



Taxpayers' Federation of Illinois

430 East Vine Street • Suite A • Springfield, Illinois 62703

Voice: 217.522.6818 • Fax: 217.522.6823

website: www.iltaxwatch.org • e-mail: tfi@iltaxwatch.org

Statement of Nancy Dollison, Legislative Director

To the House Joint Committee on Tax Policy & Tax Incentives

Regarding the Illinois Franchise Tax

March 21, 2014

Good morning. Thank you for allowing me to appear before you this morning. My name is Nancy Dollison and I am the Legislative Director of the Taxpayers' Federation of Illinois.

The Illinois franchise tax is the vestigial tailbone of corporate taxes. It is a remnant of the days when the legal construct of a corporation was new.

The federal government and states, not just Illinois, struggled with how to tax them and the franchise tax was born. It pre-dates the corporate income tax.

The first problem with the franchise tax: it does not piggyback off of the calculations that businesses use to determine any other tax. It imposes a considerable bookkeeping and compliance burden.

Second, it results in pyramiding. As a company grows, it gets hit with an additional franchise tax – at a higher rate. When it creates subsidiaries, the same capital dollar is taxed repeatedly, by the original corporation and each of the subsidiaries, year after year.

TFI recently featured the franchise tax in the November/December, 2013, issue of **Tax Facts**. This was sent to each of you and I have copies today. It presents an excellent overview of how the tax works and what other states are doing.

Thank you for your attention.