In an exclusive interview last week, CME Group Executive Chair Terry Duffy said he's more than ready to leave Illinois if he doesn't get what he believes is a "fair" tax deal from the General Assembly.

The company owns the Chicago Board of Trade and several other firms. It's a very big wheel in this state, and leaving would be the worst sort of news for Democrats who raised taxes this year.

Duffy has been under intense pressure all year from Wall Street to reduce expenses. State taxes are listed as expenses on corporate books, so Duffy has been publicly fuming about his company's $150-million-a-year state-tax burden since corporate tax rates were increased.

Duffy claims CME pays 6 percent of all corporate income taxes in Illinois, and pays more than any other company. "I don't know another company in the world that pays 6 percent of another state's taxes."

As recently as four years ago, the vast majority of CME's trades were physically handled on the floor of his exchanges such as the Chicago Board of Trade. Now, almost 90 percent of trades are performed electronically, and Duffy says that difference means CME shouldn't be paying taxes on trades that are obviously originating in other states and other countries. Trouble is, he won't (and insists he can't) reveal exactly where those trades are originating, so state negotiators instead decided to reduce his tax burden by roughly two-thirds, which means $100 million a year less in state income taxes paid by CME.

Duffy said he'd talked to at least half of the General Assembly's members in the past several days, many of whom said they wanted something else in exchange for helping his company, such as tax breaks for other industries.

"I really think these people don't believe that I have an alternative," a defiant Duffy said, pointing

to very generous offers from other states.

The executive chair claimed he's been offered as much as $600 million to move Aurora's high-tech center and mentioned a report about how Indiana Governor Mitch Daniels had offered CME $150 million a year in tax relief – CME's entire state-tax burden. When reminded that Daniels had denied the offer was made, Duffy said: "The governor denied the number, but he didn't deny the discussions. My shareholders heard it. They're going to say, 'What the hell did you do that [stay in Illinois] for? We care about us.'"

I've criticized Duffy for waiting until after his taxes went up to complain about how his company had historically been mistreated by the state's tax code. This year's tax hike cost CME $50 million, but Duffy wants double that amount to stay put. Because he didn't seem to care about his taxes until January, why should the state give him anything beyond what the tax hike cost the company? Duffy claimed he'd been working on the situation for at least two years. He said he didn't think he needed to make anything public until he was forced to when he was asked about the tax hike during a shareholders' meeting.

However, Duffy said he hadn't met with the governor or anyone else here before the tax hike. "Why work with Illinois when other states have a more business-friendly approach?" he asked.

And as to why CME refuses to offer anything tangible in return for its tax deal, like all other companies seeking tax relief have to do, Duffy said he doubted the legality of those agreements. If Motorola broke its subsidy deal, Duffy said, it's doubtful there'd be any real legal ramifications. "We've been here 163 years," Duffy said. "We think we've demonstrated that we're good corporate citizens. I can't tie my shareholders' hands like that."

But if CME is such a good corporate citizen, why demand all that cash when Duffy knows the state budget is still so tight? I mentioned a recent $4.6-million state cut to homeless services, which has resulted in tens of thousands of people being turned away from shelters.

"I'm not asking the state for $100 million," Duffy said, "I'm asking to give me a rule to say this is what I think is being traded in Illinois and here's what I'll pay, whatever the tax rate will be."

CME, Duffy said, has averaged 19 percent growth for 30 years. “I pay people and they pay taxes, and that money can go to the homeless shelters.”

He didn’t make it sound as harsh as it looks, but it’s an argument he has to deal with.

Rich Miller also publishes Capitol Fax *(a daily political newsletter) and CapitolFax.com .*