



TESTIMONY ON ILLINOIS BUSINESS TAX INCENTIVE POLICIES
JOINT-COMMITTEE HOUSE REVENUE & FINANCE AND STATE GOVERNMENT ADMINISTRATION
WEDNESDAY, APRIL 9, 2014
GIVEN BY JAMES KANE
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Good morning Chairman Bradley, Chairman Franks and members of the Joint-Committee.

Thank you for providing me the opportunity to share some thoughts on Illinois's tax incentive programs.

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 six-county Northeastern Illinois region.

During my prior testimony, Chairman Bradley asked me to provide the data that I was relying upon when I made the statement that businesses pay a significant amount of state and local tax in Illinois. The primary source of data is captured in a previously submitted exhibit entitled COST FY12 State and Local Business Tax Burden Study. On page 10 of the report, the business taxes in Illinois are reported as \$30.8 Billion.

Beyond addressing the Illinois tax burden, Chairman Bradley also asked me to provide additional details on the New York Tax Free Zones that I mentioned. In the process of gathering the New York Tax Free Zone detail, I decided to gather the information about the New Jersey program that I mentioned a few committee meetings ago. In addition, a few other significant state developments in New York, California and New Jersey are worthy of consideration by this committee.

The following summarizes the recent legislative actions in New York, New Jersey, California and Wisconsin:

1. NEW YORK CREATES TAX FREE COMMUNITIES - NO INCOME, SALES OR PROPERTY TAX (2013)

As mentioned in my previous testimony, New York created a program to facilitate tax free communities. The program allows state universities to create tax free zones on and

near their campuses. In addition, there are 20 state owned targeted properties designated as tax free zones. Start-ups and businesses relocating to New York from out-of-state into a tax free zone will be exempt from income, sales and use and property taxes. Attached are copies of a PowerPoint presentation available from the State as well as a copy of the legislation.

2. NEW JERSEY ENACTS GROW NEW JERSEY PROGRAM – UP TO \$150,000 PER JOB CREATED (2013)

As mentioned in my previous testimony, New Jersey recently revamped the primary state incentive program to make the program available to more businesses, and to encourage job creation activities. The program allows for a job creation credit up to \$15,000 per job, per year, for a ten year period. The amount of credit award is directly tied to investment, job creation, compensation levels and location of the development (higher credit awards for areas in greater need). Attached are copies of a PowerPoint presentation available from the State as well as a copy of the legislation.

3. CALIFORNIA IMPLEMENTS NEW EMPLOYMENT CREDIT UP TO \$56,000 PER NEW JOB, AND CALIFORNIA COMPETES CREDIT

Even California has recognized the competitive landscape facing the states when it comes to job creation. Historically, a state that offers few incentives, California recently enacted legislation to attract job creation, and to become more tax competitive for manufacturing businesses. In addition to creating a state level sales tax exemption for purchases of machinery and equipment, California also redesigned its job creation program – modifying its Enterprise Zone program to focus more closely on areas in financial need, and to create a new jobs creation tax credit program – California Competes Credit. Under the California Competes Credit program, businesses will submit competing proposals seeking an allocation of tax credits. Attached are copies of a PowerPoint presentation describing the program available, as well as a copy of the regulations.

4. NEW YORK ELIMINATES INCOME TAX ON MANUFACTURERS, REDUCES MFG PROPERTY TAXES BY 20 PERCENT (2014)

As recent as last week, New York eliminated the Corporate Income Tax and reduced real property taxes by 20 percent for all Manufacturers. Attached is a copy of the legislation.

5. WISCONSIN ALLOWS FOR THE TRANSFER OF ECONOMIC DEVELOPMENT CREDITS (2014)

As recent as last week, Wisconsin passed legislation to allow for the transfer of economic development tax credits. Attached is a copy of the legislation.

During my prior testimony, I was asked to provide a sample cost comparison matrix used by companies in evaluating sites in a competitive site selection process. Recently, I was asked by a company to help them with a site selection project. The company was small manufacturer,

with operations in more than one state. The site selection parameters were to consider locations in Illinois and Florida. The company analysis of the costs (simplified) was as follows:

Cost Differential Matrix			
Category	Illinois	New Jersey	Indiana
Location/Address			
Labor/ten-year	\$10,000,000	\$10,000,000	\$9,000,000
Land—.	N/A	N/A	N/A
Building Improvements-	N/A	N/A	N/A
Real Estate Rent/ ten-year	\$900,000	\$1,100,000	\$700,000
Utility Costs/ten-year--per current usage	\$250,000	\$450,000	\$300,000
Transportation/Distribution Costs/ten-year	\$6,000,000	\$6,000,000	\$6,000,000
Financing Costs	N/A	N/A	N/A
Corp. Income Tax	\$250,000	\$0	\$0
Property Taxes/ten-year	\$100,000	\$150,000	\$70,000
Unemployment Insurance/ten-year	\$250,000	\$310,000	\$120,000
Workers Compensation/ten-year	\$283,000	\$275,000	\$116,000
Opportunity Costs	N/A	N/A	N/A
State Incentives/ten year	TBD	\$1,000,000	\$300,000
Local Incentives	TBD	TBD	TBD

The success of any state incentive program should be measured on the intended purpose of the program; the creation of new jobs in Illinois. A comprehensive economic development strategy should focus on the types of industries and jobs we as a state seek to attract and the state's incentive programs should be designed to reflect those goals.

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