

Legislature Changes Course on Corporate Tax Breaks

Written by Rich Miller
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A massive turnaround in the Illinois House may have whetted political appetites for even more corporate tax relief. But don't count on it just yet.

As you may recall, a tax-cut plan for corporations and individuals failed miserably in the House a few weeks ago, getting eight votes – comically short of the 60 needed for passage.

So the House went home for two weeks and some intense lobbying began. When state representatives came back to Springfield, a slightly revised version of the corporate-tax-cut plan passed with a whopping 81 votes. The bill will grant large tax breaks to CME Group and Sears to keep them from leaving the state, as well as a few broad-based provisions.

Most House Republicans had refused to support a proposed increase in the Earned Income Tax Credit (EITC) program for low-wage workers, which was included in the original plan. The Republicans were opposed even though the program was considered a GOP idea when it was unanimously approved several years ago and was signed into law by a Republican governor.

So that provision and a small bump in the standard deduction were moved to a separate bill. Governor Pat Quinn and the Senate Democrats had demanded an increase in the EITC in exchange for supporting the corporate tax cuts. Splitting the bill into two parts meant that Democrats could mostly support the EITC while Republicans could get their corporate tax provisions.

The plan obviously worked; both bills passed, and the corporate-tax-cut bill was signed into law a few days later.

House Republican Leader Tom Cross said he thought that the two-week break had cooled some tempers, which was probably true.

A big push by Mayor Rahm Emanuel helped. And CME Group's well-publicized meeting with Indianapolis' mayor about moving the Chicago-based company to that city just a few days after

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the tax-cut bill went down in flames put added pressure on legislators in both parties.

But the day after the House and Senate had both left town, Cross upped the ante by announcing legislation to roll back all of last January's corporate-income-tax hike.

Cross was beaten to the punch by 24 hours, however. Some House Democrats with tough campaigns next year had introduced a bill the day before to kill the corporate tax hike by January 1.

Rolling back the corporate-income-tax hike would cost the state budget about \$900 million next fiscal year, based on current projections. That would be on top of the more than \$360 million in tax breaks that the House and Senate approved last week.

January's corporate tax hike has created a huge uproar in Illinois as one company after another has threatened to move away. Special tax breaks given to some companies to keep them here have only enraged other company owners who are left holding the bag. The perception is that the connected big boys are making out like bandits while the unconnected and those who can't move have no relief in sight.

Both the Illinois Manufacturers Association and the Illinois Chamber of Commerce have vowed to push for lowering the corporate tax rate in the upcoming spring legislative session. But lowering taxes on corporations while keeping the personal-income-tax hike on the books might cause even more political trouble.

Two-thirds of all companies don't pay state corporate income taxes, partly because many smaller-business owners set up their companies so that they pay taxes on profits via their personal income taxes. Cutting the corporate rate without touching the personal rate wouldn't help those smaller companies one iota.

And then there'd be the understandable resentment of all those working people who weren't getting tax breaks in these tough times while the corporations were once again getting special treatment. As with most things, it ain't as easy as it looks.

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These latest proposals are probably all about election-year politics anyway. Barring some unforeseen miracle and/or a newfound desire to cut ever deeper into the state budget, there's no way the state can afford to get rid of the corporate tax hike just yet. Instead, the governor will likely just continue handing out tax breaks on a company-by-company basis, creating ever more resentment by those who are paying full freight.

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