

Presented to:

**Follow-up Information from January 17, 2014
House Revenue/State Government
Administration Committee**

TAX INCENTIVES IN ILLINOIS



Presented by:

Dan R. Long, Executive Director

**Commission on Government Forecasting and Accountability
703 Stratton Office Building; Springfield, Illinois 62706**

February 5, 2014

SENATE
Michael Frerichs
Co-Chair

David Koehler
Matt Murphy
Chapin Rose
Dave Syverson
Donne Trotter

EXECUTIVE DIRECTOR
Dan R. Long



State of Illinois
COMMISSION ON GOVERNMENT
FORECASTING AND ACCOUNTABILITY
703 Stratton Ofc. Bldg., Springfield, IL 62706
217/782-5320 Fax: 217/782-3513
<http://cgfa.ilga.gov>

HOUSE
Jil Tracy
Co-Chair

Kelly Burke
Elaine Nekritz
Raymond Poe
Al Riley
Mike Tryon

DEPUTY DIRECTOR
Laurie L. Eby

February 5, 2014

HOUSE REVENUE / STATE GOVERNMENT ADMINISTRATION COMMITTEE

In the January 17, 2014 House Revenue / State Government Administration Committee meeting on Tax Incentives, there were several questions that members asked the Commission to answer before their next meeting. The following is a response to those questions:

Rep. Franks: How does Illinois' job growth rate compare to other states, historically?

With 2013 now complete, the following analysis takes a look at Illinois' employment figures for the year and shows how these job numbers compare with the rest of the nation.

The latest figures (December 2013) from the Bureau of Labor Statistics places Illinois' seasonally adjusted unemployment rate at 8.6%, which remains significantly higher than the U.S. rate of 6.7%. As shown in the following two tables, Illinois' seasonally adjusted unemployment rate of 8.6% currently places Illinois as having the 3rd highest unemployment rate in the nation (or 49th overall, when including the District of Columbia). Only Nevada (8.8%) and Rhode Island (9.1%) have a higher rate than Illinois.

December 2013 Unemployment Rates by State					
Seasonally Adjusted					
NATIONAL RATE = 6.7%					
State	Dec. 2013 Rate	Rate Ranking	State	Dec. 2013 Rate	Rate Ranking
North Dakota	2.6	1	Wisconsin	6.2	22
Nebraska	3.6	2	Alaska	6.4	27
South Dakota	3.6	2	New Mexico	6.4	27
Utah	4.1	4	South Carolina	6.6	29
Iowa	4.2	5	Washington	6.6	29
Vermont	4.2	5	Indiana	6.9	31
Wyoming	4.4	7	North Carolina	6.9	31
Hawaii	4.5	8	Pennsylvania	6.9	31
Minnesota	4.6	9	Massachusetts	7.0	34
Kansas	4.9	10	Oregon	7.0	34
New Hampshire	5.1	11	New York	7.1	36
Montana	5.2	12	Ohio	7.2	37
Virginia	5.2	12	New Jersey	7.3	38
Oklahoma	5.4	14	Arkansas	7.4	39
Idaho	5.7	15	Connecticut	7.4	39
Louisiana	5.7	15	Georgia	7.4	39
Missouri	5.9	17	Arizona	7.6	42
West Virginia	5.9	17	Tennessee	7.8	43
Texas	6.0	19	Kentucky	8.0	44
Alabama	6.1	20	Mississippi	8.0	44
Maryland	6.1	20	District of Columbia	8.1	46
Colorado	6.2	22	California	8.3	47
Delaware	6.2	22	Michigan	8.4	48
Florida	6.2	22	Illinois	8.6	49
Maine	6.2	22	Nevada	8.8	50
			Rhode Island	9.1	51

Note: The December 2013 figures are preliminary. Rates shown are a percentage of the labor force. Data refer to place of residence. Series begin in January 1976. Historical highs and lows show the most recent month that a rate was recorded in the event of multiple occurrences. Estimates for at least the latest five years are subject to revision early in the following calendar year.

Source: <http://www.bls.gov/web/laus/lauehtml.htm>

December 2013 Unemployment Rates (Seasonally Adjusted) for States and Historical Highs/Lows						
NATIONAL RATE = 6.7%						
State	Dec. 2013 Rate	Rate Ranking	Historical High Date	Rate	Historical Low Date	Rate
Alabama	6.1	20	Dec. 1982	14.3	Apr. 2007	3.2
Alaska	6.4	27	June 1986	11.5	May 2013	5.9
Arizona	7.6	42	Jan. 1983	11.6	July 2007	3.5
Arkansas	7.4	39	July 1983	10.1	Nov. 2000	4.0
California	8.3	47	Oct. 2010	12.4	Jan. 2001	4.7
Colorado	6.2	22	Nov. 2010	9.1	Jan. 2001	2.6
Connecticut	7.4	39	Dec. 2010	9.4	Oct. 2000	2.1
Delaware	6.2	22	Dec. 1976	9.3	Feb. 1989	2.8
District of Columbia	8.1	46	Feb. 1983	11.6	May 1989	4.8
Florida	6.2	22	Mar. 2010	11.4	Aug. 2006	3.3
Georgia	7.4	39	Jan. 2010	10.4	Dec. 2000	3.3
Hawaii	4.5	8	Jan. 1976	9.9	Dec. 2006	2.3
Idaho	5.7	15	Feb. 1983	9.6	Mar. 2007	2.7
Illinois	8.6	49	Feb. 1983	12.9	Feb. 1999	4.2
Indiana	6.9	31	Jan. 1983	12.7	Apr. 1999	2.6
Iowa	4.2	5	Mar. 1983	8.6	Oct. 1999	2.5
Kansas	4.9	10	Aug. 2009	7.5	Apr. 1979	3.0
Kentucky	8.0	44	Jan. 1983	12.0	June 2000	4.1
Louisiana	5.7	15	Nov. 1986	12.8	July 2006	3.6
Maine	6.2	22	Jan. 1977	9.0	Jan. 2001	3.1
Maryland	6.1	20	Nov. 1982	8.4	Feb. 2008	3.3
Massachusetts	7.0	34	Jan. 1976	11.1	Oct. 2000	2.6
Michigan	8.4	48	Dec. 1982	16.8	Mar. 2000	3.3
Minnesota	4.6	9	Dec. 1982	9.1	Mar. 1999	2.5
Mississippi	8.0	44	Apr. 1983	13.5	Apr. 2001	4.9
Missouri	5.9	17	Feb. 1983	10.6	Jan. 2000	2.8
Montana	5.2	12	Mar. 1983	8.8	Dec. 2006	3.1
Nebraska	3.6	2	Feb. 1983	6.7	Feb. 1998	2.2
Nevada	8.8	50	Oct. 2010	14.0	Apr. 2000	3.8
New Hampshire	5.1	11	Sept. 1992	7.6	May 1987	2.1
New Jersey	7.3	38	Dec. 1976	10.7	July 2000	3.6
New Mexico	6.4	27	Mar. 1983	10.0	June 2007	3.4
New York	7.1	36	Nov. 1976	10.3	Apr. 1988	4.0
North Carolina	6.9	31	Feb. 2010	11.3	Mar. 1999	3.1
North Dakota	2.6	1	Feb. 1983	6.8	Dec. 2013	2.6
Ohio	7.2	37	Jan. 1983	13.9	Jan. 2001	3.8
Oklahoma	5.4	14	June 1983	9.2	Dec. 2000	2.8
Oregon	7.0	34	Jan. 1983	12.1	Feb. 1995	4.7
Pennsylvania	6.9	31	Mar. 1983	12.9	Mar. 2000	4.0
Rhode Island	9.1	51	Feb. 2010	11.9	July 1988	2.9
South Carolina	6.6	29	Jan. 2010	11.9	Mar. 1998	3.2
South Dakota	3.6	2	Feb. 1983	6.0	Mar. 2000	2.5
Tennessee	7.8	43	Jan. 1983	12.8	May 2000	3.9
Texas	6.0	19	Nov. 1986	9.3	Jan. 2001	4.2
Utah	4.1	4	Mar. 1983	10.0	Mar. 2007	2.4
Vermont	4.2	5	Jan. 1976	8.8	Apr. 2000	2.4
Virginia	5.2	12	Jan. 1983	7.8	Dec. 2000	2.2
Washington	6.6	29	Nov. 1982	12.2	May 2007	4.4
West Virginia	5.9	17	Mar. 1983	18.1	Mar. 2008	3.9
Wisconsin	6.2	22	Jan. 1983	11.5	Feb. 2000	3.0
Wyoming	4.4	7	Jan. 1987	9.1	Apr. 1979	2.3
Note: The December 2013 figures are preliminary. Rates shown are a percentage of the labor force. Data refer to place of residence. Series begin in January 1976. Historical highs and lows show the most recent month that a rate was recorded in the event of multiple occurrences. Estimates for at least the latest five years are subject to revision early in the following calendar year. Source: http://www.bls.gov/web/laus/lausth1.htm						

The latest employment data (non-farm, seasonally adjusted) show that there were approximately 5.835 million people employed in Illinois in December 2013. This is an improvement of 1.1% over December 2012 and ranks Illinois 31st in the nation in terms of a state's employment change between December 2012 and December 2013. Illinois' job totals are 3.4% higher than they were three years ago (ranking Illinois 31st). However, compared to five years ago, Illinois still has fewer jobs than it did in December 2008. In fact, the five year change of -0.3% ranks Illinois as 40th in the nation in terms of a state's employment change between December 2008 and December 2013. These national rankings can be seen below.

Total Nonfarm Employment Year-Over-Year Change (Year over Year Comparisons are Compared to December 2013 Data) (Employment Values in thousands)						
	Current Value (Dec 2013)	Current Value vs. 1-Year Ago	Ranking of Change	Current Value vs. 3-Years Ago	Ranking of Change	Current Value vs. 5-Years Ago
Alabama	1,894.9	0.6%	44	1.2%	50	-3.0%
Alaska	333.1	-0.7%	51	1.8%	47	3.2%
Arizona	2,537.6	2.0%	7	6.0%	5	-0.1%
Arkansas	1,193.5	1.1%	32	2.4%	43	0.4%
California	14,767.8	1.6%	17	5.4%	9	0.9%
Colorado	2,379.7	1.9%	10	6.6%	4	2.6%
Connecticut	1,651.2	0.7%	42	2.1%	44	-1.3%
Delaware	430.6	2.2%	6	3.3%	33	0.5%
Dist. Of Columbia	732.4	-0.1%	50	2.0%	46	4.2%
Florida	7,645.0	2.6%	2	6.0%	6	1.9%
Georgia	4,078.3	2.2%	5	5.1%	15	1.2%
Hawaii	621.1	1.6%	21	5.3%	13	2.6%
Idaho	637.4	1.3%	24	5.3%	12	0.9%
Illinois	5,835.1	1.1%	31	3.4%	31	-0.3%
Indiana	2,975.5	1.8%	12	6.0%	7	3.0%
Iowa	1,528.5	0.8%	37	3.6%	28	1.2%
Kansas	1,375.9	0.7%	41	3.3%	32	-0.5%
Kentucky	1,842.8	0.3%	47	3.1%	35	1.5%
Louisiana	1,964.0	1.0%	36	4.0%	24	1.2%
Maine	600.5	1.1%	29	1.2%	49	-1.3%
Maryland	2,625.2	1.4%	23	3.7%	26	2.2%
Massachusetts	3,354.6	1.7%	15	4.6%	20	3.1%
Michigan	4,092.7	1.6%	20	5.1%	16	0.9%
Minnesota	2,797.7	1.7%	16	5.3%	11	2.5%
Mississippi	1,127.1	1.7%	14	3.0%	38	-0.1%
Missouri	2,721.8	1.3%	26	2.6%	41	-1.1%
Montana	448.5	0.7%	43	4.9%	19	2.1%
Nebraska	971.8	1.1%	33	3.1%	36	1.0%
Nevada	1,180.1	1.8%	11	5.5%	8	-2.7%
New Hampshire	640.3	0.8%	39	2.4%	42	-0.1%
New Jersey	3,942.3	0.3%	49	2.6%	40	-0.8%
New Mexico	810.4	0.4%	46	1.0%	51	-3.1%
New York	8,943.8	1.1%	30	4.0%	25	2.6%
North Carolina	4,096.8	1.6%	18	5.3%	14	1.1%
North Dakota	456.1	4.0%	1	18.7%	1	23.9%
Ohio	5,200.6	0.5%	45	2.8%	39	-1.0%
Oklahoma	1,636.8	1.2%	27	4.4%	22	1.2%
Oregon	1,682.7	2.4%	3	4.6%	21	0.6%
Pennsylvania	5,761.6	0.3%	48	1.8%	48	0.3%
Rhode Island	469.2	0.8%	40	2.0%	45	-0.8%
South Carolina	1,913.3	2.0%	8	4.9%	17	1.5%
South Dakota	421.9	1.4%	22	4.2%	23	2.7%
Tennessee	2,771.1	1.1%	28	5.4%	10	2.1%
Texas	11,277.1	2.3%	4	8.0%	3	6.6%
Utah	1,288.0	1.7%	13	8.1%	2	4.7%
Vermont	309.1	1.0%	35	3.7%	27	1.9%
Virginia	3,777.3	0.8%	38	3.2%	34	1.3%
Washington	2,940.2	1.9%	9	4.9%	18	0.8%
West Virginia	773.9	1.0%	34	3.4%	30	2.0%
Wisconsin	2,840.5	1.6%	19	3.6%	29	0.1%
Wyoming	292.6	1.3%	25	3.0%	37	-1.9%
National Totals	136,590.0	1.6%		5.0%		1.8%
Source: The Bureau of Labor Statistics at http://www.bls.gov/sae/ . Data Compiled by CGFA.						

The monthly employment data from the Bureau of Labor Statistics includes a wide variety of job-related data, including Statewide employment totals by subsector, as well as each subsector's average weekly earnings. A summary of these figures are shown below.

From an annual average perspective, Illinois averaged 5.80 million jobs in 2013, which was a 1.0% increase over the 2012 average of 5.74 million jobs. This is the third consecutive year of positive growth in Statewide employment following three consecutive years of negative job growth. However, as was the case for the December data, the 2013 average still remains well below the 5.95 million jobs reported five years ago in 2008.

Average Employment Levels by Subsector in Illinois						
Non-Seasonally Adjusted Annual Averages: 2008 to 2013 (in thousands)						
	2008 Average	2009 Average	2010 Average	2011 Average	2012 Average	2013 Average (Prelim)
Mining	9.8	9.3	9.1	9.6	10.2	10.4
Construction	258.3	217.2	198.3	195.7	187.9	184.3
Manufacturing	657.4	576.7	561.0	573.9	582.9	578.7
Trade, Transportation, and Utilities	1,204.8	1,139.5	1,125.6	1,143.8	1,155.7	1,168.2
Information	114.4	106.4	101.8	100.6	100.1	99.7
Financial Activities	391.7	372.0	363.7	363.3	366.1	372.4
Professional and Business Services	859.9	787.8	801.9	831.4	861.5	884.7
Education and Health Services	801.3	816.4	833.1	848.5	864.0	880.0
Leisure and Hospitality	532.7	516.6	515.4	522.2	534.8	540.6
Other Services	263.6	257.9	249.1	249.7	249.3	254.2
Government	855.6	857.6	853.8	837.9	831.9	827.6
Totals	5,949.5	5,657.4	5,612.8	5,676.6	5,744.4	5,800.7
Illinois' Annual % Change	-0.5%	-4.9%	-0.8%	1.1%	1.2%	1.0%
U.S. Annual % Change	-2.6%	-3.8%	0.8%	1.6%	1.7%	1.6%

Average Weekly Earnings and Employment Change by Subsector in Illinois						
Annual Averages: 2008 to 2013						
	2008 Average	2009 Average	2010 Average	2011 Average	2012 Average	2013 Average (Prelim.)
Mining*	N/A	N/A	N/A	N/A	N/A	N/A
Construction	\$1,137	\$1,212	\$1,236	\$1,278	\$1,284	\$1,258
Manufacturing	\$862	\$877	\$926	\$978	\$982	\$1,001
Trade, Transportation, and Utilities	\$670	\$670	\$693	\$734	\$766	\$790
Information	\$977	\$1,039	\$1,040	\$1,005	\$1,027	\$1,102
Financial Activities	\$1,006	\$1,068	\$1,036	\$1,054	\$1,131	\$1,116
Professional and Business Services	\$997	\$1,033	\$1,024	\$1,007	\$1,027	\$1,026
Education and Health Services	\$699	\$720	\$724	\$757	\$792	\$813
Leisure and Hospitality	\$310	\$325	\$319	\$322	\$337	\$324
Other Services	\$700	\$707	\$712	\$703	\$728	\$750
Government*	N/A	N/A	N/A	N/A	N/A	N/A
Statewide Average Weekly Earnings*	\$775	\$792	\$799	\$820	\$846	\$856
IL % Change in Avg. Weekly Earnings	-2.3%	2.1%	0.9%	2.6%	3.2%	1.2%
U.S. % Change in Avg. Weekly Earnings	2.7%	1.1%	2.3%	2.7%	2.4%	1.8%

* Because the Mining and Government subsectors' weekly earnings for Illinois are not available from the Bureau of Labor Statistics, "Statewide Average Weekly Earnings" is calculated by using the weekly earnings of the other nine subsectors. The statewide value was calculated by multiplying each subsector's average jobs by its average earnings and divided the sum of these figures by the total number of jobs from these nine subsectors.

Source: www.bls.gov

In regards to earnings, the latest data shows that average weekly earnings only grew 1.2% in 2013. This follows weekly earnings growth averages in 2011 and 2012 of 2.6% and 3.2%, respectively. The growth rates of employment and earnings have allowed for some modest improvements in income related tax revenues (base growth) over the last couple of fiscal years. The 2013 employment growth of 1.0% and the weekly earnings growth rate of 1.2% appear to coincide well with the results seen so far in withholding tax receipts (which are tied directly to wages), as this portion of income tax revenues (which roughly makes up 80% of total income tax receipts) are up 2.1% for the first half of FY 2014.

In a year in which many states have recovered from the job losses as a result of the Great Recession, Illinois and its unemployment rate of 8.6% remain well behind the nation as a whole in job and wage growth. Adding to this concern is the fact that many of the jobs being added in Illinois are comparatively lower paying jobs. To understand this a little better, a closer look at the different subsectors of jobs in Illinois is necessary.

Over the last five years (comparing average employment totals of 2008 with 2013), the biggest improvement in the number of jobs in Illinois has been in “Education and Health Services” (up 9.8%). However, as shown below, this is one of the lower-paying sectors in terms of weekly earnings, with an average weekly earnings value of \$813. Illinois’ largest employer of jobs is the “Trade, Transportation, and Utilities” subsector, employing over 1.1 million people. But, this subsector, too, has one of the lowest average weekly earnings totals in the State (2013 average weekly earnings value of \$790).

State Rankings of Illinois' Employment Subsectors						
Employment Values, Non-Seasonally Adjusted (in thousands)						
	2013 Avg. Employment Totals (Prelim.)	2013 Sector Ranking by # Employed	2008 to 2013 % Change in Jobs	Jobs Ranking by 5-Yr Change	2013 Avg. Weekly Wage (Prelim.)	2013 Sector Earnings Ranking
Mining	10.4	11	6.5%	2	N/A	N/A
Construction	184.3	9	-28.7%	11	\$1,258	1
Manufacturing	578.7	5	-12.0%	9	\$1,001	5
Trade, Transportation, and Utilities	1,168.2	1	-3.0%	5	\$790	7
Information	99.7	10	-12.8%	10	\$1,102	3
Financial Activities	372.4	7	-4.9%	8	\$1,116	2
Professional and Business Services	884.7	2	2.9%	3	\$1,026	4
Education and Health Services	880.0	3	9.8%	1	\$813	6
Leisure and Hospitality	540.6	6	1.5%	4	\$324	9
Other Services	254.2	8	-3.6%	7	\$750	8
Government	827.6	4	-3.3%	6	N/A	N/A

Note: Mining and Government subsectors' weekly earnings are not available from the Bureau of Labor Statistics

Equally troublesome is the fact that those sectors with the highest weekly earnings were the sectors that over the last five years have lost the most jobs in Illinois. For example, the sector with the highest weekly earnings is “Construction”, paying, on average, \$1,258 per week. However, construction jobs are down 28.7% over the last five years in Illinois. The next highest paying sectors are “Financial Activities” (\$1,116 per week) and “Information” (\$1,102 per week), but employment in these categories are down 4.9% and 12.8%, respectively, over the last five years. These statistics suggest that when jobs are added in Illinois, they are migrating from the higher paying sector to lower paying sectors.

Therefore, from a tax revenue perspective, the State will be challenged to see significant growth in base revenues (not impacted by tax increases) as long as its employment levels remain below levels of the past. Furthermore, because the new jobs being added appear to be lower paying jobs, even higher levels of employment beyond what has been experienced in the past will be necessary for there to be significant increases in job-related base revenues from the State’s income taxes.

Rep. Bradley in regards to the Commission's table on Corporate Income Tax Rates by State: Are there comparable tax policies in other states that should be calculated in the corporate tax structure? Are there Property Replacement taxes in these other states? Are there things similar to the PPRT? Are there other taxes which might not be reflected in the corporate income tax? Is this a true comparison? Are there other things that need to be factored in in these other states that maybe Illinois doesn't have, that they have? We would like to see a breakdown of the entire tax comparison.

The table comparing corporate income tax rates of the 50 states comes from the Federation of Tax Administrator's (FTA) website. These tax rates, in addition to comparisons of other types of tax rates (individual income tax, sales tax, motor fuel tax, cig tax, etc.) are shown below and can be found at: http://www.taxadmin.org/fta/rate/tax_stru.html

RANGE OF STATE CORPORATE INCOME TAX RATES						
(For tax year 2013 -- as of January 1, 2013)						
STATE	TAX RATE (percent)	TAX BRACKETS		NUMBER OF BRACKETS	TAX RATE (a) (percent) FINANCIAL INST.	FEDERAL INCOME TAX DEDUCTIBLE
		LOWEST	HIGHEST			
ALABAMA	6.5	---Flat Rate---		1	6.5	Yes
ALASKA	1.0 - 9.4	9,999	90,000	10	1.0 - 9.4	
ARIZONA	6.968 (b)	---Flat Rate---		1	6.968 (b)	
ARKANSAS	1.0 - 6.5	3,000	100,001	6	1.0 - 6.5	
CALIFORNIA	8.84 (c)	---Flat Rate---		1	10.84 (c)	
COLORADO	4.63	---Flat Rate---		1	4.63	
CONNECTICUT	7.5 (d)	---Flat Rate---		1	7.5 (d)	
DELAWARE	8.7	---Flat Rate---		1	8.7-1.7 (e)	
FLORIDA	5.5 (f)	---Flat Rate---		1	5.5 (f)	
GEORGIA	6.0	---Flat Rate---		1	6.0	
HAWAII	4.4 - 6.4 (g)	25,000	100,001	3	7.92 (g)	
IDAHO	7.4 (h)	---Flat Rate---		1	7.4 (h)	
ILLINOIS	9.5 (i)	---Flat Rate---		1	9.5 (i)	
INDIANA	8.0 (j)	---Flat Rate---		1	8.5	
IOWA	6.0 - 12.0	25,000	250,001	4	5.0	Yes (k)
KANSAS	4.0 (l)	---Flat Rate---		1	2.25 (l)	
KENTUCKY	4.0 - 6.0	50,000	100,001	3	--- (a)	
LOUISIANA	4.0 - 8.0	25,000	200,001	5	4.0 - 8.0	Yes
MAINE	3.5 - 8.93	25,000	250,000	4	1.0 (m)	
MARYLAND	8.25	---Flat Rate---		1	8.25	
MASSACHUSETTS	8.0 (n)	---Flat Rate---		1	9.0 (n)	
MICHIGAN	6.0	---Flat Rate---		1	--- (a)	
MINNESOTA	9.8 (o)	---Flat Rate---		1	9.8 (o)	
MISSISSIPPI	3.0 - 5.0	5,000	10,001	3	3.0 - 5.0	
MISSOURI	6.25	---Flat Rate---		1	7.0	Yes (k)
MONTANA	6.75 (p)	---Flat Rate---		1	6.75 (p)	
NEBRASKA	5.58 - 7.81	100,000		2	--- (a)	
NEVADA	--	No corporate income tax				
NEW HAMPSHIRE	8.5 (q)	---Flat Rate---		1	8.5 (q)	
NEW JERSEY	9.0 (r)	---Flat Rate---		1	9.0 (r)	
NEW MEXICO	4.8 - 7.6	500,000	1 million	3	4.8 - 7.6	
NEW YORK	7.1 (s)	---Flat Rate---		1	7.1 (s)	
NORTH CAROLINA	6.9	---Flat Rate---		1	6.9 (t)	
NORTH DAKOTA	1.68 - 5.15	25,000	50,001	3	7 (b)	Yes
OHIO	(u)	---Flat Rate---		1	--- (u)	
OKLAHOMA	6.0	---Flat Rate---		1	6.0	
OREGON	6.6 - 7.6 (v)	10 million		2	6.6 - 7.6 (v)	
PENNSYLVANIA	9.99	---Flat Rate---		1	--- (a)	
RHODE ISLAND	9.0 (b)	---Flat Rate---		1	9.0 (b)	
SOUTH CAROLINA	5.0	---Flat Rate---		1	4.5 (w)	
SOUTH DAKOTA	--	No corporate income tax			6.0-0.25% (b)	
TENNESSEE	6.5	---Flat Rate---		1	6.5	
TEXAS	(x)	---Flat Rate---		1	(x)	
UTAH	5.0 (b)	---Flat Rate---		1	5.0 (b)	
VERMONT	6.0 - 8.5 (b)	10,000	25,000	3	--- (a)	
VIRGINIA	6.0	---Flat Rate---		1	6.0	
WASHINGTON	--	No corporate income tax				
WEST VIRGINIA	7.0 (y)	---Flat Rate---		1	7.0 (y)	
WISCONSIN	7.9	---Flat Rate---		1	7.9	
WYOMING	--	No corporate income tax				
DIST. OF COLUMBIA	9.975 (b)	---Flat Rate---		1	9.975 (b)	

Source: Compiled by FTA from various sources.

Footnotes on next page.

The table used in the PowerPoint presentation and included on page 39 of the Commission's Tax Incentive Report was simplified from the FTA's version. The FTA version includes all of the footnotes (as shown below) which helps understand the numerous differences between each state's corporate income tax rates. It appears that the provided table is the FTA's attempt at an "apples to apples" comparison. But it should be noted that the various components of each state's tax structure makes a true "apples to apples" comparison difficult to achieve. The Department of Revenue, who is the administering agency, maybe able to provide a more definite state by state comparison.

RANGE OF STATE CORPORATE INCOME TAX RATES (footnotes)

Source: Compiled by FTA from various sources

- (a) Rates listed are the corporate income tax rate applied to financial institutions or excise taxes based on income. Some states have other taxes based upon the value of deposits or shares.
- (b) Minimum tax is \$50 in Arizona, \$100 in District of Columbia, \$50 in North Dakota (banks), \$500 in Rhode Island, \$200 per location in South Dakota (banks), \$100 in Utah, \$250 in Vermont.
- (c) The minimum corporation franchise tax in California is \$800. The additional alternative minimum tax is levied at a 6.65% rate.
- (d) Connecticut's tax is the greater of the 7.5% tax on net income, a 0.31% tax on capital stock and surplus (maximum tax of \$1 million), or \$250 (the minimum tax). Plus, an additional 20% surtax applies for tax years 2012 and 2013.
- (e) The Delaware Bank marginal rate decreases over 4 brackets ranging from \$20 to \$650 million in taxable income. Building and loan associations are taxed at a flat 8.7%.
- (f) An exemption of \$50,000 is allowed. Florida's Alternative Minimum Tax rate is 3.3%.
- (g) Hawaii taxes capital gains at 4%. Financial institutions pay a franchise tax of 7.92% of taxable income (in lieu of the corporate income tax and general excise taxes).
- (h) Idaho's minimum tax on a corporation is \$20. The \$10 Permanent Building Fund Tax must be paid by each corporation in a unitary group filing a combined return. Taxpayers with gross sales in Idaho under \$100,000, and with no property or payroll in Idaho, may elect to pay 1% on such sales (instead of the tax on net income).
- (i) The Illinois rate of 9.5% is the sum of a corporate income tax rate of 7.0% plus a replacement tax of 2.5%.
- (j) The Indiana tax rate is scheduled to decrease to 7.5% on July 1, 2013.
- (k) 50% of the federal income tax is deductible.
- (l) In addition to the flat 4% corporate income tax, Kansas levies a 3.0% surtax on taxable income over \$50,000. Banks pay a privilege tax of 2.25% of net income, plus a surtax of 2.125% (2.25% for savings and loans, trust companies, and federally chartered savings banks) on net income in excess of \$25,000.
- (m) The state franchise tax on financial institutions is either (1) the sum of 1% of the Maine net income of the financial institution for the taxable year, plus 8¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year, or (2) 39¢ per \$1,000 of the institution's Maine assets as of the end of its taxable year.
- (n) Business and manufacturing corporations pay an additional tax of \$2.60 per \$1,000 on either taxable Massachusetts tangible property or taxable net worth allocable to the state (for intangible property corporations). The minimum tax for both corporations and financial institutions is \$456.
- (o) In addition, Minnesota levies a 5.8% tentative minimum tax on Alternative Minimum Taxable Income.
- (p) Montana levies a 7% tax on taxpayers using water's edge combination. The minimum tax per corporation is \$50; the \$50 minimum applies to each corporation included on a combined tax return. Taxpayers with gross sales in Montana of \$100,000 or less may pay an alternative tax of 0.5% on such sales, instead of the net income tax.
- (q) New Hampshire's 8.5% Business Profits Tax is imposed on both corporations and unincorporated associations with gross income over \$50,000. In addition, New Hampshire levies a Business Enterprise Tax of 0.75% on the enterprise base (total compensation, interest and dividends paid) for businesses with gross income over \$150,000 or base over \$75,000.
- (r) In New Jersey small businesses with annual entire net income under \$100,000 pay a tax rate of 7.5%; businesses with income under \$50,000 pay 6.5%. The minimum Corporation Business Tax is based on New Jersey gross receipts. It ranges from \$500 for a corporation with gross receipts less than \$100,000, to \$2,000 for a corporation with gross receipts of \$1 million or more.
- (s) New York's General business corporate rate shown. Corporations may also be subject to AMT tax at 1.5% (3% banks), or a capital stocks tax. A minimum tax ranges from \$25 to \$5,000, depending on receipts (\$250 minimum for banks). Certain qualified New York manufacturers pay 6.5%. Small business taxpayers in New York pay rates of 6.5%, 7.1%, and 4.35% on 3 brackets of entire net income up to \$390,000.
- (t) In North Carolina financial institutions are also subject to a tax equal to \$30 per one million in assets.
- (u) Ohio no longer levies a tax based on income (except for a particular subset of corporations), but instead imposes a Commercial Activity Tax (CAT) equal to \$150 for gross receipts situated to Ohio of between \$150,000 and \$1 million, plus 0.26% of gross receipts over \$1 million. Banks continue to pay a franchise tax of 1.3% of net worth. For those few corporations for whom the franchise tax on net worth or net income still applies, a litter tax also applies.
- (v) Oregon's minimum tax for C corporations depends on the Oregon sales of the filing group. The minimum tax ranges from \$150 for corporations with sales under \$500,000, up to \$100,000 for companies with sales of \$100 million or above.
- (w) South Carolina taxes savings and loans at a 6% rate.
- (x) Texas imposes a Franchise Tax, otherwise known as margin tax, imposed on entities with more than \$1,030,000 total revenues at rate of 1%, or 0.5% for entities primarily engaged in retail or wholesale trade, on lesser of 70% of total revenues or 100% of gross receipts after deductions for either compensation or cost of goods sold.
- (y) West Virginia's corporate rate is scheduled to decline to 6.5% after 2013.

Rep. Bradley: P. 16 Data (Business Climate Rankings) is the type of data the committee is interested in. As far as studies from other organizations, are they factual or subjective?

In CGFAs new report, starting on page 48, is a section that specifically looks at four studies that attempts to quantify a state's "business climate" into some sort of rankings system. At the end of this section of the report, on page 61, is a summary of Illinois' rankings in these studies and how Illinois compares to other states across the nation.

Overall Ranking of Each State for All Studies						
State	State Business Tax Climate Index Rank	Small Business Policy Index Rank	Competitiveness Report Rank	Economic Outlook Rank	Overall Average Ranking	Overall Rank
South Dakota	2	1	4	3	2.5	1
Wyoming	1	4	15	4	6.0	2
Utah	9	10	5	1	6.3	3
Texas	11	3	7	12	8.3	4
Florida	5	5	25	9	11.0	5
North Dakota	28	12	2	2	11.0	5
Nevada	3	2	29	13	11.8	7
Colorado	19	14	6	16	13.8	8
Virginia	26	15	9	5	13.8	8
Washington	6	6	8	36	14.0	10
Alaska	4	20	14	21	14.8	11
Kansas	20	23	10	11	16.0	12
New Hampshire	8	19	12	27	16.5	13
Arizona	22	13	31	6	18.0	14
Idaho	18	32	16	7	18.3	15
Michigan	14	11	28	20	18.3	15
Indiana	10	8	43	14	18.8	17
Tennessee	15	18	36	18	21.8	18
Georgia	32	22	27	8	22.3	19
Massachusetts	25	38	1	29	23.3	20
Mississippi	17	16	50	10	23.3	20
Alabama	21	7	49	17	23.5	22
Delaware	13	34	17	30	23.5	22
Missouri	16	26	32	23	24.3	24
Montana	7	33	21	42	25.8	25
Wisconsin	43	29	18	15	26.3	26
Ohio	39	9	40	26	28.5	27
Louisiana	33	21	37	28	29.8	28
Oregon	12	42	22	44	30.0	29
Iowa	40	43	13	25	30.3	30
Nebraska	34	39	11	37	30.3	30
Pennsylvania	24	25	39	34	30.5	32
North Carolina	44	31	26	22	30.8	33
Oklahoma	36	24	45	19	31.0	34
South Carolina	37	17	42	31	31.8	35
West Virginia	23	28	48	32	32.8	36
Maryland	41	37	20	35	33.3	37
Arkansas	35	36	41	24	34.0	38
Kentucky	27	30	44	38	34.8	39
Minnesota	47	45	3	46	35.3	40
Maine	29	44	30	41	36.0	41
New Mexico	38	27	46	33	36.0	41
Hawaii	30	46	35	40	37.8	43
Illinois	31	35	38	48	38.0	44
Rhode Island	46	40	23	45	38.5	45
Connecticut	42	41	33	43	39.8	46
Vermont	45	48	19	50	40.5	47
California	48	50	24	47	42.3	48
New York	50	47	34	49	45.0	49
New Jersey	49	49	47	39	46.0	50

As to whether the studies are factual or subjective, this would obviously depend on who you ask. These studies are factual in the sense that they use facts (tax rates, statistics, etc.) to come up with the rankings. But deciding which variables that should be used to determine these rankings and how these variables should be valued (i.e. high taxes = bad ranking) is where the subjective nature of these rankings comes into play.

On page 59 of our report is an excerpt from an article entitled “Grading Places: What Do the Business Climate Rankings Really Tell Us?”, which discounts these rankings. The author sees these studies as “nonsensical” because it is extremely difficult to measure and rate a state’s “business climate” because the needs of different businesses and facilities vary far too widely. The author states that “‘business climate’ studies must be viewed for what they actually are: attempts by corporate sponsors to justify their demands for lower taxes and to gain public-sector help suppressing wages”.

While the extent that these rankings should be discounted is debatable, their mere existence is important because many businesses look at these rankings for guidance when exploring a possible move to another state. The latest results have created a perception that Illinois is a below-average “business climate” state. And this is a stigma that Illinois has to overcome to attract and retain new businesses.

Rep. McSweeney: Look at what is happening in other states that have cut tax rates. What has been the impact on job creation and unemployment in those states?

To answer this question, the Commission looked at the income tax rates for the personal and corporate income tax in each state for Tax Year 2013 and compared it to the rates imposed in Tax Year 2008. For this exercise, only the rates were looked at. *(Although it is recognized that increasing/decreasing exemption amounts has a similar impact on taxes).*

As shown on the following pages, several states have made changes to their income tax rates over the past five years. Some are very minor changes, while others are more significant. For the personal income tax, Illinois was one of ten states that had some sort of upward revision to their personal income tax structure. These states include California, Connecticut, Delaware, Illinois, Maine, Maryland, Nebraska, New York, Oregon, and Wisconsin. Eight states lowered their rates and include Idaho, Kansas, Michigan, New Mexico, North Dakota, Ohio, Oklahoma, and Vermont.

For the corporate income tax, Illinois was one of only three states to make an upward revision to their corporate income tax rate structure over the past five years (Illinois, Michigan, and Oregon). Seven states have lowered their corporate rate structure and include Idaho, Indiana, Kentucky, Massachusetts, New York, North Dakota, and West Virginia).

STATE INDIVIDUAL INCOME TAX RATES

Comparing Rates of Tax Year 2013 with Tax Year 2008

(Tax rates for tax year 2013)					(Tax rates for tax year 2008)				
State	---Tax Rates---		# of Brackets		---Tax Rates---		# of Brackets		Change?
	Low	High			Low	High			
ALABAMA	2.0	- 5.0	3		2.0	- 5.0	3		Same
ALASKA	No State Income Tax				No State Income Tax				Same
ARIZONA	2.59	- 4.54	5		2.59	- 4.54	5		Same
ARKANSAS	1.0	- 7.0	6		1.0	- 7.0	6		Same
CALIFORNIA	1	- 12.3	6		1.0	- 9.3	6		Higher
COLORADO	4.63		1		4.63		1		Same
CONNECTICUT	3.0	- 6.7	6		3.0	- 5.0	2		Higher
DELAWARE	2.2	- 6.75	6		2.2	- 5.95	6		Higher
FLORIDA	No State Income Tax				No State Income Tax				Same
GEORGIA	1.0	- 6.0	6		1.0	- 6.0	6		Same
HAWAII	1.4	- 11.0	12		1.4	- 8.25	9		Same
IDAHO	1.6	- 7.4	7		1.6	- 7.8	8		Lower
ILLINOIS	5.0		1		3.0		1		Higher
INDIANA	3.4		1		3.4		1		Same
IOWA	0.36	- 8.98	9		0.36	- 8.98	9		Same
KANSAS	3	- 4.9	2		3.5	- 6.45	3		Lower
KENTUCKY	2.0	- 6.0	6		2.0	- 6.0	6		Same
LOUISIANA	2.0	- 6.0	3		2.0	- 6.0	3		Same
MAINE	0	- 8	3		2.0	- 8.5	4		Higher
MARYLAND	2.0	- 5.75	8		2.0	- 5.5	7		Higher
MASSACHUSETTS	5.25		1		5.3		1		Same
MICHIGAN	4.25		1		4.35		1		Lower
MINNESOTA (a)	5.35	- 7.85	3		5.35	- 7.85	3		Same
MISSISSIPPI	3.0	- 5.0	3		3.0	- 5.0	3		Same
MISSOURI	1.5	- 6.0	10		1.5	- 6.0	10		Same
MONTANA (a)	1.0	- 6.9	7		1.0	- 6.9	7		Same
NEBRASKA (a)	2.46	- 6.84	4		2.56	- 6.84	4		Higher
NEVADA	No State Income Tax				No State Income Tax				Same
NEW HAMPSHIRE	State Income Tax on Dividends and Interest Income Only.				State Income Tax on Dividends and Interest Income Only.				Same
NEW JERSEY	1.4	- 8.97	6		1.4	- 8.97	6		Same
NEW MEXICO	1.7	- 4.9	4		1.7	- 5.3	4		Lower
NEW YORK	4.0	- 8.82	8		4.0	- 6.85	5		Higher
NORTH CAROLINA	6.0	- 7.75	3		6.0	- 7.75	3		Same
NORTH DAKOTA (a)	1.51	- 3.99	5		2.1	- 5.54	5		Lower
OHIO (a)	0.587	- 5.925	9		0.618	- 6.24	9		Lower
OKLAHOMA	0.5	- 5.25	7		0.5	- 5.5	7		Lower
OREGON (a)	5.0	- 9.9	4		5.0	- 9.0	3		Higher
PENNSYLVANIA	3.07		1		3.07		1		Same
RHODE ISLAND	3.75	- 5.99	3		25.0% Federal tax liability				Different
SOUTH CAROLINA (a)	0	- 7	6		0	- 7	6		Same
SOUTH DAKOTA	No State Income Tax				No State Income Tax				Same
TENNESSEE	State Income Tax on Dividends and Interest Income Only.				State Income Tax on Dividends and Interest Income Only.				Same
TEXAS	No State Income Tax				No State Income Tax				Same
UTAH	5		1		5		1		Same
VERMONT (a)	3.55	- 8.95	5		3.6	- 9.5	5		Lower
VIRGINIA	2	- 5.75	4		2	- 5.75	4		Same
WASHINGTON	No State Income Tax				No State Income Tax				Same
WEST VIRGINIA	3	- 6.5	5		3	- 6.5	5		Same
WISCONSIN (a)	4.6	- 7.75	5		4.6	- 6.75	4		Higher
WYOMING	No State Income Tax				No State Income Tax				Same

Source: The Federation of Tax Administrators from various sources.

CORPORATE INCOME TAX RATES Comparing Rates of Tax Year 2013 with Tax Year 2008 (Tax Rates for Tax Year 2013) (Tax Rates for Tax Year 2008)									
State	Tax Rates	Tax Brackets		# of Brackets	Tax Rates	Tax Brackets		# of Brackets	Change?
ALABAMA	6.5	---Flat Rate---		1	6.5	---Flat Rate---		1	Same
ALASKA	1.0 - 9.4	9,999	90,000	10	1.0 - 9.4	10,000	90,000	10	Same
ARIZONA	6.968	---Flat Rate---		1	6.968	---Flat Rate---		1	Same
ARKANSAS	1.0 - 6.5	3,000	100,001	6	1.0 - 6.5	3,000	100,000	6	Same
CALIFORNIA	8.84	---Flat Rate---		1	8.84	---Flat Rate---		1	Same
COLORADO	4.63	---Flat Rate---		1	4.63	---Flat Rate---		1	Same
CONNECTICUT	7.5	---Flat Rate---		1	7.5	---Flat Rate---		1	Same
DELAWARE	8.7	---Flat Rate---		1	8.7	---Flat Rate---		1	Same
FLORIDA	5.5	---Flat Rate---		1	5.5	---Flat Rate---		1	Same
GEORGIA	6.0	---Flat Rate---		1	6.0	---Flat Rate---		1	Same
HAWAII	4.4 - 6.4	25,000	100,001	3	4.4 - 6.4	25,000	100,000	3	Same
IDAHO	7.4	---Flat Rate---		1	7.6	---Flat Rate---		1	Lower
ILLINOIS*	9.5	---Flat Rate---		1	7.3	---Flat Rate---		1	Higher
INDIANA**	7.5	---Flat Rate---		1	8.5	---Flat Rate---		1	Lower
IOWA	6.0 - 12.0	25,000	250,001	4	6.0 - 12.0	25,000	250,000	4	Same
KANSAS	4	---Flat Rate---		1	4	---Flat Rate---		1	Same
KENTUCKY	4.0 - 6.0	50,000	100,001	3	4.0 - 7.0	50,000	100,000	3	Lower
LOUISIANA	4.0 - 8.0	25,000	200,001	5	4.0 - 8.0	25,000	200,000	5	Same
MAINE	3.5 - 8.93	25,000	250,000	4	3.5 - 8.93	25,000	250,000	4	Same
MARYLAND	8.25	---Flat Rate---		1	8.3	---Flat Rate---		1	Same
MASSACHUSETTS	8.0	---Flat Rate---		1	9.5	---Flat Rate---		1	Lower
MICHIGAN	6.0	---Flat Rate---		1	5.0	---Flat Rate---		1	Higher
MINNESOTA	9.8	---Flat Rate---		1	9.8	---Flat Rate---		1	Same
MISSISSIPPI	3.0 - 5.0	5,000	10,001	3	3.0 - 5.0	5,000	10,000	3	Same
MISSOURI	6.25	---Flat Rate---		1	6.25	---Flat Rate---		1	Same
MONTANA	6.75	---Flat Rate---		1	6.75	---Flat Rate---		1	Same
NEBRASKA	5.58 - 7.81	100,000		2	5.58 - 7.81	50,000		2	Same
NEW HAMPSHIRE	8.5	---Flat Rate---		1	8.5	---Flat Rate---		1	Same
NEW JERSEY	9.0	---Flat Rate---		1	9.0	---Flat Rate---		1	Same
NEW MEXICO	4.8 - 7.6	500,000	1 million	3	4.8 - 7.6	500,000	1 million	3	Same
NEW YORK	7.1	---Flat Rate---		1	7.5	---Flat Rate---		1	Lower
NORTH CAROLINA	6.9	---Flat Rate---		1	6.9	---Flat Rate---		1	Same
NORTH DAKOTA	1.7 - 5.2	25,000	50,001	3	2.6 - 6.5	3,000	30,000	5	Lower
OHIO	***				5.1 - 8.5	50,000		2	Different
OKLAHOMA	6.0	---Flat Rate---		1	6.0	---Flat Rate---		1	Same
OREGON	6.6 - 7.6	250,000		2	6.6	---Flat Rate---		1	Higher
PENNSYLVANIA	9.99	---Flat Rate---		1	9.99	---Flat Rate---		1	Same
RHODE ISLAND	9.0	---Flat Rate---		1	9.0	---Flat Rate---		1	Same
SOUTH CAROLINA	5.0	---Flat Rate---		1	5.0	---Flat Rate---		1	Same
SOUTH DAKOTA	6.0-0.25	(banks only)			6.0-0.25	(banks only)			Same
TENNESSEE	6.5	---Flat Rate---		1	6.5	---Flat Rate---		1	Same
TEXAS	****				****				Same
UTAH	5	---Flat Rate---			5	---Flat Rate---			Same
VERMONT (b)	6.0 - 8.5	10,000	25,000	3	6.0 - 8.5	10,000	250,000	3	Same
VIRGINIA	6.0	---Flat Rate---		1	6.0	---Flat Rate---		1	Same
WEST VIRGINIA	7	---Flat Rate---		1	8.5	---Flat Rate---		1	Lower
WISCONSIN	7.9	---Flat Rate---		1	7.9	---Flat Rate---		1	Same
DIST. OF COLUMBIA	9.975	---Flat Rate---			9.975	---Flat Rate---			Same

Source: Compiled by the Federation of Tax Administrators (FTA) from various sources
 Note: Nevada, Washington, and Wyoming do not have state corporate income taxes.
 * Illinois' rate includes a 2.5% personal property replacement tax.
 ** Indiana's Adjusted Gross Income Tax on general corporations and non-financial institutions was lowered from 8.5% to 8% on July 1, 2012 and to 7.5% on July 1, 2013. It is set to further decrease to 7% on July 1, 2014 and finally to 6.5% on July 1, 2015.
 *** Ohio does not levy a tax based on income, but imposes a Commercial Activity Tax (CAT) equals \$150 for gross receipts between \$150,000 and \$1 million, plus 0.26% of gross receipts over \$1 million.
 **** Texas imposes a Franchise Tax, known as the margin tax.

The Average Unemployment Rate (Seasonally Adjusted) for each state, as reported by globalinsight.com, is shown in the below table. This table also includes the 2008 rate and a difference column displaying how the average rate has changed over the past five years. As shown, only one state (Nevada) has a higher average unemployment rate in 2013 than Illinois.

State by State Unemployment Rates, Seasonally Adj. Yr. Avg. Difference in Rate between 2008 and 2013									
2013 Rank	Geography	2008	2013	Difference	2013 Rank	Geography	2008	2013	Difference
20	Alabama	5.0	6.6	1.6	12	Montana	4.5	5.4	0.9
15	Alaska	6.4	6.3	-0.1	2	Nebraska	3.3	3.9	0.6
38	Arizona	6.0	8.0	2.0	51	Nevada	7.1	9.5	2.4
32	Arkansas	5.4	7.3	2.0	11	New Hampshire	3.9	5.3	1.4
48	California	7.2	8.9	1.7	43	New Jersey	5.5	8.6	3.1
27	Colorado	4.8	6.9	2.1	21	New Mexico	4.5	6.7	2.2
37	Connecticut	5.6	8.0	2.4	34	New York	5.4	7.8	2.4
29	Delaware	4.9	7.1	2.2	44	North Carolina	6.3	8.6	2.3
44	District of Columbia	6.6	8.6	2.0	1	North Dakota	3.2	3.0	-0.2
30	Florida	6.3	7.1	0.8	31	Ohio	6.6	7.2	0.6
42	Georgia	6.3	8.3	2.0	10	Oklahoma	3.8	5.2	1.5
6	Hawaii	4.1	4.7	0.6	35	Oregon	6.5	7.9	1.4
17	Idaho	4.8	6.4	1.5	33	Pennsylvania	5.4	7.6	2.3
50	Illinois	6.4	9.1	2.7	49	Rhode Island	7.7	9.1	1.4
39	Indiana	5.9	8.2	2.3	36	South Carolina	6.8	8.0	1.2
7	Iowa	4.0	4.7	0.7	3	South Dakota	3.0	4.0	0.9
14	Kansas	4.4	5.6	1.2	40	Tennessee	6.7	8.2	1.5
41	Kentucky	6.6	8.2	1.6	16	Texas	4.9	6.3	1.4
19	Louisiana	4.4	6.5	2.1	7	Utah	3.4	4.7	1.4
26	Maine	5.4	6.9	1.4	4	Vermont	4.6	4.4	-0.1
22	Maryland	4.3	6.7	2.4	13	Virginia	4.0	5.5	1.5
25	Massachusetts	5.4	6.9	1.5	28	Washington	5.5	7.0	1.6
46	Michigan	8.3	8.8	0.4	18	West Virginia	4.3	6.5	2.2
9	Minnesota	5.5	5.1	-0.3	24	Wisconsin	4.9	6.8	1.9
47	Mississippi	6.8	8.9	2.0	5	Wyoming	3.1	4.6	1.5
23	Missouri	6.0	6.7	0.8					

Source: www.ihsglobalinsight.com

The second part of the question from Rep. McSweeney asks, “What has been the impact on job creation and unemployment for those states that have cut taxes?” Utilizing the data from the previous three tables, some simple general observations can be made. For the states that have increased their personal income tax rates over the past five years, the average unemployment rate was 7.3%. For states that decreased their personal income tax rates, the average unemployment rate in 2013 was 5.9%. States making no change in their base rates had an unemployment rate of 7.0%.

Similarly, those states that increased their corporate income tax rate over the past five years had an average unemployment rate in 2013 of 8.6%. For those states that lowered their corporate income tax rates, the average unemployment rate was 6.7%. States making no change to the corporate income tax rate had an unemployment rate of 6.8%. The results for both 2013 and 2008 can be seen in the following table.

Over the Past Five Years....	Average Unemployment Rate in 2008	Average Unemployment Rate in 2013	Average Difference
States that have Increased Personal Income Tax Rates:	5.4	7.3	1.9
States that have Decreased Personal Income Tax Rates:	5.0	5.9	0.9
States with no Change in Personal Income Tax Rates:	5.4	7.0	1.6
States with No Personal Income Tax Rate:	5.2	6.4	1.2
States that have Increased Corporate Income Tax Rates:	7.1	8.6	1.5
States that have Decreased Corporate Income Tax Rates:	5.1	6.7	1.6
States with no Change in Corporate Income Tax Rates:	5.3	6.8	1.5

The next table shows that of the eight states that cut their personal income tax rates, two states had positive growth over the past five years. Of the ten states that increased their personal income tax rates, three of them had positive growth over this time period. Seven of them, including Illinois, had negative job growth. Of the 27 states that had not made a change to their base income tax rates over the past five years, nine of them had positive growth.

In terms of the corporate income tax rate, of the three states that increased their corporate income tax rate, none have them experienced a positive growth in jobs (including Illinois). Of the seven states that lowered their corporate income tax rates, four of them had positive growth, while three states lost jobs over this time period. For the 41 states that did not alter their corporate income tax rate, 13 of them had positive growth, while 28 of them had negative growth.

	Positive Job Growth Over last 5 Years	Negative Job Growth Over last 5 Years	Total
States that have Increased Personal Income Tax Rates:	3	7	10
States that have Decreased Personal Income Tax Rates:	2	6	8
States with no Change in Personal Income Tax Rates:	9	18	27
States with No Personal Income Tax Rate:	3	3	6
Total:	17	34	51

States that have Increased Corporate Income Tax Rates:	0	3	3
States that have Decreased Corporate Income Tax Rates:	4	3	7
States with no Change in Corporate Income Tax Rates:	13	28	41
Total:	17	34	51

While states that had lowered their tax rates tended to have better unemployment rates and rates of job growth than states that had increased their tax rates, it would be premature to simply blame these differences on this one sole factor of higher tax rates. Numerous other factors likely contribute to unemployment and negative growth rates. In addition, sometimes, tax rates are raised to increase tax revenues as a result of poor revenue performance caused by disappointing job figures (and wages). In these cases, it could be argued that the low job totals caused the need for a tax increase, rather than the tax increase being the cause of lower jobs. Due to the complexity of this “chicken or the egg” argument, we will allow the reader to make his/her generalizations regarding these results.

Rep. Bradley: *We should look at all competing states as far as job creation, unemployment rates, workers comp rates, etc to get an apples to apples comparison with each state. We want to see the impact of tax changes over time. Look at instances of what has happened to jobs and the local economies – all tax rates, unemployment, burden of property taxes, employment/excise taxes paid by businesses in different states. Look at not only neighboring states, but competing states.*

Rep. Mautino: *Look at states we compete with, PA, NJ, OH, with the same demographics, industries, population variables, budget sizes, Medicaid budgets, etc, to get a apples to apples comparison of what other states like Illinois offer compared to Illinois.*

In regards to incentive programs offered, in the Commission's report on pages 46 and 47 you will see a state by state breakout of incentive programs offered, which includes tables entitled "Financial Assistance for Industry" and "Tax Incentives for Industry" These tables and their footnotes come from siteselection.com and can be obtained at the following website: www.siteselection.com/issues/2013/nov/incentives-chart.cfm. In addition, at the January 17 meeting, DCEO gave members their analysis of state by state available incentives.

As far as other comparisons are concerned, the Commission offers a wide variety of comparisons in the Commission's new report. Every state is included in these comparisons, so that that the reader can not only compare Illinois with bordering states, but other states across the country, including states with similar demographics to that of Illinois, such as Pennsylvania, New Jersey, and Ohio.

Rep. Ives: *How do we get rid of the 'uncertainty' that is driving business out of Illinois?*

"Uncertainty" no doubt plays into the State's ability to attract business. However, to what extent, is not a quantitatively measurable factor. It, along with other items such as tax rates, work force availability, etc., are all inter-related and incorporated in various business decisions.

Rep. Franks: *If CGFA has ability – look at Intrastate competition – towns competing for same businesses with the state.*

This is something that is outside CGFA's areas of expertise. We would defer to DCEO as they will likely have more intimate knowledge of local governments within Illinois that have incentive packages available to stay or relocate.

Rep. Sente: *Are there areas in the country where we see other states trying to solicit business across state lines like we see here in the Midwest? Examples?*

Competition between states for businesses has been occurring for years. But this competition appears to have escalated in recent years as states seek to recover from the Great Recession and find ways to lower their unemployment levels by finding jobs for their residents. When this

escalated effort occurs, states that are perceived to be weak in what they can offer from a business climate standpoint tend to be the target of these other states.

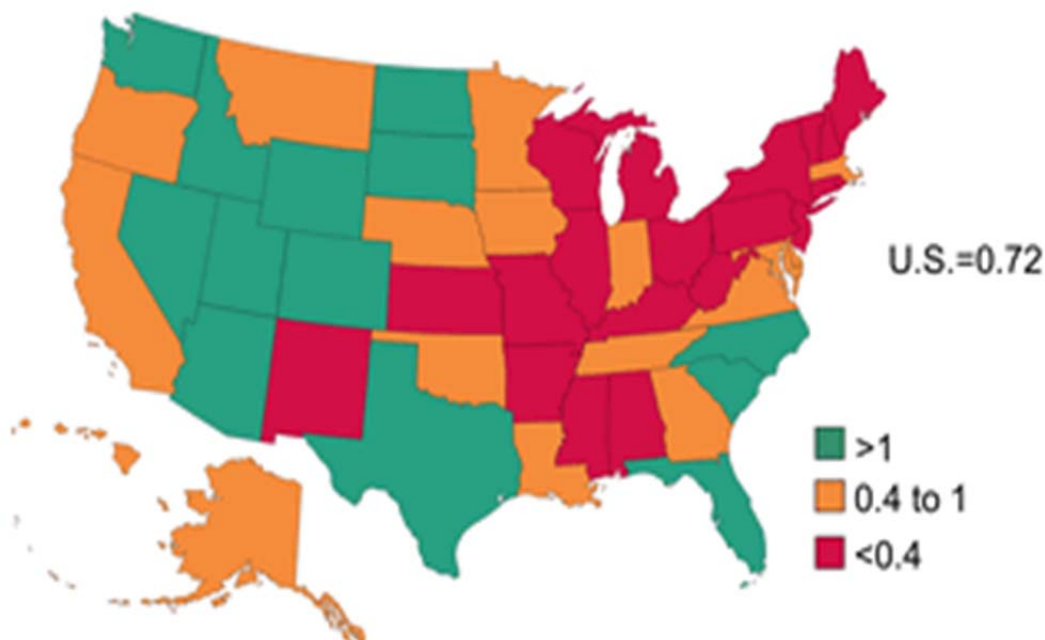
A January 22, 2014 article from economy.com entitled “Regional Outlook: Differences Are Narrow”, says that the differences in job growth between states appears to be shrinking. But the best areas for job growth still lie outside of the Midwest:

As of November, U.S. job growth of about 1.7% over the year marks a modest increase from the 1.5% rate in March. But the acceleration seems to be concentrated among only a few of the larger states. Job growth exceeds 2% in only nine states, with nearly 80% of job creation concentrated in Texas, Georgia and Florida. Elsewhere, it is generally the Mountain West that joins the South as leaders.

Several studies have shown that the West and the Southeast regions have made the most gains in job growth in recent years. The latest population data in these regions appear to back these results.

West, Texas & Southeast Lead Population Gains

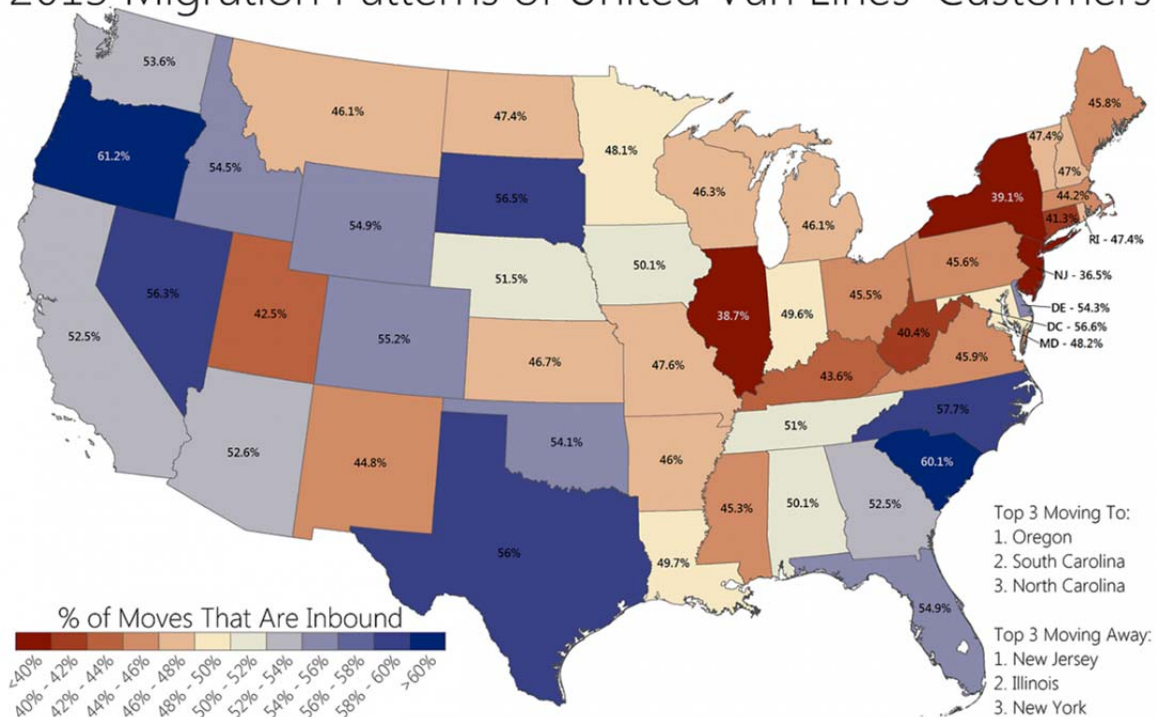
Population, July 1, 2013, % change yr ago



Sources: Census Bureau, Moody's Analytics

Midwest and Northeast states appear to be the regions hurt the most from this transition. As shown on page 31 of the Commission's report and as shown in the following chart, a map showing migration patterns of United Van Lines' Customers shows that the three states that had the lowest percentage of moves that were "inbound" were states from these regions (New Jersey, Illinois, and New York).

2013 Migration Patterns of United Van Lines' Customers



In an effort to fight this migration away from their state, the State of New York in recent months announced a new program called "START-UP NY. As discussed on siteselection.com, this program will "invite businesses to locate on specially designated properties on or near State University of New York and private university campuses and avoid all income, business, corporate, state or local taxes, including all sales taxes, property taxes and franchise fees, for an entire decade".

Source: <http://www.siteselection.com/issues/2013/nov/upstate-ny.cfm>

Rep. Wheeler: P. 19 – 2014 Illinois Ranking. Where was Illinois 20 years prior to 4 years ago?

The question of how Illinois' business climate ranking has changed over the past 20 years would be better answered by the organizations producing these rankings. However, listed below is a glance of the rankings that were readily available from the sources mentioned in the Committee and in the report.

In the recent past, Illinois' ranking in the Tax Foundation's "State Business Tax Climate Index" was as follows:

FY 2009: 23 rd	FY 2012: 28 th
FY 2010: 30 th	FY 2013: 30 th
FY 2011: 23 rd	FY 2014: 31 st

Source <http://taxfoundation.org/article/2014-state-business-tax-climate-index>

For the ALEC "State Economic Competitiveness Index", recent Illinois rankings were as follows:

2008: 43 rd	2010: 47 th
2009: 44 th	2011: 44 th
	2012: 48 th

Source: <http://www.alec.org/publications/rich-states-poor-states/>

Beaconhill.org's State Competitiveness Report had the following historical rankings for Illinois:

2001: 39 th	2007: 36 th
2002: 33 rd	2008: 33 rd
2003: 40 th	2009: 36 th
2004: 39 th	2010: 34 th
2005: 35 th	2011: 44 th
2006: 33 rd	2012: 38 th

Source: <http://www.beaconhill.org/CompetitivenessHomePage.html>

DRL:dkb

S394 Response HREV HSGA Committees