterprise Zone Exemption	28,300	27,000
Sales of Vehicles to Automobile Renters Exemption	28,300	13,240
Manufacturer's Purchase Credit	18,000	12,160
Building Materials within Enterprise Zone Exemption	12,820	11,350
Graphic Arts Machinery and Equipment Exemption	7,180	6,360
Interim Use Prior to Sale Exemption	6,800	3,400
Coal, Oil, and Distillation Machinery and Equipment Exemption	3,500	3,500
TOTAL	$518,950	$403,970
Tax: Individual Income Tax		
Income Tax Credits	$4,262	$3,000
TOTAL	$4,262	$3,000
Tax: Corporate Income Tax		
Illinois Net Operating Loss Deduction	$126,096	$137,810
Research and Development Credit	27,470	32,600
Training Expense Credit	17,270	18,771
Life and Health Insurance Guarantee Association Tax Offset	16,070	12,276
Enterprise Zone Investment Credit	9,970	8,986
Standard Exemption	5,333	5,392
Enterprise Zone and High Economic Impact Interest Subtractions	1,570	1,920
High Economic Impact Business Investment Credit	520	372
TECH-PREP Youth Vocational Program Credit	280	256
Enterprise and Foreign Trade Zone Dividend Subtractions	269	57
Job Training Contribution Subtraction	235	38
Jobs Tax Credit	60	5
TOTAL	$205,143	$218,483

Tax: Other

Sales for Use Other Than in Motor Vehicles Exemption	$57,844	$56,958
Enterprise and Foreign Trade Zone High Economic Impact Bus. Exemption	34,919	26,264
Timely Filing and Full Payment Discount	22,661	21,361
Life and Health Guaranty Assessments Credit	17,319	11,793
One Million Dollar Cap on Franchise Tax for Corporations	13,000	7,144
Airport Exemption	12,643	8,360
Cost of Collection Discount	7,531	7,650
Cost of Collection Discount	4,850	4,462
Real Estate Tax Credit	3,924	0
Rail Carrier Exemption	2,741	2,433
Timely Filing and Full Payment Discount	1,388	1,269
Enterprise and Foreign Trade Zone High Economic Impact Bus. Exemption	1,217	1,150
Timely Filing and Full Payment Discount	562	539
Exemption for Ships Conducting Interstate Commerce on Border Rivers	469	561
Business Reorganization Preferential Tax Rate	109	116
Aviation Purposes Exemption	78	78
Enterprise and Foreign Trade Zone High Economic Impact Bus. Exemption	75	133
Enterprise Zone Revenue Exemption	31	242
TOTAL	$181,361	$150,513

TOTAL BUSINESS EXPENDITURES	$909,716	$775,966

(Source: Comptroller's Tax Expenditure Report, Fiscal Year 2000)

BACKGROUND

The Illinois Economic and Fiscal Commission, a bipartisan, joint legislative commission, provides the General Assembly with information relevant to the Illinois economy, taxes and other sources of revenue and debt obligations of the State. The Commission's specific responsibilities include:

1) Preparation of annual revenue estimates with periodic updates;

2) Analysis of the fiscal impact of revenue bills;

3) Preparation of "State Debt Impact Notes" on legislation which would appropriate bond funds or increase bond authorization;

4) Periodic assessment of capital facility plans; and

5) Annual estimates of the liabilities of the State's group health insurance program and approval of contract renewals promulgated by the Department of Central Management Services.

The Commission also has a mandate to report to the General Assembly ". . . on economic trends in relation to long-range planning and budgeting; and to study and make such recommendations as it deems appropriate on local and regional economic and fiscal policies and on federal fiscal policy as it may affect Illinois. . . ." This results in several reports on various economic issues throughout the year.

The Commission publishes two primary reports. The "Revenue Estimate and Economic Outlook" describes and projects economic conditions and their impact on State revenues. "The Illinois Bond Watcher" examines the State's debt position as well as other issues directly related to conditions in the financial markets. The Commission also periodically publishes special topic reports that have or could have an impact on the economic well being of Illinois.

These reports are available from:

Illinois Economic and Fiscal Commission
703 Stratton Office Building
Springfield, Illinois 62706
(217) 782-5320
(217) 782-3513 (FAX)

Reports can also be accessed from our Webpage:

http://www.legis.state.il.us/commission/ecfisc/ecfisc_home.html