



Illinois
Department of Commerce
& Economic Opportunity

Pat Quinn, Governor

State Business Incentives: The Core Drivers of Economic Growth and Role of Incentives

CORE DRIVERS OF ECONOMIC GROWTH

While incentives provide a critical set of tools for economic development, it is important to note that the **core drivers for economic growth are investments in human capital, physical infrastructure, and technological innovation** which together unleash the economic engine of the private sector. In addition, **access to markets (geography) and culture** play a significant role in location and expansion decisions.

Illinois is uniquely positioned in these areas to spur business attraction and expansion:

- We sit at the **junction of all transportation networks** serving North American commerce.
- Illinois boasts a workforce with world class **educational attainment levels and skill sets**
- Illinois is the **headquarters for 32 Fortune 500 companies**, more than twice the total of Indiana and Wisconsin combined.

ROLE OF INCENTIVES

Competition to attract companies amongst states and throughout the world has increased dramatically and states are increasingly responding to this competition by employing tools to directly incent company location and expansion.

In this context, **incentives can play a critical role in supporting Illinois' natural advantages**. The **most effective incentives are performance-based** in their delivery of job creation and wage improvement and are designed in parallel to increase investment in human capital and physical infrastructure.

Incentives used in this fashion **will bolster the core drivers of economic growth and ultimately result in greater tax revenue to the state** than would otherwise have been collected in their absence.

Over time the EDGE tax credit has resulted in two distinct programs

CONVENTIONAL EDGE

Program components

- **Performance based program operational since 1999** in which eligible businesses claim a nonrefundable credit **against their Illinois corporate income taxes.**
- May only be claimed when the company has **met job creation and capital investment thresholds.**
- Each potential agreement is **rigorously vetted** by DCEO **under terms established by the EDGE Act,** prior to a formal offer being presented
- The Corporate Accountability Act mandates that companies provide **DCEO with a 3rd party audit certifying their level of employment** prior to the company receiving a tax credit certificate.
- All EDGE agreements are **posted on the DCEO website.**

Performance

- 706 agreements reached since inception
- **Job creation multiple is 2.5x** number promised
- **Every \$1 in tax credits has leveraged \$8** in private capital investment in the state
- Since 2010, **47%** of companies approved for tax credit agreements have been **small businesses under 500 employees**
- The **average payback period in revenue to the state** from EDGE agreements is estimated to be **less than 2 years**

“SPECIAL” EDGE

- “Special” EDGE agreements are not authorized by the initial EDGE statute; they result from company-specific legislation **approved by the General Assembly and implemented by DCEO.**
- Special EDGE credits are applied **against the company’s employee payroll withholdings** as opposed to a credit against a corporate tax liability.
- Like Conventional EDGE, it is a **performance-based incentive** in which companies must certify through 3rd party audits that they meet employment levels and investment thresholds to receive the credit
- To date, **only 9 companies have been approved** by the Legislature for “special” EDGE: Champion Laboratories, Chrysler Group, Continental Tire North America, Ford Motor Company, Ecolab f/k/a Nalco, Mitsubishi Motors North America, Motorola Mobility, Navistar, Sears Holdings
- Agreements have been targeted to major manufacturing sites representing thousands of jobs **and emphasize job retention over creation**
- Enacted **primarily during times of economic distress** in which loss of a major employer would have dealt a significant economic blow to a region