



TESTIMONY ON ILLINOIS BUSINESS TAX INCENTIVE POLICIES  
JOINT-COMMITTEE HOUSE REVENUE & FINANCE AND STATE GOVERNMENT  
ADMINISTRATION  
THURSDAY, FEBRUARY 27, 2014  
GIVEN BY JAMES KANE  
CHAIRMAN, CHAMBER TAXATION FORUM  
PRINCIPAL, KANE & CO

Good morning Chairman Bradley, Chairman Franks and members of the Joint-Committee.

Thank you for providing me the opportunity to share some thoughts on the strengths and weaknesses of Illinois' tax structure, what we can do to improve, and how we can attract more business to Illinois.

My name is James Kane and I am the principal owner of Kane & Co. and Chairman of the Chicagoland Chamber of Commerce Taxation Forum. The Chamber serves as "the voice for business" in Chicago and throughout the Chicago metropolitan region. The Chamber's membership includes a mix of multi-national and Fortune 500 companies as well as small and medium sized businesses in the retail, manufacturing, services and not-for-profit sectors. Before I get started, I want to thank the committee members for digging in to these very important issues. I spent the last two days pouring through the material that has been posted by the committee and I am overwhelmed by the detail and data that is available for consideration.

This morning's hearing is an important discussion about the state's tax structure and the tools available to the state's Department of Commerce and Economic Opportunity to help retain and attract businesses to Illinois. The Chamber believes that the discussion

needs to focus on how many jobs do we need to create, and how are we going to undertake this mission of job creation.

During the course of my 25 years as a trusted business advisor to businesses of all sizes and industries across the country, I have seen first-hand the effect taxes, incentives regulations and workforce availability have on a business leader's decision to invest in new facilities, expand existing facilities and create jobs. In some ways, Illinois' tax structure is either competitive with other states or at least on equal footing. Our sales tax exemption for machinery and equipment is favorable, our single sales factor apportionment formula is good for jobs and investment and the recent creation of an Independent Tax Tribunal is very favorable.

With all of these good things happening, we are still losing the battle for jobs. Based upon what is happening in the global and national marketplace, and what matters most to investors and business leaders, we offer the following suggestions for changes that could have a significant impact on the mission to attract job creation activities to the state:

1. **Creation of a Closing Fund** – Many states have appropriated a set amount of money to be used to secure important and competitive job creation projects. This fund would be used to award cash grants to companies making a long term commitment to investment and job creation in the state. In many states, the closing fund is managed by the Governor, with legislative oversight or approval in isolated circumstances. Annual funding levels range from \$10 million to \$50 million.
2. **EDGE Credit Refundability** or Ability to Sell the Credit – The EDGE credit program is very effective with some companies, but could be much more effective if more companies could use the credit. Many states allow a refund of excess credit, or an offset to state withholding obligations to enable companies to realize the full benefit of the credit. At a minimum, allowing a taxpayer to sell

excess credits to other taxpayers is a way to allow the full utilization of the program.

3. **Elimination of the Illinois Franchise Tax** – This tax is a tax on invested capital, and largely impacts Illinois based businesses. Most states have eliminated franchise taxes and as a result, this would position Illinois favorably from a competition perspective.
4. **Eliminate the Sales Throwback Rule** – Although Illinois has a favorable single sales factor apportionment approach, the throwback rule has a negative effect on the opportunity to attract manufacturing and distribution facilities to the state. Aggravating this result is the State’s adoption of the Joyce rule in applying the throwback rule to unitary group filings.
5. **Create a Payment in Lieu of Tax (PILOT) or Fee in Lieu of Tax (FILOT) program** to mitigate the otherwise potentially oppressive property tax rates we see, especially in Cook County. In operation, a company and community could enter into a contractual relationship outlining the amount of property taxes that will be payable over a period of time – typically ten years.
6. **Enhanced Job Training Funds** – Some states have significant money appropriated for job training, with annual funding limits allowing investments of \$2,500 to \$5,000 per employee. Illinois has a program that provides \$250 to \$500 per job, with extensive administrative requirements.

The Chicagoland Chamber is ready and able to continue to participate in this very important process to position Illinois as the best place to start, expand and operate a business.

Thank you. I’d be happy to answer any questions.