
Illinois
TAX HANDBOOK
for Legislators

26th Edition
March 2010



Illinois General Assembly

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Illinois Tax Handbook for Legislators, 2010

TWENTY-SIXTH EDITION

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Illinois Tax Handbook for Legislators
26th Edition
March 2010

We are pleased to present this 26th edition of the Illinois Tax Handbook for Legislators.

The first edition was compiled in 1985 by Charlie Minert, who went on to complete the first 17 editions. Five later editions were compiled by Nicole Lisk. The most recent three, including this edition, were compiled by Sarah Franklin. Content was reviewed by Deputy Director for Research David Miller, and Dianna Jones did the layout.

We hope Illinois legislators and staff, and the general public, find it useful and informative.

Patrick O'Grady
Executive Director

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Illinois Tax Handbook for Legislators, 2010

This publication gives information on every significant Illinois state tax. Each is described in a separate section listing its history, rates, statutory authority, revenue collected, and disposition of proceeds. The Tax Handbook also notes federal taxes (if any) that apply to the same transactions; taxes on similar transactions in selected states (usually those with the highest and lowest rates); and taxes on the same items or transactions that local governments in Illinois are authorized to impose.

The two largest sources of state revenue are the individual income tax and the sales tax. The state lottery, although not a tax, is also listed because it is a significant source of general state revenue. Figure 1 and Table 1 on pages 4 and 5 summarize state tax collections in fiscal years 2008 and 2009. The state also collected about \$1.5 billion in personal property tax replacement taxes from businesses. But that money is all distributed to local governments, so it is not reflected in Figure 1 or Table 1. Nor do Figure 1 and Table 1 reflect assessments on hospitals and nursing homes to help cover the state's costs under the Medical Assistance (Medicaid) program. Those assessments brought in \$1.7 billion in fiscal year 2009. The state also received \$340.2 million from the tobacco lawsuit settlement involving Illinois and other states.

Most revenue figures in this publication show receipts as recorded by the Comptroller upon deposit into the State Treasury. In a few cases, due to lack of detail in the Comptroller's figures, actual tax collections as reported by the Department of Revenue are shown instead. The Comptroller's deposits into the State Treasury for a given fiscal year may differ from tax collections that year because some tax collections for a fiscal year may not be reported to the Comptroller until the next fiscal year. But the Comptroller's deposits into the Treasury give the more accurate view of revenue from each tax over a period of time.

FY 2009 Receipts From Four Largest Taxes

Receipts from the four largest taxes to the state's general funds (General Revenue Fund, Common School Fund, and Educational Assistance Fund) were \$1.5 billion (6.8%) lower in fiscal year 2009 than in fiscal year 2008. The table at the top of the next page shows that individual income tax revenue fell 8.7%; sales tax revenue fell 5.9%; and corporate income tax revenue fell 5.8%; but public utility tax revenue rose 1.1%.

<i>Tax</i>	<i>FY '08 (millions)</i>	<i>FY '09 (millions)</i>	<i>% change</i>
Individual income tax	\$11,187.3	\$10,219.4	-8.7%
Sales tax	7,935.5	7,470.5	-5.9
Corporate income tax	2,200.9	2,072.5	-5.8
Public utility taxes	1,424.6	1,439.8	1.1
Total, all four taxes	\$22,748.3	\$21,202.2	-6.8%

Trends in FY 2010

In the first 6 months of FY 2010 (July through December of 2009), general fund receipts from the four major taxes were slightly over \$8 billion—down 10.3% from \$8.936 billion in the first half of FY 2009. Individual income tax receipts were \$3.804 billion (down 7.6%) and corporate income tax receipts were \$513 million (down 16.3%). Sales tax receipts were \$3.185 billion (down 12.6%); public utility tax receipts were \$517 million (down 7.5%).

July-December periods:

<i>Tax</i>	<i>FY 2009 (billions)</i>	<i>FY 2010 (billions)</i>	<i>% change</i>
Individual income tax	\$4.119	\$3.804	-7.6%
Sales tax	3.645	3.185	-12.6
Corporate income tax	0.613	0.513	-16.3
Public utility taxes	0.559	0.517	-7.5
Total, all four taxes	\$8.936	\$8.019	-10.3%

Legal Authority for Taxes

The Illinois Constitution of 1970 says that, except as otherwise provided, the General Assembly has exclusive power to raise revenue through taxation. The Constitution authorizes the General Assembly to levy property, sales, use, franchise, privilege, income, excise, inheritance, gift, severance, and all other kinds of taxes, subject to some restrictions. The General Assembly may classify the subjects and objects of non-property taxes, but the classes must be reasonable and the subjects and objects in each class must be taxed uniformly. Exemptions, deductions, credits, refunds, and other allowances must be reasonable.

The constitutional authorization for income taxes limits the state to one income tax on individuals and one on corporations (not counting the tax to replace the corporate personal property tax). These rates cannot be graduated. The rate imposed on corporations cannot exceed that on individuals by a ratio of more than 8 to 5.

Local taxes in Illinois fall into two categories: those specifically authorized by statute, and those that home-rule units can impose without statutory authority. Home-rule units may impose any kind of tax not prohibited by the Constitution or specifically prohibited by law. Rate limits and procedural requirements in a law authorizing a local tax do not limit home-rule units unless that law explicitly says so. The Constitution specifically prohibits home-rule units from licensing for revenue, or imposing taxes on income or occupations, unless authorized by statute.

Figure 1: Percentages of Revenue Contributed by Major State Taxes, FY 2009

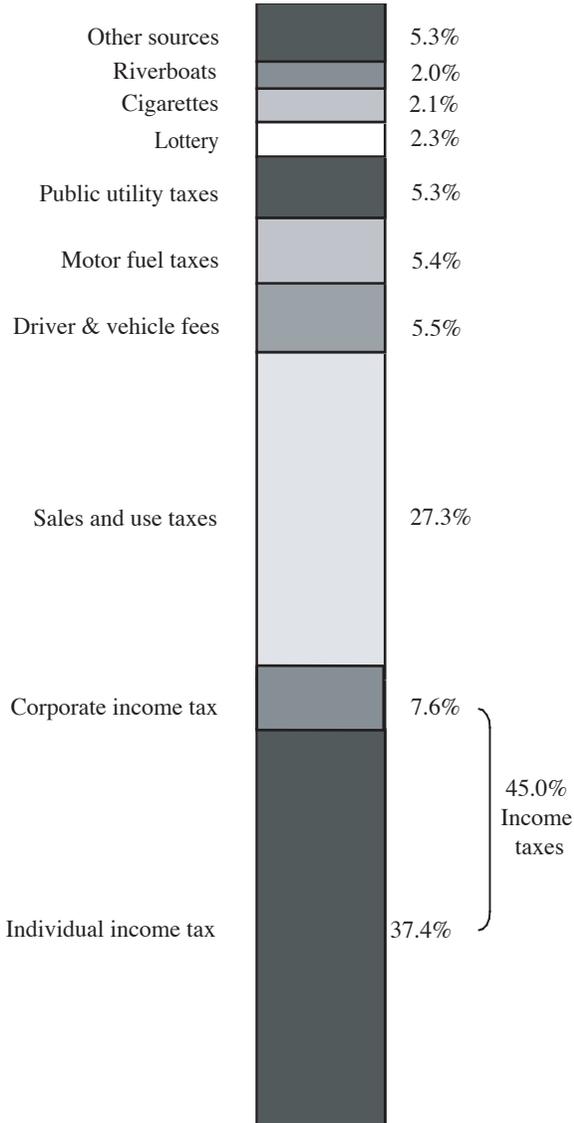


Table 1: State Tax & Lottery Receipts, FYs 2008 & 2009

	<i>FY 2008</i>		<i>FY 2009</i>		<i>% change FY '08- FY '09</i>
	<i>Amount (millions)</i>	<i>% of total</i>	<i>Amount (millions)</i>	<i>% of total</i>	
Individual income tax	\$11,187.3	38.5%	\$10,219.4	37.4%	-8.7%
Sales tax	7,935.5	27.3	7,470.5	27.3	-5.9
Corporate income tax	2,200.9	7.6	2,072.5	7.6	-5.8
Driver's license & motor vehicle fees	1,506.3	5.2	1,499.7	5.5	-0.4
Motor fuel taxes	1,334.7	4.6	1,467.4	5.4	9.9
Public utility taxes	1,424.6	4.9	1,439.8	5.3	1.1
State lottery	661.6	2.3	630.2	2.3	-4.7
Cigarette & tobacco taxes	613.7	2.1	582.3	2.1	-5.1
Riverboat wagering taxes & fees	687.8	2.4	553.2	2.0	-19.6
Insurance tax & fees	366.7	1.3	403.9	1.5	10.1
Corporation franchise tax & fees	229.4	0.8	204.6	0.7	-10.8
Hotel operators' tax	219.2	0.8	203.3	0.7	-7.3
Liquor tax & fees	164.1	0.6	163.9	0.6	-0.1
Estate tax	372.8	1.3	287.7	1.1	-22.8
Real estate transfer tax	76.8	0.3	40.6	0.1	-47.1
Vehicle use tax	37.0	0.1	32.3	0.1	-12.7
Automobile rental tax	32.7	0.1	30.8	0.1	-5.8
Tire user fees	17.4	0.1	16.4	0.1	-5.7
Racing tax & fees	8.8	<0.1	7.2	<0.1	-18.2
Pull tab & jar games tax & fees	6.0	<0.1	5.3	<0.1	-11.7
Bingo tax & fees	2.9	<0.1	2.5	<0.1	-13.8
Coin-operated amusement tax	2.3	<0.1	2.5	<0.1	8.7
Charitable games tax & license fees	0.5	<0.1	0.5	<0.1	0.0
Totals	\$28,185.4	100.0%	\$27,336.5	100.0%	-6.0%

Note: < means "less than."

Automobile Renting Occupation & Use Tax

The Automobile Renting Use Tax applies to the lessee of any automobile; van with capacity of 7-16 passengers; or recreational vehicle, for the privilege of using it on Illinois highways. This tax is collected by the lessor, who can be relieved of the duty of paying it by paying the Automobile Renting Occupation Tax on gross receipts from the transaction. These taxes apply only to rental agreements for periods up to 1 year, such as short-term rentals at airports, motels, etc. Administered by Department of Revenue. (35 ILCS 155/1 ff.)

Rate and base: 5% of automobile rental charge.

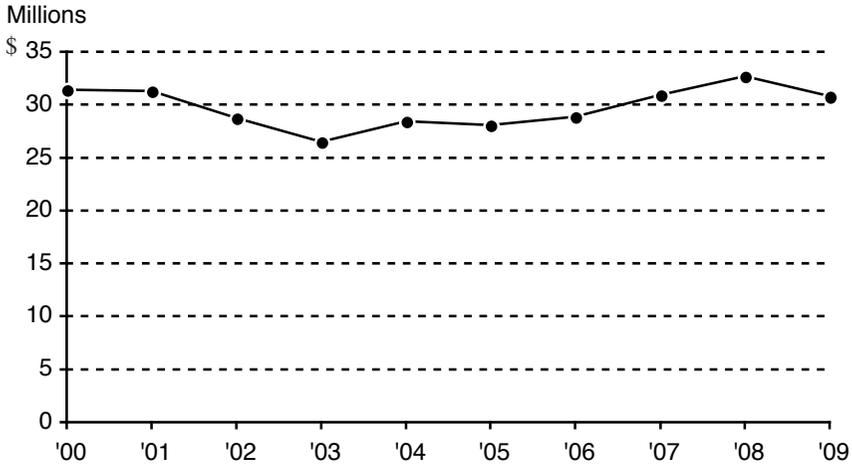
Exemptions

1. Rentals to governmental bodies, or charitable, religious, or educational organizations.
2. Rentals to nonprofit organizations created to provide recreation for persons over age 55.
3. Rentals in which the lessor retains possession of the automobile (such as limousine service).
4. Rentals of demonstrator cars by automobile dealers.

History: The state began collecting this tax at a 4% rate on January 1, 1982, simultaneously exempting from sales taxation vehicles that were bought to be rented. On July 1, 1985 the rate rose to 5%. A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest; only \$6,249 was collected.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$31.4	5.7%	2005	\$28.1	-1.4%
2001	31.3	-0.3	2006	28.9	2.8
2002	28.8	-8.0	2007	30.9	6.9
2003	26.5	-8.0	2008	32.7	5.8
2004	28.5	7.5	2009	30.8	-5.8



Disposition of proceeds: To the General Revenue Fund.

Other taxes on same transactions

Federal: None.

Local: Since 1982, municipalities, counties, the Metro East Mass Transit District, and the Regional Transportation Authority (RTA) have been authorized to impose occupation and use taxes on automobile rentals (65 ILCS 5/8-11-7 and 5/8-11-8; 55 ILCS 5/5-1032 and 5/5-1033; 70 ILCS 3610/5.02; and 70 ILCS 3615/4.03.1). The Metropolitan Pier and Exposition Authority imposes a 6% tax on automobile rentals in Cook County to finance McCormick Place expansion (70 ILCS 210/13(d)). Chicago imposes a tax of \$2.75 per vehicle per lease transaction (Chicago Municipal Code, sec. 3-48-030).

Similar taxes imposed by non-home-rule municipalities, counties, and the Metro East Mass Transit District cannot exceed 1% of the rental charge. Any RTA tax rate is limited to 1% in Cook County and 0.25% in DuPage, Kane, Lake, McHenry, and Will Counties. (Neither the RTA nor the Metro East Mass Transit District levies such taxes.) These taxes are collected by the state and paid to municipalities and counties. Home-rule units can impose taxes beyond these limits. Over 300 Illinois municipalities or counties tax automobile rentals.

Other states' taxes on automobile rentals

<i>State</i>	<i>Percentage</i>	<i>Per day</i>
Minnesota (up to 28 days)	11.2 ^a %	
Mississippi (up to 30 days)	11.0 ^b	
Alaska (up to 90 days)	10.0	
Arkansas (less than 30 days)	10.0	
Maine (up to 1 year)	10.0	
Nevada (up to 31 days)	10.0 ^c	
Texas (up to 30 days)	10.0	
Virginia (daily rental vehicles)	10.0 ^d	
Vermont (up to 1 year)	9.0	
New Hampshire (up to 180 days)	9.0	
North Carolina (up to 1 year)	8.0 ^e	
Kentucky	6.0	
New York (up to 1 year)	6.0	
Oklahoma (up to 90 days)	6.0	
Rhode Island (up to 30 days)	6.0	
Washington (up to 30 days)	5.9	
Arizona (up to 180 days)	5.0	
Illinois (up to 1 year)	5.0	
Iowa (up to 60 days)	5.0	
New Mexico (up to 6 months)	5.0	+ \$2
South Carolina (up to 31 days)	5.0	
Wisconsin (up to 30 days)	5.0	
Nebraska (up to 31 days)	4.5	
South Dakota (up to 28 days)	4.5 ^f	
Indiana (less than 30 days)	4.0	
Missouri	4.0	
Montana (up to 30 days)	4.0	
Wyoming (up to 31 days)	4.0	
Kansas (up to 28 days)	3.5	
Connecticut (up to 30 days)	3.0	
Louisiana (up to 29 days)	3.0	
North Dakota (less than 30 days)	3.0	
Tennessee (up to 31 days)	3.0 ^g	
Utah (up to 30 days)	2.5	
Delaware	2.0736	

<i>State</i>	<i>Percentage</i>		<i>Per day</i>
Pennsylvania (up to 29 days)	2.0	+	\$2
Alabama	1.5		
New Jersey (up to 28 days)	-		\$5
Hawaii (up to 6 months)	-		\$3 ^h
Florida (up to 30 days)	-		\$2
West Virginia (daily rentals)	-		\$1

Notes

- a. Minnesota's rate includes a 6.2% rental tax and a 5% fee for rental car registration.
- b. Mississippi's rate includes a 5% sales tax and a 6% rental surcharge.
- c. Nevada's rate includes a 6% rental tax and a 4% fee for vehicle license fees and taxes.
- d. Virginia imposes a 4% tax on vehicles rented for more than a day.
- e. North Carolina cities may levy an additional tax up to 1.5% as a substitute for property taxes (which do not apply to vehicles being offered for short-term lease).
- f. South Dakota, in addition to the 4.5% rate shown, levies a 1.5% seasonal tourism tax in June-September.
- g. Tennessee also allows a 2% surcharge in any county building an NBA arena.
- h. Hawaii's daily rate will drop to \$2 on September 1, 2011.

In addition to those states, regular sales taxes apply to short-term automobile rentals in California (6.25%), Colorado (2.9% plus a rental tax of \$2 per day and a 1% county short-term rental tax), Georgia (4.0%), Idaho (6.0%), Massachusetts (5.0% plus a \$10 surcharge in Boston and Revere), Michigan (6.0%), and Ohio (5.5%). Maryland imposes a tax of 23¢ per multiple of \$2 (equaling as much as 11.5%) on automobile rentals for up to 180 days.

Bingo Tax and License Fees

Illinois gets two forms of revenue from licensed bingo games: license fees, and the bingo game receipts tax. Administered by Illinois Gaming Board in the Department of Revenue. (230 ILCS 25/1 ff.)

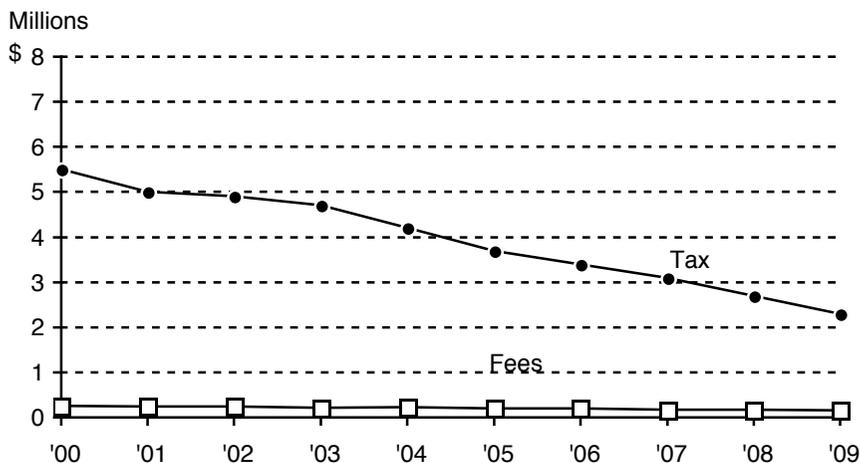
Rate and base

1. Bingo license fees: (a) \$200 fee for an annual license (with an extension up to 1 year if authorized by the Department of Revenue) for a nonprofit religious, charitable, labor, fraternal, educational, senior citizens', youth athletic, or veterans' organization to conduct bingo on 1 day per week, with up to 25 games on that day, throughout the year. (Bingo games at the Illinois State Fair or county fairs are not subject to the limits on games per day or days per week.) (b) \$50 fee for a limited license, issued to such an organization, for bingo games at up to two events per year, for a maximum of 5 consecutive days each time. (c) \$200 fee for an annual license, or \$600 for 3 years (with an extension up to 1 year if authorized by the Department of Revenue) for anyone leasing out facilities or selling bingo equipment or supplies to licensed bingo organizations. (Municipalities that lease their facilities for bingo need not buy the \$200 license.)
2. Bingo game receipts tax: 5% of gross receipts from bingo games.

History: These taxes were enacted in 1971. The bingo game receipts tax was halved to 5% on January 1, 1979. A 2004 act authorized sales of 3-year licenses to organizations conducting bingo, but that authority was eliminated in 2007. A tax amnesty program in fiscal year 2004 collected only \$248.

State revenue collected

<i>Fiscal year</i>	<i>License fees Receipts</i>		<i>Bingo receipts tax Receipts</i>	
	<i>(thousands)</i>	<i>Change</i>	<i>(millions)</i>	<i>Change</i>
2000	\$252	-13.1%	\$5.5	-5.2%
2001	244	-3.2	5.0	-9.1
2002	246	0.8	4.9	-2.0
2003	218	-11.4	4.7	-4.1
2004	235	7.8	4.4	-6.4
2005	201	-14.5	3.7	-11.9
2006	195	-3.0	3.4	-8.1
2007	178	-8.7	3.1	-8.8
2008	174	-2.2	2.7	-12.9
2009	159	-8.6	2.3	-14.8



Distribution:

1. Bingo license fees: To the General Revenue Fund.
2. Bingo game receipts tax:
 - (a) 50% to the Mental Health Fund.
 - (b) 50% to the Common School Fund.

Other taxes on bingo

Federal: None.

Local: No tax is authorized by statute. Home-rule units apparently cannot collect license fees because of the restriction on licensing for revenue in the Illinois Constitution, Art. 7, subsec. 6(e). A tax on gross receipts of bingo operators probably would also be invalid under that provision as an occupation tax.

Other states' taxes

At least 25 states separately tax bingo games. Alaska collects 1% of net bingo proceeds if annual gross receipts are at least \$20,000. Arizona has a tax of 2.5% on licensees with annual receipts up to \$15,600; 1.5% on those with receipts of \$15,601 to \$300,000; and 2% on those with receipts over \$300,000. Arkansas collects 0.3¢ per bingo card. Kansas has a 3% tax on bingo game licenses and a 1% tax on printed bingo cards sold to Kansas licensees, plus a charge of 0.2¢ per bingo card sold by distributors. Louisiana charges up to 5% of the value of bingo supplies, and a fee up to 3% of the lease or rental price of electronic bingo devices (except those using disposable bingo paper). Maryland collects 30% of net proceeds of electronic bingo machines. Mississippi taxes charitable bingo games at 0.5% to 1% based on the type of charitable organization;

a separate tax of up to 2.5% of net proceeds applies to electronic bingo machines. Missouri has a tax of 0.2¢ per bingo card. Minnesota taxes 8.5% of gross receipts minus prizes paid; New Hampshire 7% of gross receipts; Iowa 6% of gross receipts; Massachusetts 5% of gross receipts; Connecticut 5% of gross receipts minus prizes paid; Nebraska 3% of gross receipts; Montana 1% of gross proceeds; and New Mexico 0.5% of gross receipts. New York municipalities that allow bingo collect 3% of net proceeds. North Dakota collects a 3% tax on gross receipts of retail bingo card sales. In Ohio, charitable organizations that conduct instant bingo must pay an annual license fee, plus a percentage of the previous year's gross profit from instant bingo that ranges from 0.25% to 1% depending on the gross profit amount. Oklahoma charges 1¢ per bingo card or "U-PIK-EM" game set, payable by licensed distributors and sellers of equipment. South Carolina charges 4¢, 5¢, or 10¢ per dollar of face value of bingo cards, depending on the class of licensee. South Dakota distributors pay 5% of their gross sales of bingo equipment. Texas collects a 3% tax on gross receipts from renting facilities for bingo games, and 5% of the value of prizes. Washington charges 1.5% of gross income, plus 0.13% of gross income if it is at least \$50,000 annually. Also, local governments may charge up to 5% of gross receipts minus prizes paid. Wisconsin's tax is 1% of gross receipts up to \$30,000, and 2% of gross receipts over \$30,000.

Charitable Games Tax and License Fees

The state gets two kinds of revenue from licensed charitable games: license fees, and the charitable games receipts tax. Charitable games covered include roulette, blackjack, poker, pull tabs, craps, bang, beat the dealer, big six, gin rummy, five-card stud poker, chuck-a-luck, keno, hold-em poker, and a merchandise wheel. No single bet at any game may exceed \$10. Administered by Illinois Gaming Board in the Department of Revenue. (230 ILCS 30/1 ff.)

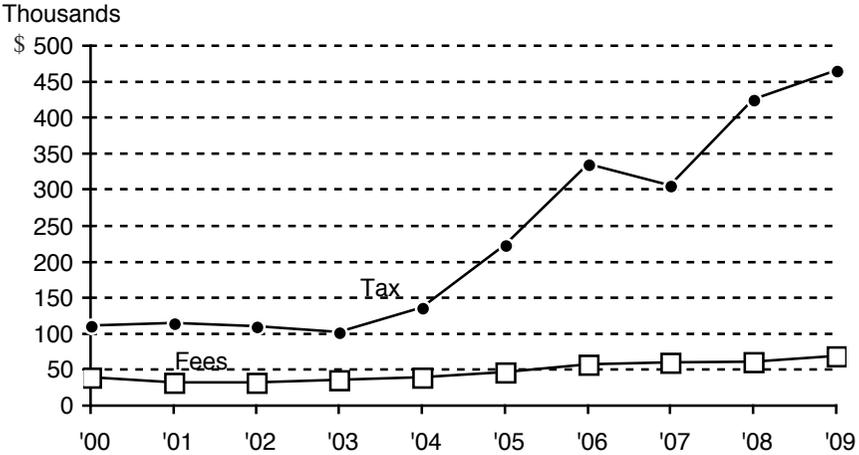
Rate and base:

- Charitable games license fees: (a) \$200 fee for 1 year (which can be extended up to 1 year by the Department of Revenue) for a license to a nonprofit charitable, religious, fraternal, veterans', labor, or educational organization to hold up to 4 charitable-games nights per year. (b) \$50 fee for 1 year or \$150 for 3 years (which can be extended by up to 1 year by the Department of Revenue) for a license issued to anyone leasing out facilities to licensed organizations holding charitable-games nights. (c) \$500 fee for 1 year or \$1,500 for 3 years (which can be extended by up to 1 year by the Department of Revenue) for a license to sell supplies or equipment for such games. (d) \$50 one-time fee for a licensee owning its equipment.
- Charitable games receipts tax: 3% of gross proceeds from charitable-games nights.

History: The tax took effect September 1, 1986.

State revenue collected

<i>Fiscal year</i>	<i>License fees</i>		<i>Charitable games tax</i>	
	<i>Receipts</i>	<i>Change</i>	<i>Receipts</i>	<i>Change</i>
2000	\$39,200	-8.8%	\$111,214	-12.0%
2001	32,350	-17.5	114,927	3.3
2002	32,750	1.2	110,577	-3.8
2003	36,200	10.5	102,521	-7.3
2004	39,600	9.4	136,583	33.2
2005	47,200	19.2	224,002	64.0
2006	57,200	21.2	335,654	49.8
2007	59,900	4.7	306,241	-8.8
2008	60,800	1.5	425,680	39.0
2009	69,300	14.0	465,699	9.4



Disposition: To the Illinois Gaming Law Enforcement Fund.

Other taxes on charitable games

Federal: None.

Local: No tax is authorized by statute. Home-rule units probably cannot collect license fees due to the restriction on licensing for revenue in the Illinois Constitution, Art. 7, subsec. 6(e). A tax on gross receipts of charitable-games operators probably would be invalid under the same provision as an occupation tax.

Counties and municipalities are authorized to license and regulate raffles held by nonprofit charitable, educational, religious, fraternal, veterans', labor, and some kinds of business organizations (230 ILCS 15/1 ff.).

Other states' taxes

At least ten states tax proceeds of charitable games. Colorado has a tax at a rate set by regulation; it is currently 3% of adjusted gross proceeds (receipts minus payments to players). Gross receipts of charitable games are also taxed in New Mexico (10%), Minnesota (8.5%), and Kentucky (0.53%). Minnesota also collects a combined receipts tax on gross receipts from gambling (excluding bingo, raffles, and paddlewheels) at three rates: 1.7% of gross receipts from \$500,001 to \$700,000; \$3,400 plus 3.4% of receipts from \$700,001 to \$900,000; and \$10,200 plus 5.1% of receipts over \$900,000. Oklahoma charges a 10% tax on the price paid for all charity game equipment except bingo faces, U-PIK-EM bingo game sets, and break-open ticket games. Nebraska has three

rates: 3% of gross receipts from bingo; 10% of definite profit from pickle cards; and 2% of gross receipts from lotteries and raffles. North Dakota taxes charitable games at four rates: 5% of gross receipts up to \$200,000; 10% of receipts from \$200,001 to \$400,000; 15% of receipts from \$400,001 to \$600,000; and 20% of receipts over \$600,000. New Hampshire charges \$6 or \$15 per package of "Lucky Seven" tickets sold to charitable organizations, depending on the type of ticket. Also in New Hampshire, charitable organizations pay a tax of 3% of gross receipts (if chips sold have no monetary value), or 10% of net receipts (if chips have monetary value), minus amounts spent by the state Pari-Mutuel Commission on personnel and related expenses. Michigan collects 40% of proceeds from sales of charity game tickets (tickets for pull-tab games). West Virginia charges wholesalers and distributors of charitable raffle boards and games 20% of the retail value of each board or game sold to a retailer.

Cigarette and Other Tobacco Taxes

A matching pair of taxes applies to cigarettes: the cigarette tax, and the cigarette use tax. Wholesale distributors collect the cigarette tax from retailers, who collect the use tax from customers. Retail sellers are relieved of paying the use tax if they pay the cigarette tax to distributors. Ultimately, distributors are responsible for sending the money to the state. Administered by Department of Revenue. (Cigarette tax, 35 ILCS 130/1 ff.; cigarette use tax, 35 ILCS 135/1 ff.)

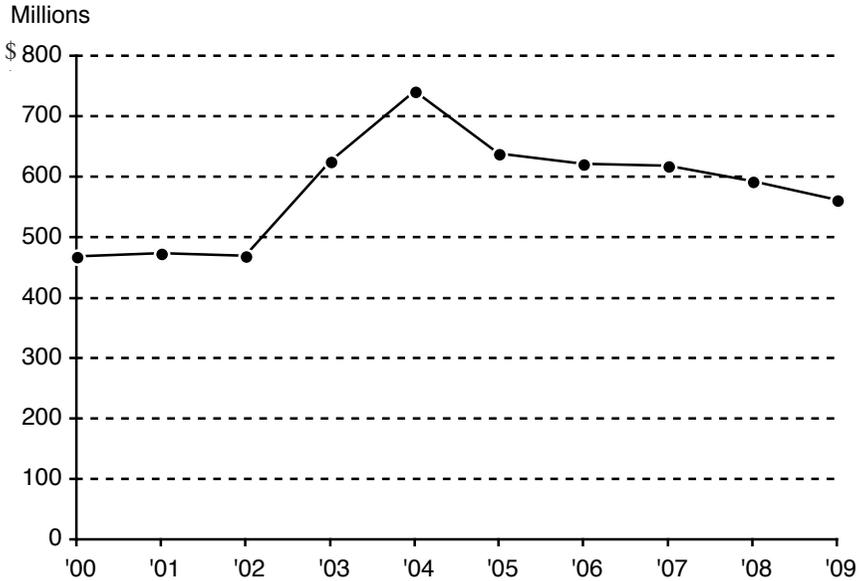
Rate and base: 4.9¢ per cigarette (98¢ per package of 20).

History: The cigarette tax was enacted in 1941 at a rate of 0.1¢ per cigarette (2¢ per package of 20). The use tax was added in 1951. Rate changes since then are shown below. (The increase from 2.9¢ to 4.9¢ per cigarette took effect July 1, 2002—the start of fiscal year 2003.) A tax amnesty program in fiscal year 2004 collected only \$26.

<i>Year</i>	<i>Per cigarette</i>	<i>Per pack of 20</i>	<i>Year</i>	<i>Per cigarette</i>	<i>Per pack of 20</i>
1941	0.10¢	2¢	1969	0.6¢	12¢
1947	0.15	3	1985	1.0	20
1959	0.20	4	1989	1.5	30
1960	0.15	3	1993	2.2	44
1961	0.20	4	1997	2.9	58
1965	0.35	7	2002	4.9	98
1967	0.45	9			

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$467.3	-6.4%	2005	\$638.0	-14.0%
2001	472.6	1.1	2006	621.0	-2.7
2002	468.8	-0.8	2007	617.9	-0.5
2003	624.9	33.3	2008	592.4	-4.1
2004	741.8	18.7	2009	561.0	-5.3



Distribution:

1. 1¢ per pack of 20 cigarettes (0.05¢ per cigarette) to the General Revenue Fund.
2. \$9 million per month of the amount resulting from the increase enacted in 1985, to the Common School Fund.
3. All additional revenue from the 1997 increase of 14¢ per pack, to the Common School Fund.
4. An amount that when added to the amount paid into the Common School Fund equals \$29.2 million, to the General Revenue Fund.
5. Remainder:
 - (a) Any unpaid amounts required to be paid into the General Revenue Fund for past months.
 - (b) \$5 million per month to the School Infrastructure Fund beginning April 1, 2003.
 - (c) Any unpaid amounts required to be paid into the School Infrastructure Fund for past months.
 - (d) Remainder, if any, to be paid into the Long-Term Care Provider Fund.

Other taxes on cigarettes

Federal: The federal tax is \$1.0066 per pack of 20 cigarettes.

Local: State law authorizes a municipal cigarette tax of 1¢ per pack-age of 20, but it cannot be imposed by municipalities for which the state already collects a municipal home-rule retailers' occupation (sales) tax (65 ILCS 5/8-11-3). Home-rule units can collect their own taxes on cigarettes. Chicago collects 68¢ per pack of 20, and Cook County collects

\$2.00. Cook County's tax applies both in Chicago and elsewhere in the county. Combined rates are:

	<i>Chicago</i>	<i>Cook County suburbs</i>	<i>Rest of state</i>
City	\$.68	-	-
County	2.00	\$2.00	-
State	.98	.98	\$.98
Federal	1.0066	1.0066	1.0066
Totals	\$4.67	\$3.99	\$1.99

Other states' taxes

States' taxes per pack of 20 cigarettes on January 1, 2010 were:

Rhode Island	\$3.46	Arkansas	\$1.15
Connecticut	3.00	Oklahoma	1.03
New York	2.75	Indiana	0.995
New Jersey	2.70	Illinois	0.98
Hawaii	2.60 ^a	New Mexico	0.91
Wisconsin	2.52	California	0.87
Massachusetts	2.51	Colorado	0.84
Vermont	2.24	Nevada	0.80
Washington	2.025	Kansas	0.79
Alaska	2.00	Utah	0.695
Arizona	2.00	Mississippi	0.68
Maine	2.00	Nebraska	0.64
Maryland	2.00	Tennessee	0.6205 ^d
Michigan	2.00	Kentucky	0.601 ^d
New Hampshire	1.78	Wyoming	0.60
Montana	1.70	Idaho	0.57
Delaware	1.60	West Virginia	0.55
Pennsylvania	1.60 ^b	North Carolina	0.45
South Dakota	1.53	North Dakota	0.44
Minnesota	1.504 ^c	Alabama	0.425
Texas	1.41	Georgia	0.37
Iowa	1.36	Louisiana	0.36
Florida	1.339	Virginia	0.30
Ohio	1.25	Missouri	0.17
Oregon	1.18	South Carolina	0.07

Notes

- a. Hawaii's rate is scheduled to rise to \$2.80 on July 1, 2010, and to \$3 on July 1, 2011.
- b. Pennsylvania's rate also applies to little cigars.
- c. Minnesota collects \$1.23 per pack, plus 27.4¢ sales tax added to the wholesale price for a tax stamp.
- d. Amounts shown for these two states include enforcement and administrative fees of 0.1¢ per pack in Kentucky and 0.05¢ per pack in Tennessee.

Other Tobacco Products

Illinois taxes other tobacco products, including cigars; cheroots; stogies; perique, granulated, plug cut, crimp cut, ready rubbed, and other smoking tobacco; snuff or snuff flour; cavendish; plug and twist tobacco; fine-cut and other chewing tobaccos; and other forms of tobacco usable for chewing or smoking in a pipe or otherwise. (35 ILCS 143/10-1 ff.)

Rate and base: 18% of wholesale price (distributor's cost price for the products).

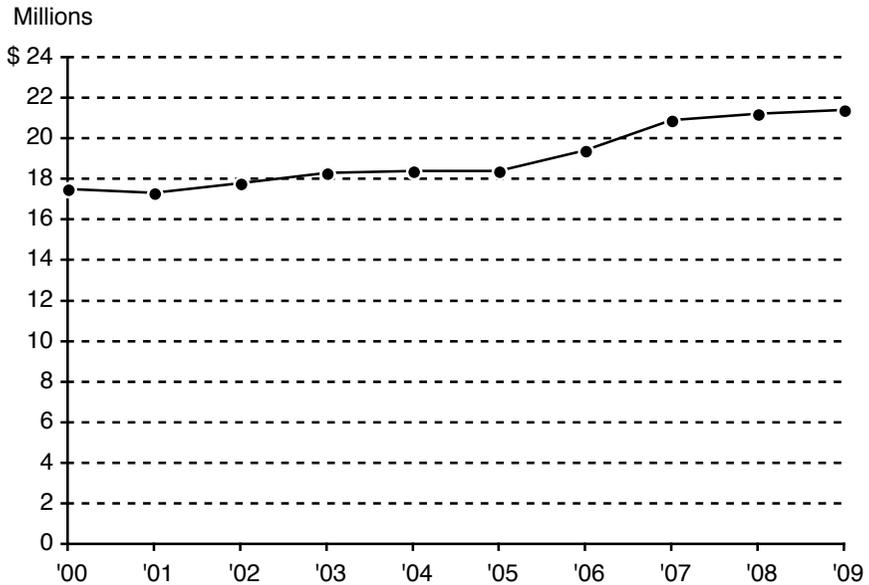
History: The tax was enacted in 1993. In January 1995 a trial court held that it violated the U.S. Constitution's Commerce Clause because the law defined the distributor's cost price for these products in such a way that an Illinois manufacturer might have a lower cost price (and thus a lower tax base) than a distributor of the products from out of state. In 1995 that tax was repealed and replaced with a new tax avoiding the defects in the 1993 law. The rate was reduced from 20% to 18% of the wholesale price of these tobacco products.

A trial judge then held that the 1995 law violated the single-subject requirement of the Illinois Constitution (Article 4, subsec. 8(d)). The Department of Revenue stopped collecting the tax, and no revenue was collected in fiscal year 1999. But the Illinois Supreme Court in July 1999 reversed that decision and upheld the 1995 law. All revenues for fiscal years 1999 and afterward were held in a special account. In fiscal year 2003 a total of \$74.9 million (the amount collected since FY 1999) was deposited into the Long-Term Care Provider Fund.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$17.5	∞	2005	\$18.4	0.0%
2001	17.3	-1.1	2006	19.4	5.4
2002	17.8	2.9	2007	20.9	7.7
2003	18.3	2.8	2008	21.2	1.4
2004	18.4	0.5	2009	21.4	0.9

Note: The infinity symbol (∞) for FY 2000 reflects the fact that collections rose from zero the preceding year.



Disposition: Long-Term Care Provider Fund.

Other taxes on other tobacco products

Federal:

<i>Class</i>	<i>Rate</i>
Cigars	
small (under 3 lbs. per 1,000)	\$50.33 per 1,000 cigars
large (over 3 lbs. per 1,000)	52.75% of sales price
(limited to 40.26¢ per cigar)	
Smokeless tobacco	
snuff	\$1.51 per pound
chewing tobacco	0.5033 per pound
Pipe tobacco	2.8311 per pound

Local: None.

Other states' taxes

All states except Pennsylvania tax forms of tobacco other than cigarettes (Pennsylvania's cigarette tax also applies to little cigars). Among the 40 states that tax all tobacco products at a fixed percentage of price (as Illinois does for non-cigarette products), the range is from 5% in South Carolina to 92% in Vermont. States' taxes on other tobacco products on January 1, 2010 are shown below.

States with uniform rates on all non-cigarette tobacco products

Key:

WP = wholesale price

MP = manufacturer's price

PV = product value

	Rate	Price to which applied		Rate	Price to which applied
Vermont ¹	92 %	MP	Nevada	30 %	WP
Florida ²	85	WP	New Jersey ¹¹	30	WP
Rhode Island ³	80	WP	Connecticut ¹²	27.5	WP
Alaska	75	WP	New Mexico	25	PV
Washington	75	WP	Indiana	24	WP
Wisconsin ⁴	71	MP	Nebraska ¹³	20	WP
Hawaii ⁵	70	WP	Wyoming ¹⁴	20	WP
Minnesota	70	WP	Illinois	18	WP
Arkansas	68	MP	Ohio	17	WP
Oregon ⁶	65	WP	Delaware ¹⁵	15	WP
Iowa ⁷	50	WP	Kentucky ¹⁶	15	WP
Montana	50	WP	Maryland	15	WP
New Hampshire	48.59	WP	Mississippi	15	MP
New York ⁸	46	WP	North Carolina	12.8	WP
California	41.11	WP	Kansas	10	WP
Colorado	40	MP	Missouri	10	MP
Idaho	40	WP	Virginia	10	WP
South Dakota	35	WP	West Virginia	7	WP
Utah ¹⁰	35	MP	Tennessee	6.6	WP
Michigan	32	WP	South Carolina	5	MP

Notes

1. Vermont taxes little cigars as cigarettes, and snuff and smokeless tobacco at \$1.66 per ounce.
2. Florida's tax applies to tobacco and snuff only, and is 25% for products transported outside the state for sale or use outside the state.
3. Rhode Island taxes little cigars at the same rate as cigarettes (up to 50¢ per cigar), and snuff at \$1 per ounce.
4. Wisconsin's tax may not exceed 50¢ per cigar. Moist snuff is taxed at 100% of the manufacturer's price.
5. Hawaii's rate is 50% on cigars, and 11¢ per little cigar.
6. Oregon taxes moist snuff at \$1.78 per ounce.

7. Iowa taxes little cigars at the same rate as cigarettes (up to 50¢ per cigar), and snuff at \$1.19 per ounce.
8. New York taxes snuff at 96¢ per ounce.
9. California's rate is adjusted each July 1.
10. Utah taxes moist snuff at 75¢ per ounce.
11. New Jersey taxes moist snuff at 75¢ per ounce.
12. Connecticut taxes snuff tobacco at 55¢ per ounce.
13. Nebraska taxes snuff at 44¢ per ounce.
14. Wyoming's rate is 20% of wholesale price or 10% of retail price. Moist snuff is taxed at 60¢ per ounce.
15. Delaware taxes moist snuff at 54¢ per ounce.
16. Kentucky taxes snuff at 19¢ per 1.5 ounces.

States whose rates vary by product type

Alabama	Cigars*	3.0-40.5¢ per 10 cigars
	Tobacco and snuff	1-.8¢ per ounce
Arizona	Cigars*	44.1¢-\$2.60 per 20 cigars
	Tobacco and snuff	23.8¢ per ounce
Georgia	Little cigars	2.5¢ per 10 cigars
	Other cigars	23% of WP
	Tobacco	10% of WP
Louisiana	Cigars	8-20% of MP
	Tobacco and snuff	20-33% of MP
Maine	Chewing tobacco and snuff	78% of WP
	Smoking tobacco and cigars	20% of WP
Massachusetts [†]	Smokeless tobacco	90% of WP
	Smoking tobacco and cigars	30% of WP
North Dakota	Tobacco/Cigars	28% of WP
	Chewing tobacco and snuff	16-60¢ per ounce
Oklahoma	Cigars*	36¢-\$1.20 per 10 cigars
	Tobacco and snuff	60-80% of factory list price
Texas	Cigars*	1-15¢ per 10 cigars
	Tobacco and snuff	\$1.10 per ounce

* Rates on cigars in these four states vary with selling prices.

† Massachusetts taxes little cigars as cigarettes.

Coin-Operated Amusement Device and Redemption Machine Tax

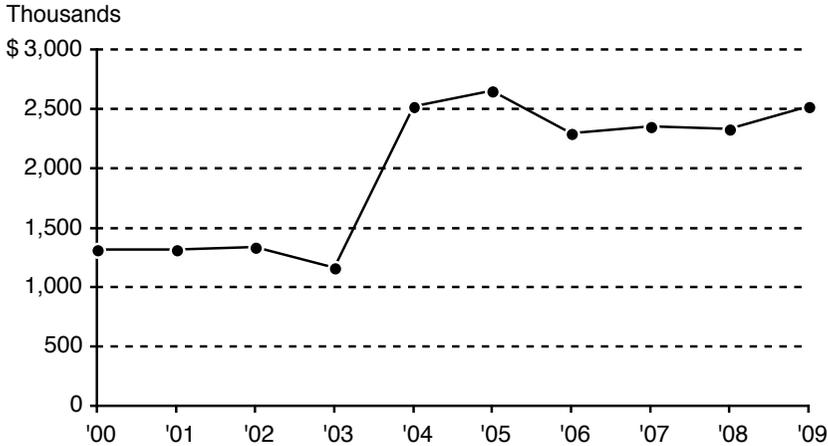
The tax is imposed on the privilege of operating coin-receiving amusement devices (video games, jukeboxes, pinball and redemption machines, and the like) that use coins, tokens, chips, or similar objects. Administered by Department of Revenue. (35 ILCS 510/1 ff.)

Rate and base: \$30 per machine per year. Licenses expire every July 31.

History: The tax was enacted in 1953 at rates of \$10 to \$50 per machine, depending on its type. In 1963 that was simplified into a privilege tax of \$10 per coin-receiving slot. In 1989 it was briefly changed to \$25 (then reduced to \$15) per machine. In 1992, “redemption machines” (devices involving throwing, rolling, shooting, etc., a ball into a hole or at a target to win a prize valued at no more than \$5, or 7 times the cost of a single play) were legalized and added to the tax base. In 2003 the rate was doubled to \$30 per machine. (That increase took effect June 20, 2003—10 days before the end of fiscal year 2003—so very little of it is reflected in the revenue collections shown below for that fiscal year.)

State revenue collected

<i>Fiscal year</i>	<i>Receipts (000 omitted)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (000 omitted)</i>	<i>Change</i>
2000	\$1,316.4	5.3%	2005	\$2,650.3	5.2%
2001	1,316.4	0.0	2006	2,292.0	-13.5
2002	1,339.9	1.8	2007	2,348.9	2.5
2003	1,164.1	-13.1	2008	2,328.6	-0.9
2004	2,164.1	116.4	2009	2,522.8	8.3



Disposition: To the General Revenue Fund.

Other taxes on coin-operated amusement machines

Federal: None.

Local: Illinois law permits municipalities to impose taxes or license fees on amusement devices (65 ILCS 5/11-55-1). Counties can do so in unincorporated areas (55 ILCS 5/5-1076).

Other states' taxes

Fourteen states impose annual taxes on each coin-operated amusement device; six states tax gross receipts from such devices; and four states (Arkansas, Delaware, Florida, and South Dakota) do both.

<i>State</i>	<i>Rate per machine</i>	<i>State</i>	<i>Percent of gross receipts</i>
Oregon	\$135*	Iowa	6.0 %
Delaware	75	West Virginia	6.0
Texas	60	Florida	4.0
Oklahoma	50	South Dakota	4.0
Idaho	35	Arkansas	3.0
Nebraska	35	Delaware	0.4147
Florida	30		
Georgia	25		
North Dakota	25		
South Carolina	25 to 2,000 (varies by type of machine)†		
Massachusetts	20		
South Dakota	12		
Tennessee	10		
Arkansas	5		

* The "amusement devices" to which Oregon's law applies are actually video lottery game terminals.

† South Carolina's charges are twice those listed, but payable biennially.

In addition to taxes on gross receipts and per machine, Arkansas charges a license fee of \$500 for an operator of up to three devices and \$1,000 for an operator of more than three. Georgia charges a license fee of \$250 for an operator of up to 5 devices; \$1,500 for 6 to 60 devices; and \$2,500 for more than 60 devices. In North Dakota, machine operators who do not own the premises where the machines operate must pay \$1,000 annually. Oregon charges an additional \$50 per machine if net receipts exceed \$104,000, and an extra \$75 per machine if they exceed \$260,000. Tennessee charges an annual license fee of \$500 to \$2,000 depending on number of machines. Texas charges an annual license fee of \$200 for an operator of up to 50 devices; \$400 for an operator of 51 to 200 devices; and \$500 for an operator of more than 200 devices.

Virginia authorizes local taxes on coin-operated amusement devices, up to a maximum of \$200 for 10 or more machines. Localities may also impose taxes on amusement device operators' gross receipts. New Hampshire allows towns to set licensing fees for coin-operated amusement devices, and South Carolina allows cities and counties to do so. Kentucky and Louisiana allow municipalities to tax coin machines up to \$20 per machine (up to \$50 for electronic pinball machines, flipper machines, and video games in Louisiana). New York City may charge up to \$25 per machine annually.

Corporation Franchise Taxes and Fees

Each corporation doing business in Illinois, whether it is domestic (incorporated in Illinois) or foreign (incorporated elsewhere), must pay an annual franchise tax. The tax is also imposed when a corporation starts doing business in Illinois. An “additional franchise tax” is due when a corporation changes its capital structure or engages in merger or consolidation. Administered by Secretary of State. (805 ILCS 5/15.05 ff.)

Rate and base: Rates are based on a corporation’s paid-in capital (the total amount paid to the corporation by initial buyers of shares):

1. Initial franchise tax: 0.15% of paid-in capital.
2. Additional franchise tax: 0.15% of any increases in paid-in capital during the year.
3. Annual franchise tax: 0.1% of paid-in capital each year.

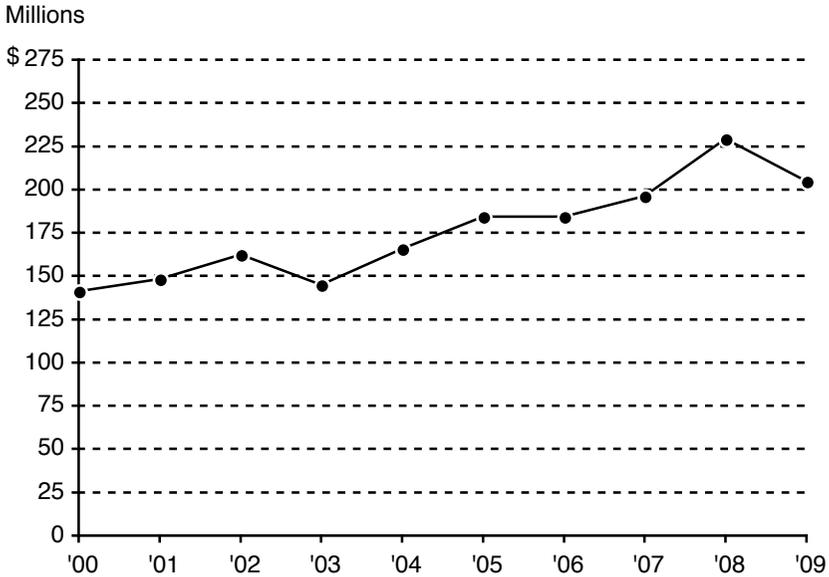
History

1. Initial franchise tax: From 1934 through 1966 the rate was 0.05% of stated capital and paid-in surplus. In 1967 it was doubled to 0.1%, and in 1991 it rose again to 0.15%.
2. Additional franchise tax: From 1934 to 1966 the rate was 0.05% of the increase in the sum of stated capital and paid-in surplus. In 1967 it was doubled to 0.1%. In 1991 the rate rose again to 0.15%.
3. Annual franchise tax: The rate was 0.05% of stated capital and paid-in surplus from 1934 until July 1, 1983, when it was doubled to 0.1%.

A tax amnesty program from February 1, 2008 to March 15, 2008 allowed taxpayers to pay outstanding tax liabilities without penalty or interest; collections totaled \$21,877,003.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$141.1	17.1%	2005	\$184.4	11.3%
2001	148.3	5.1	2006	184.3	-0.1
2002	162.4	9.5	2007	196.4	6.6
2003	144.9	-10.8	2008	229.4	16.8
2004	165.7	14.4	2009	204.6	-10.8

**Distribution:**

1. 98% to the General Revenue Fund.
2. 2% to the Corporate Tax Refund Fund.

Other corporate franchise taxes

Federal: None.

Local: Local taxation of invested capital of large corporations would be impractical.

Other states' taxes

All states impose a variety of initial and annual franchise taxes on corporations based on their capital stock and paid-in surplus. Tax schedules vary considerably among states.

Driver's License and Vehicle Fees

The state imposes a wide variety of fees on operators of motor vehicles. Administered by Secretary of State. (625 ILCS 5/2-119, 5/3-801 to 5/3-834, and 5/6-118)

Rates and bases: Some fees are flat amounts per driver or vehicle; others vary by vehicles' maximum load capacity.

Driver's License Fees

Original driver's license (lasts 4 years)	\$ 30
Renewal (4 years)	30
License or renewal—age 69 to 80:	5
age 81 to 86 (2 years)	2
age 87 or over	0
Original driver's license or renewal—	
age 18, 19, or 20 (lasts 3 months past age 21)	5
Instruction permit—original:	20
age 68 or below, previously licensed in Illinois but not now licensed	10
age 69 or over	5
Changing driving classification	5
Restricted driving permit	8
Monitoring device driving permit	8
Duplicate or corrected license or permit	5
Reinstatement fees after:	
first DUI suspension	250
later DUI suspension	500
uninsured motorist suspension	100
other suspension	70
revocation	500

Vehicle Registration Fees (annual unless otherwise noted)

Passenger car	\$99*
Motorcycle	39*
Low-speed vehicle	18
Delinquent vehicle registration renewal	20
Person receiving a "circuit breaker" grant	24
Electric vehicle (2 years)	35
Antique vehicle (2 years)	13
POW plates (one car per former POW or unmarried widow(er))	0
Disabled veteran meeting stated requirements (one car)	0
Recipient of Congressional Medal of Honor (one car)	0
Duplicate plate (without sticker)	6
Duplicate plate lost with sticker	26
Pair of duplicate plates with sticker	29
Duplicate sticker	20

* Starting in the 2010 registration year (for registrations payable in 2009), a \$1 surcharge goes to the State Police Vehicle Fund. Starting in the 2011 registration year (payable in 2010), the fee is \$49.50 for anyone who was on active military duty outside the U.S. for at least 90 days in the preceding registration year.

Charges for special plates (in addition to regular fee)

Personalized plates*	\$47
Annual renewal	7
Vanity plate*	94
Annual renewal	13
Amateur radio (first issuance) plate	4
Custom Vehicle or Street Rod plate	15
Annual renewal	2
Illinois Congressional Delegation Retired Member plate	15
Biennial renewal	2
Mayor/Village President, West Point Bicentennial, Deceased Police Officer or Firefighter, Universal charitable organization, U.S. Army Veteran, and U.S. Navy plates	15
Annual renewal	2
WWII, Korean War, Vietnam War, Army Combat, Universal veteran, Paratrooper, Korean Service, Operation Iraqi Freedom, and Distinguished Flying Cross plates	15
Annual renewal	0
Iraq and Afghanistan campaign plates	15
Annual renewal	0
Marine Corps plate	20
Annual renewal	20
Mammogram, Master Mason, Organ Donor, Police Memorial, Knights of Columbus, Hospice, Chicago and Northeast District Council of Carpenters, Stop Neuroblastoma, Rotary Club, Ovarian Cancer Awareness, Sheet Metal Workers International Association of Illinois, Illinois Police Association, and United Auto Workers plates	25
Annual renewal	25
Illinois Firefighters memorial plate and Illinois EMS Memorial Scholarship and Training plate	27
Annual renewal	17
September 11, collegiate, environmental, Illinois-Michigan Canal, Pet Friendly, Route 66, sportsmen series, Wildlife Prairie Park, violence prevention, youth park district, Public Broadcasting Stations, Pan Hellenic, Agriculture in the Classroom, Autism Awareness, Boy Scout/Girl Scout, Professional sports teams, Support Our Troops, and International Brotherhood of Teamsters plates	40
Annual renewal	27
Education and Illinois Professional Golfers Association Foundation Junior Golf plates	40
Annual renewal	40
Law Enforcement Torch Run for Special Olympics	45
Annual renewal	27
D.A.R.E. plate	45
Annual renewal	29

Motorcycles

(in addition to regular fee)

Vanity plate	\$ 50
Personalized plate	25

Trailers only

Up to 3,000 lbs.	18 to
to 40,000 lbs.	1,502

Vehicles with permanently mounted equipment

(trucks with mounted facilities, cranes, etc.)

Up to 10,000 lbs.	45 to
to 80,000 lbs.	385

Recreational Vehicles

Up to 8,000 lbs.	78 to
to 10,000 lbs. or more	102 [†]

Camping or travel trailers

Up to 3,000 lbs.	18 to
to 10,000 lbs. or more	50 [†]

Farm trucks

Up to 16,000 lbs.	150 to
to 80,000 lbs.	1,490

Farm trailers

Up to 10,000 lbs.	60 to
to 36,000 lbs.	650

Commercial vehicles—bus, truck, or truck trailers

Up to 8,000 lbs.	99 [‡] to
to 80,000 lbs. with 5 or more axles	2,790

* There is no additional charge for personalized or vanity plates in a military plate series, or for Gold Star recipient plates (which have no additional fee).

† A person getting a “Circuit Breaker” grant can register one vehicle up to 8,000 pounds for half the fee shown.

‡ Starting in the 2010 registration year (for registrations payable in 2009), a \$1 surcharge was added to support the State Police Vehicle Fund. Starting in the 2011 registration year, the fee is \$49.50 for anyone who was on active military duty outside the U.S. for at least 90 days during the preceding registration year.

The owner of a commercial vehicle has the option of buying a license based on its annual miles traveled. A \$10 registration fee is included in the following rates by vehicle weight:

<i>Gross weight of vehicle and load</i>	<i>Minimum guaranteed mileage weight tax</i>	<i>Maximum mileage under guaranteed tax</i>	<i>Mileage weight tax for mileage over guaranteed mileage</i>
Bus, truck, or truck tractor			
Up to 12,000 lbs. to 80,000 lbs.	\$ 83 to 1,425	5,000 to 7,000	2.6¢ to 27.5¢
Trailer			
Up to 14,000 lbs. to 40,000 lbs.	\$ 85 to 760	5,000 to 7,000	3.1¢ to 15.0¢

A “commercial distribution fee” equal to 14.35% of total vehicle taxes is charged for use of the public highways, state infrastructure, and state services. This fee applies to commercial vehicles over 8,000 lbs., and to any under 8,000 lbs. that have claimed the sales and use tax exemption for rolling stock.

History: When Illinois motor vehicle laws were codified in 1919, license fees on cars ranged from \$8 to \$25 depending on horsepower (as estimated by a formula). Fees for commercial vehicles ranged from \$12 to \$60 depending on weight. The fees rose at times, but remained the same from 1967 until 1984.

A revised fee schedule took effect January 1, 1984. License fees for small cars rose from \$18 to \$36 initially, and to \$48 the next year. The fee for large cars rose from \$30 to \$48 immediately. Graduated fees on large commercial vehicles rose by as much as 66% (for semitrailers up to 40,000 pounds), and fees on recreational vehicles weighing over 10,000 pounds rose 44%.

In 1999, motor vehicle fees were again significantly raised. The annual passenger car registration fee rose from \$48 to \$78. Another 1999 law substantially raised annual registration fees for commercial vehicles.

A 2003 act significantly raised motor vehicle license reinstatement fees. It also added several special plates. The 2003 act also added a commercial distribution fee equal to 36% of total taxes imposed on commercial

vehicles. (That percentage had declined to 14.35% by July 2006.) A \$20 fee for delinquent registration was added in 2004.

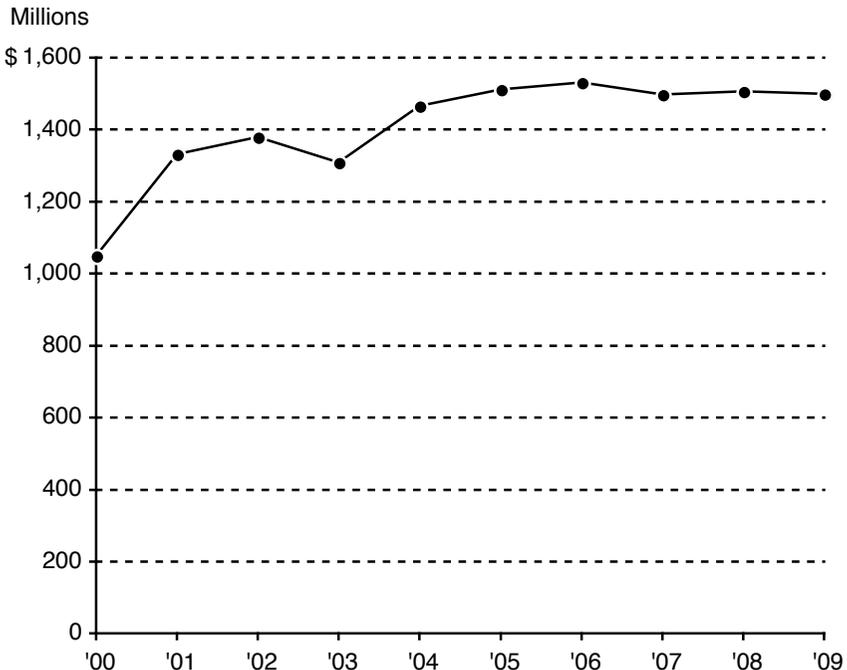
In 2009, the annual registration fee for passenger cars, motorcycles, and commercial vehicles up to 8,000 pounds rose from \$78 to \$79. Also starting in 2009, the fees for a driver's license, and for registration of passenger and small commercial vehicles, were each raised by \$20.

The original driver's license fee was \$1. A fee of \$10 for a 4-year license became law in 1983, and was increased to \$30 effective July 1, 2009.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$1,049.2	29.4%	2005	\$1,512.0	3.1%
2001	1,330.4	26.8	2006	1,530.6	1.2
2002	1,380.1	3.7	2007	1,496.9	-2.2
2003	1,307.8	-5.2	2008	1,506.3	0.6
2004	1,466.2	12.1	2009	1,499.7	-0.4

* The FY 2009 total includes revenue to the Secretary of State from two funds that were not included in previous editions. Revenue from those two funds in FY 2009 totaled about \$5.4 million.



Distribution:

1. 37% of all registration fees and taxes received by the Secretary of State to the State Construction Account Fund.
2. \$20 from each delinquent registration fee to the General Revenue Fund.
3. Of new revenues from additional personalized plate fees:
 - (a) 50% to Special License Plate Fund.
 - (b) 50% to General Revenue Fund.
4. \$16 from each original driver's instruction permit, \$5 from each original driver's license, \$5 from each driver's license renewal, \$4 from each restricted driving permit, and \$4 from each monitoring device driving permit to the Driver's Education Fund.
5. All money from salvage certificates to the Common School Fund.
6. 27% of each annual motorcycle registration fee (or 27% of each semi-annual fee) to the Cycle Rider Safety Training Fund.
7. \$6 of each original commercial driver's license, renewal license, or instruction permit fee to the Commercial Driver's License Information System/American Association of Motor Vehicle Administrators Network Trust Fund.
8. \$20 of the total fee for a commercial driver's license or commercial driver's instruction permit to the Motor Carrier Safety Inspection Fund.
9. To the Drunk and Drugged Driving Prevention Fund:
 - (a) \$30 of each \$250 reinstatement fee after suspension due to DUI.
 - (b) \$190 of each \$500 reinstatement fee after a second or subsequent suspension or revocation due to DUI.
10. To the General Revenue Fund:
 - (a) \$190 of each \$250 reinstatement fee after suspension due to DUI.
 - (b) \$440 of each \$500 reinstatement fee for a first revocation.
 - (c) \$310 of each \$500 reinstatement fee for a later revocation.
 - (d) \$40 of each \$70 reinstatement fee for other suspensions.
11. \$30 of each \$70 reinstatement fee for other suspensions under the Family Financial Responsibility Law, to the Family Financial Responsibility Fund.
12. All money from Monitoring Device Driving Permit administration fees to the Monitoring Device Driving Permit Administration Fee Fund.
13. From each registration for passenger cars, motorcycles, and commercial vehicles up to 8,000 pounds, \$1 to the State Police Vehicle Fund.
14. From each certificate of title, and each duplicate and corrected certificate:
 - (a) \$48 to the Road Fund.
 - (b) \$4 to the Motor Vehicle License Plate Fund.
 - (c) \$2 to the Park and Conservation Fund.

At least part of the fees for each special license plate go to the Secretary of State Special License Plate Fund, as described below:

- All fees to the Special License Plate Fund: Army Combat Veteran, Custom Vehicle, Deceased Police Officer or Fire Fighter, Distinguished Flying Cross, Iraq and Afghanistan Campaign, Mayor/Village President, Operation Iraqi Freedom, Paratrooper, Street Rod, U.S. Army Veteran, U.S. Navy, Universal Charitable Organization, Universal Veteran, Vietnam Veteran, West Point Bicentennial, and World War II Veteran plates.
- \$15 from initial plate, and \$2 from annual renewal to the Special License Plate Fund: Agriculture in the Classroom, Autism Awareness, Boy Scout and Girl Scout, Chicago and Northeast Illinois District Council of Carpenters, Collegiate, D.A.R.E., Education, Environmental, Hospice, Illinois and Michigan Canal, Illinois Fire Fighters' Memorial, Illinois Police Memorial, Illinois Professional Golfers Association Foundation Junior Golf, Illinois Public Broadcasting System Stations, Illinois Route 66, Knights of Columbus, Law Enforcement Torch Run for Special Olympics, Lewis and Clark Bicentennial, Mammogram, Master Mason, Organ Donor Awareness, Ovarian Cancer Awareness, Pan Hellenic, Park District Youth Program, Pet Friendly, Professional Sports Teams, Rotary Club, September 11, Sheet Metal Workers International Association of Illinois, Sportsmen, Stop Neuroblastoma, Support Our Troops, U.S. Marine Corps, Violence Prevention, and Wildlife Prairie Park plates.

For Korean War Veteran and Korean Service plates, \$13 goes to the Fund and \$2 to the Korean War Memorial Construction Fund. For the Illinois Congressional Delegation Retired Member plate, the \$15 initial fee goes to the Fund and the \$2 biennial renewal fee goes to the Retired Members of the Illinois Congressional Delegation Fund.

All fees not designated by law for the Special License Plate Fund go to the special funds listed below:

- \$25 from initial plate and \$25 from annual renewal: Agriculture in the Classroom Fund (Agriculture in the Classroom plate), Autism Awareness Fund (Autism Awareness plate), Boy Scout and Girl Scout Fund (Boy Scout and Girl Scout plate), State College and University Trust Fund or University Grant Fund (Collegiate plate), State Parks Fund (Environmental plate), Illinois and Michigan Canal Fund (Illinois and Michigan Canal plate), Illinois Route 66 Heritage Project Fund (Illinois Route 66 plate), International Brotherhood of Teamsters Fund (International Brotherhood of Teamsters plate), Pan Hellenic Trust Fund (Pan Hellenic plate), Park District Youth Program Fund (Park District Youth Program plate), Pet Population Control Fund (Pet Friendly plate), Professional Sports Teams Education Fund (Professional Sports Teams

plate), Public Broadcasting Fund (Public Broadcasting System Stations plate), September 11 Fund (September 11 plate), Illinois Habitat Fund (Sportsmen plate), Support Our Troops Fund (Support Our Troops plate), Violence Prevention Fund (Violence Prevention plate), and Wildlife Prairie Park Fund (Wildlife Prairie Park plate).

- \$10 from initial plate and \$23 from annual renewal: Chicago and Northeast Illinois District Council of Carpenters Fund (Chicago and Northeast Illinois District Council of Carpenters plate), Hospice Fund (Hospice plate), Illinois Police Association Fund (Illinois Police Association plate), Knights of Columbus Fund (Knights of Columbus plate), Mammogram Fund (Mammogram plate), Master Mason Fund (Master Mason plate), Organ Donor Awareness Fund (Organ Donor Awareness plate), Ovarian Cancer Awareness Fund (Ovarian Cancer Awareness plate), Police Memorial Committee Fund (Police Memorial Committee plate), Rotary Club Fund (Rotary Club plate), Sheet Metal Workers International Association of Illinois Fund (Sheet Metal Workers International Association of Illinois plate), Stop Neuroblastoma Fund (Stop Neuroblastoma plate), and United Auto Workers' Fund (United Auto Workers plate).
- \$25 from initial plate and \$38 from annual renewal: Illinois Future Teacher Corps Scholarship Fund (Education plate) and Illinois Professional Golfers Association Foundation Junior Golf Fund (Illinois Professional Golfers Association Foundation Junior Golf plate).
- \$5 from initial plate and \$18 from annual renewal: Marine Corps Scholarship Fund (U.S. Marine Corps plate).
- \$12 from initial plate and \$15 from annual renewal: Illinois Fire Fighters' Memorial Fund (Illinois Fire Fighters' Memorial plate) and Illinois EMS Memorial Scholarship and Training Fund (Illinois EMS Memorial Scholarship and Training plate).
- \$30 from initial plate and \$25 from annual renewal: Special Olympics Illinois Fund (Law Enforcement Torch Fund for Special Olympics plate).

For the D.A.R.E. license plate, \$10 from initial registration and \$9 from annual renewal goes to each of the following funds: State D.A.R.E. Fund, County D.A.R.E. Fund (if the county where the applicant lives has a D.A.R.E. program; otherwise to the State D.A.R.E. fund), and Municipal D.A.R.E. fund (if the municipality where the applicant lives has a D.A.R.E. program; otherwise to the County D.A.R.E. fund).

15. \$17 from the \$30 fee for a certificate of title for an off-highway, all-terrain vehicle, or off-highway motorcycle to the Off-Highway Vehicle Trails Fund.

16. All of the \$30 fee for an expedited certificate of title to the Motor Vehicle License Plate Fund.
17. All money from the commercial distribution fee to the General Revenue Fund.
18. All other money from certificates of title and filing of security interests to the General Revenue Fund.
19. All revenue from driver's license and registration fee increases that take effect in the 2010 registration year to the Capital Projects Fund.
20. All other money received by the Secretary of State from driver's license and motor vehicle registration fees to the Road Fund.

Other vehicle taxes

Federal: A federal tax applies only to trucks (including trailers) weighing over 55,000 lbs., at the following rates:

<i>Taxable gross weight</i>	<i>Tax rate</i>
55,000 to 75,000 lbs.	\$100 + \$22 per 1,000 lbs. over 55,000
Over 75,000 lbs.	\$550

Local: State law allows any municipality to tax motor vehicles owned by its residents at rates set by its governing body (65 ILCS 5/8-11-4). Home-rule units can tax motor vehicles that are registered in their jurisdictions, and some do.

Other states' taxes

Drivers' license fees range from \$8 for 5 years in South Dakota to \$66 for 6 years in Connecticut. These 22 states each charge a flat fee for vehicle registration:

<i>State</i>	<i>Fee</i>	<i>State</i>	<i>Fee</i>
Illinois	\$99	Indiana	\$20.75 [‡]
Wisconsin	75	Georgia	20
Vermont	60	Nebraska	20
Alaska	50*	Wyoming	15
Connecticut	42.50*	South Carolina	12 ^{*‡‡}
Delaware	40	Mississippi	10
Pennsylvania	36	Arizona	8 ^Δ
Maine	35 [†]		
California	34 [†]		
West Virginia	30		
North Carolina	28		
Oregon	27*		
Tennessee	25		
Alabama	23		
Kentucky	21		

Notes

- * The official charge is twice the amount listed in the table but is imposed biennially. In Connecticut, only persons at least 65 may renew annually.
- † California also charges a vehicle registration fee of 1.15% of purchase price (scheduled to fall to 0.65% on July 1, 2011).
- ‡ Indiana also charges an excise tax based on the value and age of the vehicle.
- ‡‡ South Carolina's charge is only \$10 per year of registration if 65 or older, or disabled.
- △ \$8.25 in Phoenix and Tucson.

Ten states base registration fees on vehicle weight: Arkansas (\$17-\$30), Florida (\$100 initial registration, then \$27.60-\$45.60), Kansas (\$34-\$44), Maryland (\$64-\$90), New Hampshire (\$31.20-\$55.20), New York (\$10.25-\$56), Rhode Island (\$30-\$972+), Utah (\$41-\$69.50+), Virginia (\$39.50-\$44.50), and Washington (\$40-\$60+). Two states charge flat registration fees plus additional weight taxes: Colorado (\$10-\$17.50 plus 20¢-60¢ per 100 lbs.) and Hawaii (\$25 plus 0.75¢-1.25¢ per pound). Five states base registration fees on both the age and weight of the vehicle: New Jersey (\$35.50-\$84), New Mexico (\$25.50-\$60.50), North Dakota (\$49-\$274), South Dakota (\$21-\$65), and Texas (\$40.80-\$61.31+).

Registration fees are based on vehicle age in Montana (\$28-\$217) and Oklahoma (\$23-\$93). Idaho charges \$35 to \$60 based on vehicle age and county of residence. Ohio's fee is \$34.50 to \$54.50 depending on county of registration. Iowa's registration fee is based on a percentage of value as determined by the Department of Motor Vehicles, plus 40¢ per 100 pounds of vehicle weight. Louisiana's biennial fee ranges from \$20 to \$82 based on a percentage of value. Massachusetts car owners pay a \$36 biennial registration fee plus an excise tax. Missouri's fee is \$18.25 to \$51.25 based on horsepower (as calculated using a formula). Michigan registration fees range from \$33 to \$148 based on list price. In Minnesota the fee is \$10 plus 1.25% of the vehicle's base value (no more than \$189 the first year and \$99 in later years). Nevada's registration fees, based on the number of vehicles registered, range from \$33 for each of the first four cars to \$8 each for 9 or more cars. Graduated fees for commercial vehicles vary considerably by state.

The fees described above are basic registration fees. Many states impose additional surcharges or taxes.

Estate and Generation-Skipping Transfer Tax (Death Taxes)

The Illinois estate tax is imposed on a decedent's estate before distribution to heirs. Until 2003, the amount of this tax was equal to the "state tax credit" allowed by the Internal Revenue Code against each estate's federal estate tax liability, if any. An estate too small to have federal estate tax liability also had no Illinois estate tax liability. But a 2001 federal law phased out the federal credit over 4 years, which would effectively have ended Illinois' estate tax by 2005. In 2003 the General Assembly responded by 'decoupling' the Illinois estate tax from the federal tax—making it (during the years 2003-2009 only) what it would have been if the 2001 federal change had not taken place. But in place of the former credit for state death taxes, the Internal Revenue Code now allows any state death tax on an estate to be deducted from the estate before federal estate tax is applied to it—which is similar to the deduction of state income taxes paid when calculating federal taxable income.

The General Assembly did follow Congress in one respect, by allowing the maximum estate that can pass free of Illinois estate tax (formerly \$1 million) to rise to \$1.5 million in 2004 and 2005, and \$2 million in 2006-2008. The amount free from federal estate tax was \$3.5 million in 2009, but the amount free of Illinois estate tax remained at \$2 million (subject to a reduction in the adjusted taxable estate for any "qualified terminable interest property" as defined in the Internal Revenue Code).

The federal estate tax, and the Illinois estate tax, exempt all property left to a decedent's surviving spouse—including the decedent's interest in any property the spouses owned jointly. Only the amount of an estate that passes to persons other than the surviving spouse is taxed. For all estate assets going to such other persons due to a death in 2007 or 2008, the first \$2 million was free of federal (and Illinois) estate tax. For persons dying in 2009, the amount free of federal estate tax was \$3.5 million, and a 45% rate applied to anything exceeding that level; as noted, the amount free of Illinois estate tax remained at \$2 million.

The federal estate tax was repealed as scheduled at the end of 2009, and had not been reinstated by publication time. If there is no change in the law, it will reappear in 2011 at the rates that were in effect before the 2001 law phasing it out. Under those rates, the first \$1 million of an estate will be free of federal tax. The tax will apply to any estate over \$1 million, with a rate starting at 41% and rising to 55% on any excess over \$3 million.

Since the federal estate tax has temporarily ceased to exist in 2010, and the Illinois tax is based on the (currently nonexistent) federal credit, no Illinois estate tax now applies to estates of persons dying after 2009. Starting in 2011, if no change is made, the Illinois estate tax will again be equal to the “state tax credit” allowed by the Internal Revenue Code against each estate’s federal estate tax liability before enactment of the 2001 law phasing it out.

The Illinois generation-skipping transfer tax applies to bequests in which the transferor is at least two generations removed from the transferee (typically the transferor’s grandchildren). It is not often levied, because the federal and state generation-skipping taxes do not apply to the first \$2 million of such transfers. Like the federal estate tax, the federal generation-skipping transfer tax does not apply to transfers occurring in 2010, but is scheduled to reappear in 2011. Thus no Illinois generation-skipping transfer tax currently applies to transfers after 2009. Administered by Attorney General and county treasurers. (35 ILCS 405/1 ff.; see also 26 U.S. Code secs. 2001, 2010, 2058, 2602, 2604, 2631, and 2664)

If neither Congress nor the General Assembly changes the laws on estate taxation, those laws will revert to how they were before the 2001 federal law. If that happens, the Illinois estate tax presumably will start to apply to estates in which the amount transferred to persons other than a spouse exceeds \$675,000. Before the 2001 federal law, the Illinois estate tax began applying to amounts (other than a bequest to the decedent’s spouse) of \$675,000, and its effective rate on the amount between \$675,000 and \$727,174 was 37%, because within that range the rate that limited the Illinois tax was the federal estate tax rate. The rate fell to 4.8% on amounts from \$727,174 to \$900,000, rising through 14 more levels to a maximum of 16% on amounts exceeding \$10,100,000. (See Legislative Research Unit, *Illinois Tax Handbook for Legislators*, 17th ed. 2001, p. 28 for details.)

History: From 1949 until 1983, Illinois imposed two taxes at death—an inheritance tax and an estate tax. The inheritance tax was abolished for persons dying after 1983.

Illinois imposed an estate tax based on the federal estate tax beginning in 1949. It was initially set at 80% of the federal estate tax, minus state inheritance tax due. A 1955 amendatory act set the amount of the estate tax at the maximum credit against estate taxes allowed by the federal government for state death taxes (minus any inheritance tax due to the state—which since 1983 has been zero). Congress enacted a 4-year phaseout of

the federal credit for state death taxes starting in 2002, reducing Illinois collections in calendar years 2002 and 2003. A 2003 Illinois law made the rates of Illinois estate tax revert to their pre-phaseout levels.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$348.0	0.3%	2005	\$310.4	40.0%
2001	361.0	3.7	2006	271.9	-12.4
2002	329.2	-8.8	2007	264.4	-2.8
2003	236.9	-28.0	2008	372.8	41.0
2004	221.7	-6.4	2009	287.7	-22.8



Distribution:

1. 94% to the General Revenue Fund.
2. 6% to the Estate Tax Collection Distributive Fund for distribution to the county of residence of the decedent.

Other taxes on estates

Local: None are authorized by statute. Home-rule units probably could impose inheritance taxes, but they might be avoided by moving outside the unit imposing them before death.

Other states' taxes

Sixteen other states retained their estate taxes after repeal of the federal estate tax credit:

Connecticut	Minnesota	Oklahoma	Wisconsin
Kansas	New Jersey	Oregon	
Maine	New York	Rhode Island	
Maryland	North Carolina	Vermont	
Massachusetts	Ohio	Washington	

Also, Delaware has reinstated its estate tax for persons dying after June 30, 2009.

Nine states impose their own inheritance taxes in addition to estate taxes:

Indiana	New Jersey
Iowa	Oregon
Kentucky	Pennsylvania
Maryland	Tennessee
Nebraska	

Health-Care Assessments

Assessments are collected from medical providers to help fund Illinois' participation in Medical Assistance (Medicaid), so the state can qualify for the maximum amount of federal matching funds. The pool of federal plus state money so obtained goes to medical providers to treat patients. The providers receiving those payments (and paying these assessments) are hospitals, nursing homes, and facilities for the developmentally disabled. (305 ILCS 5/5A-1 ff., 5/5B-1 ff., 5/5C-1 ff., 5/15E-1 ff., and 5/15-1 ff.)

Rates and Bases

1. Hospital provider assessment: \$218.38 per occupied hospital bed-day (except Medicare bed-days).
2. Developmentally disabled care provider assessment: 6% of the provider's adjusted gross developmentally disabled care revenue in the preceding fiscal year (or the maximum allowed under federal regulations, whichever is less).
3. County hospital provider assessment (applies to Cook County Hospital only): an amount equal to the difference between total payments made from the County Provider Trust Fund to county hospital providers and the total federal financial participation monies received by the Fund.
4. Nursing home license fee: \$1.50 per licensed nursing bed-day.

History: The original assessments became law in July 1991 and have changed considerably over the years.

1. Hospital services assessment: Initially this was equal to the positive difference between a hospital's anticipated annualized spending and its total Medicaid base-year spending. This was replaced by hospital provider assessment fees that declined over time from 2.5% in July 1992 to 1.25% (adjusted for Cigarette Tax contributions and changes in statewide hospital revenues) from July 1995 until July 1996, when the formula was changed again. Collection of these fees ceased in April 1997.

A 2004 act imposed a hospital services assessment of \$84.19 per occupied bed-day for fiscal years 2004 and 2005, beginning February 3, 2004. This assessment is reflected in the revenue collections shown on page 44 for fiscal year 2005 (the first deposit reportedly was in March 2005).

A 2005 act imposed a hospital services assessment of 2.5835% of each provider's adjusted gross hospital revenue for inpatient and outpatient services in fiscal years 2006 through 2008, beginning August 1, 2005. This assessment is not reflected in the fiscal year 2006 revenue collections reported below; the fiscal year 2008 collections reflect 2 years' assessments.

A 2008 act imposed a hospital services assessment of \$218.38 per occupied hospital bed-day excluding Medicare bed-days during fiscal years 2009 through 2013, effective August 19, 2008.

2. Long-term-care assessment (nursing homes): 15% of each facility's gross receipts for services provided in the last state fiscal year. This was replaced by a long-term-care provider assessment fee from July 8, 1992 through June 30, 1993. This fee was abolished July 1, 1993 and replaced by the Nursing Home License Fee.
3. Developmentally disabled assessment: Initially this was equal to 15% of a facility's gross receipts for services provided in the preceding state fiscal year. This was replaced by a developmentally disabled care provider assessment fee of 13% from July 1, 1992 through June 30, 1993. The current assessment took effect July 1, 1993.
4. County hospital services assessment (on Cook County Hospital): An amount equal to 60% of the difference between total payments to Cook County Hospital from federal Medicaid assistance funds and \$78 million. That percentage was 63% from July 8, 1992 through July 13, 1993. Beginning July 14, 1993, the assessment was 71.7% of the difference between total payments to Cook County Hospital from federal Medicaid assistance funds and \$108.8 million, not to exceed the state's net payments to the county for hospital services after federal reimbursement. The current assessment took effect August 19, 2008.

State revenue collected

<i>Hospital services*</i>			<i>County Hospital services</i>	
<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	-	-	\$571.7	20.7%
2001	-	-	606.2	6.0
2002	-	-	592.9	-2.2
2003	-	-	736.7	24.3
2004	-	-	827.0	12.3
2005	\$ 637.0	∞	895.8	8.3
2006	-	-	816.2	-8.9
2007	732.8	∞	720.0	-11.8
2008	1,462.8	99.6%	659.8	-8.4
2009	899.1	-38.5	747.9	13.4

Notes

The infinity symbol (∞) for FY 2005 reflects the fact that collections rose from zero the preceding year.

* No assessments were collected from April 1, 1997 until February 3, 2004. The 2005 collections reflect the tax of \$89.14 per occupied bed-day.

<i>Nursing home license fee</i>		
<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$ 57.7	-0.5%
2001	54.4	-5.7
2002	145.2	-16.9
2003	62.3	37.8
2004	54.1	-13.2
2005	57.9	7.0
2006	53.1	-8.3
2007	55.5	4.5
2008	47.7	-14.1
2009	57.2	19.9

<i>Developmentally disabled</i>			<i>Total, all health-care provider fees</i>	
<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$17.0	0.0%	\$ 646.4	17.8%
2001	17.4	2.4	678.0	4.9
2002	17.8	2.3	655.9	-3.3
2003	19.0	6.7	818.0	24.7
2004	20.0	5.3	901.1	10.2
2005	20.6	3.0	1,611.3	78.8
2006	20.4	-1.0	889.7	-44.8
2007	20.7	1.5	1,529.0	71.9
2008	18.8	-9.2	2,189.2	43.2
2009	19.8	5.3	1,723.9	-21.3

Distribution

1. Hospital services assessment fee: Hospital Provider Fund
 - (a) Hospital Provider Fund
 - (b) For FYs 2009 through 2013: Up to \$20 million of total assessments to the Health and Human Services Medicaid Trust Fund; up to \$30 million to the Long-Term Care Provider Fund; and up to \$80 million to the General Revenue Fund.
2. Nursing home license fee: Long-Term Care Provider Fund.
3. Developmentally disabled assessment fee: Developmentally Disabled Care Provider Fund.
4. County hospital services assessment (Cook County Hospital): County Provider Trust Fund.

Other taxes on medical providers

Federal: None.

Local: None.

Other states' taxes

Medicaid costs have soared in recent decades. Other states, like Illinois, have tried to reduce its effects on their budgets by adopting a variety of assessments and fees. Some tax each provider's gross receipts; others base each provider's assessment on its portion of Medicaid disbursements in the state; still others tax the number of licensed beds in a facility by patient day, month, or year. It is impossible to summarize the broad and constantly changing pattern accurately, but the following description is the best available as of January 2010.

Federal law and regulations restrict what kinds of assessments states can use to match federal Medicaid payments. In general, the federal government does not allow a state to guarantee that each health-care provider will get back, in higher Medicaid payments, the entire amount it pays in assessments.

Hospital-care assessments are imposed by 23 states, at rates as follows:

<i>State</i>	<i>Assessment rates</i>
New York	1% of gross patient services revenue, plus an assessment based on each hospital's proportion of costs reported by all general hospitals statewide, limited to 0.1% of such statewide total costs
Wisconsin	1.2768% of gross patient revenues
Florida	1.5% of net operating revenues for inpatient services, and 1% of such revenues for outpatient services
Kansas	1.83% of fiscal year 2001 net operating revenue
Minnesota	2% of gross revenues, plus 1.56% of net patient revenue minus Medicare revenue
Ohio	2% of total facility costs, plus \$6.25 per bed-day
Maine	2.23% of fiscal 2006 net operating revenue, plus 0.74% of net operating revenue in the latest fiscal year
Kentucky	2.5% of gross receipts in fiscal year 2006
West Virginia	2.5% of gross receipts
Oregon	2.8% of net revenue
Rhode Island	5.237% of net patient revenue
Missouri	5.25% of net revenues
Vermont	5.5% of net inpatient revenues
New Hampshire	5.5% of net charges for patient services

New Jersey charges \$10 per admission, adjusted by a ratio of total gross revenue to inpatient gross revenue. Montana's assessment is \$50 per inpatient bed-day. Arkansas' rate is set annually by the Department of Human Services, and may not exceed 1% of net patient revenue. Idaho charges private rehabilitation or psychiatric hospitals that provide emergency services up to 2.5% of annual net patient revenue; the rate is set annually by the Department of Health and Welfare. State agencies set assessment rates in Colorado, Michigan, and Mississippi, subject only to federal limits on hospital fees. South Carolina's rate is based on each hospital's total expenditures as a percentage of statewide total hospital expenditures; Connecticut assesses each hospital its share of expenditures made by the state Department of Public Health, Office of Health Care Access.

Nursing-home care assessments, levied by 31 states, are generally either an amount per bed-day or per patient, or a percentage of revenues. Assessments per resident day or bed-day are as follows. An asterisk (*) indicates that the assessment is per resident day; the rest are per bed-day.

<i>State</i>	<i>Daily assessment</i>	<i>State</i>	<i>Daily assessment</i>
Wisconsin	\$ 5.00	Vermont	\$10.86
Alabama	5.21	California	11.16*
Tennessee	6.10	New Jersey	11.89
Ohio	6.25	Montana	12.55
Colorado	7.50*	Oregon	15.38
Minnesota	7.71	Florida	15.89*
Missouri	8.42*	North Carolina	17.50
Utah	8.96*	Massachusetts	19.17
Louisiana	10.00	Pennsylvania	23.75*

Eight other states impose assessments that are percentages of revenues: Kentucky, up to 1%, 2%, or 6% of average daily revenue per patient bed (depending on the type of facility); Iowa, 3% of non-Medicare revenue; Rhode Island, 5.5% of gross patient revenue; Maine, 5.5% of net operating revenue; New Hampshire, 5.5% of net patient services revenue; Connecticut, up to 5.5% of a nursing home's annual net revenue per resident-day; West Virginia, 0.175% of gross receipts for nursing services (that assessment ends in fiscal year 2011) and 5.5% of gross receipts by nursing facilities; and Arkansas, 6% of statewide gross receipts for services. Michigan's rates are set by the Department of Community Health, and may not result in total collections exceeding 6% of gross revenues of all nursing homes in the state. In Oklahoma, the total amount to be collected is equal to 6% of total gross revenues of all such facilities, divided by total number of patient days; that amount is apportioned among individual nursing homes based on their number of patient days. Assessments in Georgia, Mississippi, and Nevada are set by state agencies, subject to federal limits on nursing home assessments.

Health-care assessments for services to the developmentally disabled are imposed in 28 states. Assessments that are percentages of revenue are as follows:

<i>State</i>	<i>Assessment rate</i>	<i>State</i>	<i>Assessment rate</i>
Kentucky	4% of gross receipts	South Dakota	5.5% of net receipts
Colorado	5% of annual costs	Tennessee	5.5% of gross receipts
Missouri	5.49% of net revenues	Texas	5.5% of gross receipts
Indiana	5.5% of gross receipts	Vermont	5.5% of gross receipts
Iowa	5.5% of gross receipts	West Virginia	5.5% of gross receipts
Maine	5.5% of gross receipts	California	6% of gross receipts
Nebraska	5.5% of gross receipts	Washington	6% of gross receipts
New York	5.5% of gross receipts	Montana	6% of gross revenue per bed-day

In Wisconsin, the total assessment is equal to 5.5% of the annual gross revenue of all intermediate care facilities in the state, apportioned among such facilities based on their number of beds. Five states charge based on the number of beds or patients: Utah, \$5.52 per patient day; South Carolina, \$8.50 per patient day; Louisiana, \$30 per occupied bed-day; Ohio, \$14.75 per bed-day (\$13.55 beginning in fiscal year 2011); and Minnesota, \$1,040 per licensed bed. Arkansas' fee is set by the Department of Human Services, and must be enough to collect aggregate payments equal to 6% of gross receipts of all intermediate care facilities for the developmentally disabled in the state. Massachusetts' assessment per bed-day must be sufficient to collect an amount equal to 6% of total gross revenues of all such facilities in the state. North Dakota's rate is set by the Department of Human Services; total collections may not exceed 1.5% of gross revenues of all such facilities in the state. The rates in Florida, Mississippi, and Pennsylvania are set by state agencies within federal limitations.

Nine states tax HMOs and similar organizations. Kansas charges 5.9% of all non-Medicare premiums collected by an HMO that has a state Medicaid managed-care contract. Kentucky collects 2% of gross revenue for HMO services, and 5.5% of gross revenue for Medicaid managed care organization services. Minnesota collects a surcharge of 0.6% of total premium revenues on HMOs and Community Integrated Service Networks. New Jersey charges 2% of net written premiums collected by HMOs. North Carolina collects 1.9% of an HMO's gross premiums. Oregon imposes a tax on pre-paid managed health services organizations, set annually by the Director of Human Services. It cannot exceed 6% of the managed care premiums, and is currently 1%. Rhode Island charges 2% of gross premiums on insurance contracts of nonprofit hospitals, medical services corporations, HMOs, and nonprofit dental service corporations. Tennessee collects 5.5% of an HMO's gross collections from enrollees. Texas charges 0.875% of the first \$450,000 of an HMO's gross revenues, and 1.75% of the remainder.

Six states tax ancillary service providers. Florida charges 1% of net operating revenues of ambulatory surgical centers, clinical laboratories, and diagnostic imaging centers. Louisiana charges a medical service transportation providers' fee of up to \$7.50 per trip. Minnesota imposes a health-care tax of 2% of gross revenue on surgical centers, wholesale drug distributors, hearing aid sales and repair places, and providers of prescription eyewear. New Jersey imposes a tax up to \$200,000 on ambulatory care facilities. Rhode Island charges 2% of net patient services revenue of outpatient medical facilities and providers of imaging services. West Virginia imposes a tax on gross receipts of 1.75% for ambulatory service providers; 0.175% for chiropractic, dental, nursing, optometric, podiatric, psychological, and therapist

services and opticians (those assessments end in fiscal year 2011); 5.0% on independent laboratory, X-ray, and behavioral health services; and 0.55% on emergency ambulance service centers (that assessment also ends in fiscal year 2011).

Five states tax community and in-home care services. Kentucky charges 2% of gross revenue of home health-care services and up to 4% of gross revenue of community mental health services. Maine imposes a tax of 5% on the value of community support services for people with mental health diagnoses, mental retardation, or autism, and home support services. Missouri charges in-home service providers up to 6.5% of gross receipts. New York charges 6% of gross receipts of residential health-care facilities. Vermont imposes a tax of 17.69% of net operating revenues of home health agencies.

Five states tax pharmacy services. Three of those collect fixed amounts per prescription (10¢ in Alabama, Louisiana, and Vermont). Minnesota collects 2% of the charge for each prescription. Missouri taxes gross retail prescription receipts at a rate set by the Department of Social Services, up to 6%.

Three states tax psychiatric services. Kentucky charges up to 5.5% of gross revenue for psychiatric residential treatment. Mississippi collects from psychiatric residential treatment facilities the maximum rates allowed under federal law. Vermont imposes a tax of 4.21% of net patient revenues for mental hospitals and psychiatric care facilities.

Two states tax physicians' services. West Virginia charges 0.2%, and Minnesota 2%.

Connecticut charges 1.75% of net direct subscriber charges for health-care centers. Maryland imposes an annual assessment on all medical practitioners except pharmacists, and on self-insured health-care groups based on the ratio of their premiums to total earned premiums of all payers in the state. The total may not exceed \$12 million per fiscal year.

Hotel Operators' Tax

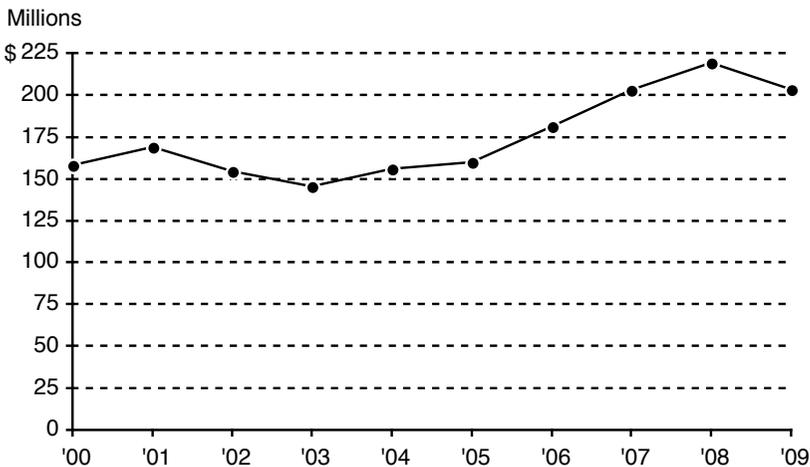
This tax is a percentage of each operator's gross receipts from operating a hotel or motel. Administered by Department of Revenue. (35 ILCS 145/1 ff.)

Rate and base: The tax is the sum of two rates: (a) 5% of 94% of gross rental receipts from transient guests, plus (b) 1% of 94% of gross rental receipts from such guests. (The additional 1% is earmarked for the Build Illinois Fund.) Receipts from permanent residents of a lodging place are exempt.

History: The hotel operators' occupation tax was enacted in 1961 at a rate of 3% of 97% of gross receipts from transient guests. From 1969 to 1984 the rate was 5% of 95% of gross receipts. The current rates were enacted in 1984 to help pay for a planned 1992 World's Fair. When that was cancelled, the revenue was earmarked for the Build Illinois program. A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalties or interest; collections totaled \$223,211.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$158.3	1.8%	2005	\$160.1	2.6%
2001	169.2	6.9	2006	181.3	13.2
2002	154.5	-8.7	2007	203.0	12.0
2003	145.6	-5.8	2008	219.2	8.0
2004	156.1	7.2	2009	203.3	-7.3



Distribution:

1. 5% tax: (a) 40% to Build Illinois Fund and (b) 60% to General Revenue Fund. Of that, (i) \$5 million per fiscal year is transferred to the Illinois Sports Facilities Fund, Subsidy Account; (ii) an advance of state hotel tax revenues equal to \$22.179 million in fiscal year 2002 and increased by 5.615% each year is transferred to the Illinois Sports Facilities Fund, Advance Account (that amount must be repaid to the General Revenue Fund using receipts from the 2% hotel tax imposed by the Illinois Sports Facilities Authority as described below, or (if those revenues are insufficient) by the city of Chicago from its share of state income tax revenues); (iii) 8% is deposited into the Local Tourism Fund; (iv) 4.5% is deposited into the International Tourism Fund; and (v) 21% of net revenue from the tax is transferred from the General Revenue Fund to the Tourism Promotion Fund for use by the Department of Commerce and Economic Opportunity. (20 ILCS 665/4a)
2. Additional 1% tax: To the Build Illinois Fund.

Other taxes on hotels

Federal: None.

Local: State law permits Chicago to levy a tax up to 1% of gross rental receipts of hotel operators. The Illinois Department of Revenue collects the tax for Chicago (65 ILCS 5/8-3-13).

Other municipalities can impose taxes up to 5% of gross rental receipts of hotel operators (6% in East Peoria and Morton). The money must be spent to promote tourism (65 ILCS 5/8-3-14). At least 62 non-home-rule cities collect such taxes, at rates ranging from 1% to 5%. Municipalities that do not impose that tax may impose a "municipal hotel use tax" of up to 5% of rental proceeds. The money must be spent to promote tourism and conventions, or otherwise attract overnight visitors to the municipality. The two taxes may not be imposed in the same place, nor may either be imposed where Chicago's Metropolitan Pier and Exposition Authority hotel tax applies (65 ILCS 5/8-3-14a). A county may impose a tax up to 5% of the gross rental receipts of hotels not within municipalities imposing such a tax; proceeds must be used to promote tourism (55 ILCS 5/5-1030). These taxes are administered and collected by those municipalities and counties. Home-rule units are not bound by these limits (Bedford Park collects 10.5%). Chicago collects a hotel accommodations tax of 3.5% of the gross rental or base charge. At least 58 other home-rule municipalities each collect a tax on hotel receipts.

A municipality may designate an area as a business district and, if the area is found to be blighted and unlikely to be developed without assistance, impose a tax in 0.25% increments up to 1% on gross rental receipts of hotel operators within the district to pay for costs of plans and projects in the district. These taxes are administered and collected by municipalities. (65 ILCS 5/11-74.3-6(d))

The Illinois Sports Facilities Authority imposes a tax of 2% of 98% of gross rental receipts of hotel operators in Chicago to construct the new White Sox baseball park (70 ILCS 3205/19). The tax is collected by the Illinois Department of Revenue and paid to the Authority. The Downstate Illinois Sports Facilities Authority may impose a tax up to 2% of gross rental receipts of hotel operators outside Chicago, if approved by ordinance in the municipality in which the tax is to be imposed. (70 ILCS 3210/105)

The Metropolitan Pier and Exposition Authority imposes a tax of 2.5% of gross receipts of hotel operators in Chicago to finance construction of the McCormick Place expansion project (70 ILCS 210/13(c)). The tax is collected by the Illinois Department of Revenue for the Authority.

The total effective tax rate on hotels and motels in Chicago is over 15%. That is because the state tax, Chicago Municipal Tax (called "CMT" in the table below), and ISFA tax are each imposed on the lodging bill that includes the other two of those taxes (but not the MPEA and city taxes). The calculations are as follows:

State:	(6% of 94%)	x	(1% CMT + 2% ISFA)	+	6%	=	6.17%
CMT:	(1% of 99%)	x	(6% State + 2% ISFA)	+	1%	=	1.08%
ISFA:	(2% of 98%)	x	(6% State + 1% CMT)	+	2%	=	2.14%
MPEA:							2.50%
City:							3.50%
Total:							15.39%

Other states' taxes

Twenty-three states impose taxes on hotel operators (see notes on the next page on related provisions):

<i>State</i>	<i>Percentage</i>		
Connecticut	12.0 %		
New Hampshire	9.0		
Vermont	9.0		
Maine	8.5		
Hawaii	8.25 (9.25% starting July 1, 2010)		
Delaware	8.0		
Montana	7.0		
South Carolina	7.0		
Pennsylvania	6.0		
Rhode Island	6.0		
Texas	6.0		
Illinois	5.64		
Arizona	5.5		
Iowa	5.0		
Massachusetts	5.0	+	14% surtax (totaling 5.7%)
New Jersey	5.0		
Alabama	4.0		
Arkansas	2.0		
Idaho	2.0		
South Dakota	1.5		
Kentucky	1.0		
Nebraska	1.0		
Oregon	1.0		

Related provisions:

Alabama:	5% in 16 counties.
Arizona:	Some counties may add up to 7%.
Arkansas:	Local taxes of up to 4% may also be added.
Delaware:	Municipalities of over 50,000 may also charge up to 3%.
Idaho:	Local taxes range from 2% to 5%.
Iowa:	Local taxes of up to 7% may also be added.
Kentucky:	Local taxes of up to 4% may also be added, plus additions for specified purposes.
Massachusetts:	Local taxes of up to 6% may also be added.
Montana:	Includes a 4% lodging tax and a 3% sales and use tax on accommodations.
Nebraska:	Some counties may add up to 4%.
New Jersey:	Municipalities may add up to 6%.
Oregon:	Local taxes range from 2% to 9.5%.
Pennsylvania:	Local taxes of up to 7% may also be added.
Rhode Island:	Includes a 1% local tax.
South Carolina:	Plus 5% on additional guest charges.
South Dakota:	Imposed June-September.
Texas:	Local taxes of 1% to 9% may also be added.
Vermont:	Local taxes of 1% may also be added.

At least 22 other states allow localities to impose separate taxes, either within a range of rates or up to a stated rate.

<i>State</i>	<i>Low</i>	<i>High</i>	<i>State</i>	<i>Low</i>	<i>High</i>
Alaska	3 %	10 %	Tennessee	1.5%	10
Florida	1	6	Utah	-	4.25
Georgia	3	8	Virginia	-	2 [†]
Indiana	-	5	Washington	-	2 [‡]
Kansas	1	8	West Virginia	3	6
Maryland	-	8			
Michigan	-	5	Wisconsin	-	8
Minnesota	-	3	Wyoming	1	4
Mississippi	1	3			
New Mexico	-	5			
New York	3	8.75			
North Carolina	-	8			
North Dakota	-	3			
Ohio	-	7			
Oklahoma	-	5 %			

† 5% in some Virginia counties.

‡ 7% in Seattle and 2.8% in surrounding King County.

Note: The local taxes described above are those that apply to all or most localities in a state. Laws authorizing taxes in only a few specific areas of a state are not included.

In Colorado, the rate is 10.75% in the city and county of Denver, and up to 2% in other counties (27 counties impose these taxes). Louisiana tourist commissions in some parishes must impose hotel taxes of 2% or 3% varying by population, with two exceptions: In Orleans Parish, the rate is 3% plus 50¢ per occupied room per night if the hotel has 10 to 299 rooms; \$1 if it has 300 to 999 rooms; or \$2 if it has 1,000+ rooms; and in New Orleans it is 50¢ per occupied room per day if the hotel has 3 to 299 rooms, and \$1 per occupied room per day if it has 300+ rooms. Michigan has an additional Convention Facility Development Tax ranging from 1.5% to 6% on convention hotels based on total rooms. Three Mississippi cities impose daily charges per occupied room—Jackson, 75¢; Newton, \$1; and Natchez, \$2. Missouri localities may impose three taxes with voter approval: a tourism sales tax up to 4%; a lodging tax up to 5%; and a lodging tax up to 1¢ per occupied room per night. In Nevada, counties of less than 400,000 must impose a 1% lodgings tax, and counties of 300,000 or more a 3% lodgings tax (both taxes apply in a county of 300,000 to 399,999); counties of 400,000 or more must impose a 2% lodgings tax. Some Washington counties may require hotels in county-designated tourism promotion areas to charge up to \$2 per occupied room per night to fund tourism promotion.

Income Tax (Corporate)

This tax is imposed on the taxable income of corporations, associations, joint-stock companies, and cooperatives. (See also “Personal Property Tax Replacement Taxes” on page 80.) Most states use apportionment formulas to tax the income of firms that do business in more than one state (as Illinois once did). Now, a multistate firm’s sales in Illinois are the only determinant of how much of its income Illinois taxes. Administered by Department of Revenue. (35 ILCS 5/101 ff.)

Rate and base: 4.8% of the tax base, which is the taxpayer’s federal taxable income with several modifications.

The amount of tax that would otherwise be due is reduced by credits of:

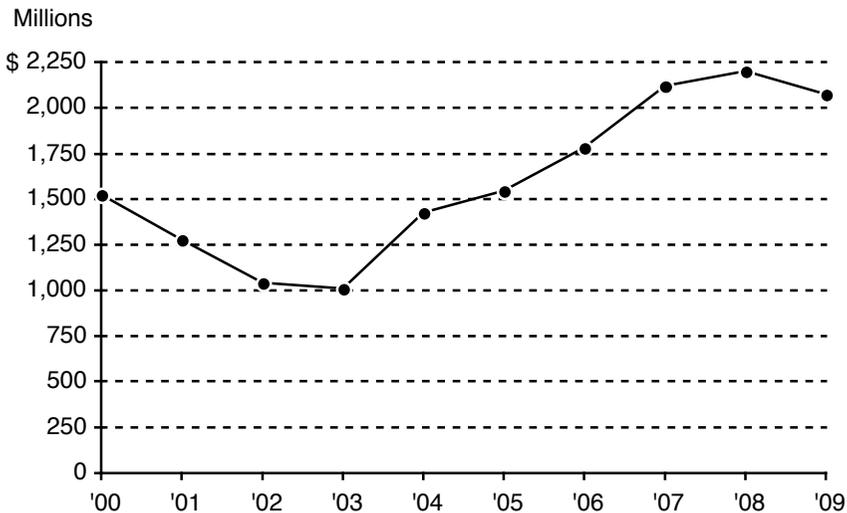
1. \$500 per eligible employee hired during the tax year to work full-time in an Illinois enterprise zone or federal Foreign Trade Zone.
2. 0.5% of amounts invested in qualified property in an enterprise zone or a River Edge Redevelopment Zone (may be carried forward up to 5 years).
3. 25% of unreimbursed eligible environmental remediation costs over \$100,000 at a site within a River Edge Redevelopment Zone (may be carried forward for 5 years).
4. 0.5% of amounts invested in a qualified property by a high-impact business as defined.
5. 20% of direct payroll costs for cooperative Tech-Prep vocational programs for students in high school—including services rendered by a Tech-Prep student or instructor that would otherwise be subject to withholding and are not claimed by another taxpayer.
6. 5% of expenses to operate a day-care facility for employees’ dependents at a factory (may be carried forward for 2 years).
7. Amounts equal to: (a) 30% of startup costs to establish a child-care facility for a corporation’s employees and (b) 5% of the annual costs of a child-care facility for employees. The 5% credit is not available if the company claims a credit under the preceding item for on-site dependent care.
8. A credit negotiated between the taxpayer and the Department of Commerce and Economic Opportunity, based on the economic growth potential of a business project that provides capital improvements and new jobs, under the Economic Development for a Growing Economy (EDGE) Tax Credit Act. Credit for a project authorized under the Corporate Headquarters Relocation Act cannot be used more than 15 years. A firm with up to 100 employees can qualify if it plans a project involving investment of at least \$1 million in capital improvements and hiring of at least five new Illinois employees. Firms that

- locate or expand at location-efficient sites (as approved by the Department of Commerce and Economic Opportunity) or that create jobs in labor-surplus areas may receive up to 10% more than the maximum credit for which they are eligible under the EDGE Tax Credit Act, or other adjustments to the credit amount as approved by the Department.
9. 50% of amounts donated to an affordable housing project authorized under the Illinois Housing Development Act (20 ILCS 3805/7.28). This credit is to continue through 2011.
 10. 6.5% of qualifying costs for increased research and development activities in Illinois (credits earned after tax year 2002 can be carried forward 5 years).
 11. 5% of qualified wages paid to Illinois residents who are qualified ex-offenders. Total credit may not exceed \$600 per ex-offender.
 12. 10% of qualified wages paid to Illinois residents who are qualified veterans, not to exceed \$1,200.
 13. Amounts equal to: (a) 20% of an employer's Illinois production spending in the tax year for a motion picture or television production approved by the Department of Commerce and Economic Opportunity, plus 15% of Illinois labor expenditures employing residents of areas of high poverty or high unemployment in a production starting on or after May 1, 2006; or (b) 30% of an employer's Illinois production spending in the tax year for a motion picture or television production approved by the Department, plus 15% of Illinois labor expenditures employing residents of areas of high poverty or high unemployment in a production starting on or after January 1, 2009 (may be carried forward 5 years).
 14. A credit for an investment in low-income community businesses, approved by the Department of Commerce and Economic Opportunity, by an entity certified by the U.S. Treasury Department as a community development entity. There is no credit in the first 2 years after an investment is made. The credit is equal to 7% of the purchase price in the third year, and 8% of the purchase price in each of the next 4 years. No more than \$10 million in total credits may be awarded per year, and no credits may be approved after fiscal year 2012. (This credit may be taken against insurance or corporate franchise taxes in the alternative to taking it against income tax.)
 15. Through 2019, amounts equal to 25% of contributions to a College Savings Pool or Illinois Prepaid Tuition Trust Fund account that match contributions made by an employee (not to exceed \$500 per contributing employee per tax year). The credit may be carried forward 5 years.

History: The corporate income tax was enacted in 1969 at a 4% rate. The rate was temporarily increased to 4.8% from January 1, 1983 to June 30, 1984; it reverted to 4% on July 1, 1984; it rose again to 4.8% on July 1, 1989. It was scheduled to fall to 4.4% later; but on July 1, 1993 the 4.8% rate became permanent. Under the Illinois Constitution, the corporate income tax rate cannot exceed the individual rate by a ratio of more than 8 to 5. In 2003 Illinois “decoupled” from the federal “bonus depreciation” (30% of the cost of some capital assets bought between September 10, 2001 and September 11, 2004). Illinois taxpayers must add back the 30% federal bonus depreciation on their Illinois returns, but can deduct the bonus depreciation amount over the following years. A 2004 act expanded the definition of “business income” (for all taxpayers receiving such income) to include all income that may be treated as apportionable business income under the U.S. Constitution, net of allowable deductions. A tax amnesty in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest; collections totaled \$271,613,123.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$1,527.4	10.3%	2005	\$1,548.1	8.6%
2001	1,279.1	-16.3	2006	1,784.3	15.3
2002	1,042.7	-18.5	2007	2,120.6	18.8
2003	1,011.6	-3.0	2008	2,200.9	3.8
2004	1,426.0	41.0	2009	2,072.5	-5.8



Distribution:

1. 17.5% of gross receipts were to be deposited in the Income Tax Refund Fund in FY 2009. The Department of Revenue adjusts this percentage annually under a statutory formula. The percentage is 17.5% for FY 2010. Any surplus in the Refund Fund at the end of a fiscal year goes to the General Revenue Fund. (35 ILCS 5/901(c)(2))
2. Of the remainder:
 - (a) 10% to the Local Government Distributive Fund.
 - (b) 7.3% to the Education Assistance Fund.
 - (c) The remainder (82.7%) to the General Revenue Fund.

Other taxes on corporate income

Federal: The federal corporate income tax has a graduated rate schedule. There are eight brackets, with rates of 15% on taxable income up to \$50,000; 25% on taxable income from there to \$75,000; 34% from there to \$100,000; 39% from there to \$335,000; 34% from there to \$10,000,000; 35% from there to \$15,000,000; 38% from there to \$18,333,333; and 35% on taxable income over \$18,333,333.

Local: No local tax is authorized by statute. The Illinois Constitution prohibits even home-rule units from imposing income taxes without statutory authorization.

Other states' taxes

Illinois is among 29 states that tax corporate income at flat rates. Their rates for 2010 are:

<i>State</i>	<i>Rate</i>	<i>State</i>	<i>Rate</i>
Pennsylvania	9.99 %	Oregon ³	6.6 %
Minnesota	9.8	Alabama	6.5
Rhode Island	9.0	Tennessee	6.5
California	8.84	Missouri	6.25
Delaware	8.7	Georgia	6.0
Indiana	8.5	Oklahoma	6.0
New Hampshire	8.5	Virginia	6.0
West Virginia	8.5	Florida	5.5
Maryland	8.25	South Carolina	5.0
Wisconsin	7.9	Utah	5.0
Idaho	7.6	Michigan ⁴	4.95
Connecticut ¹	7.5	Illinois	4.8
Arizona	6.968	Colorado	4.63
North Carolina ²	6.9	Kansas ⁵	4.0
Montana	6.75		

1. Plus a 10% surcharge from 2009 through 2011 on companies with at least \$100 million in gross revenue in any of those years.
2. Plus a 3% surcharge in 2009 and 2010.
3. Taxable income over \$250,000 is taxed at 7.9% through 2010, and at 7.6% from 2011 through 2012.
4. Plus a gross receipts tax of 0.8%, and a surcharge of 21.99% of state business tax liability before credits (applying to the first \$6 million in such liability per year).
5. Plus a surtax of 3.35% of state taxable income over \$50,000.

Thirteen states tax corporate income at graduated rates. Nevada, South Dakota, Texas, Washington, and Wyoming do not tax corporate income. Massachusetts imposes a tax at the greater of (a) \$2.60 per \$1,000 in value of taxable tangible property plus 8.75% of income (8.25% starting in 2011), or (b) \$456. New York's rate is the highest of the following: 7.1% of all net income; 1.5% of minimum taxable income allocated within the state; 0.15¢ per \$1 of allocated capital; or a fixed amount ranging from \$25 to \$5,000 depending on New York receipts. Ohio imposes a franchise tax and a Commercial Activity Tax.

Illinois' corporate income tax rate is sometimes listed as 7.3%. That rate includes the 2.5% Personal Property Tax Replacement Income Tax collected for local governments, described on page 80.

Income Tax (Individual)

This tax is imposed on the taxable income of individuals, trusts, and estates. A \$2,000 personal exemption applies to each taxpayer, spouse, or dependent. An additional exemption of \$1,000 applies to any taxpayer or spouse who is at least 65 or blind (\$2,000 if both). Administered by Department of Revenue. (35 ILCS 5/101 ff.)

Rate and base: 3% on the taxpayer's base income, defined as federal adjusted gross income with the modifications below.

The following items are **added** to adjusted gross income:

1. Any interest, dividends, and capital gains that were excluded from federal adjusted gross income.
2. Distributive shares of additions from partnerships, estates, and trusts.
3. Any previously deducted property taxes if later refunded.
4. Any money withdrawn from a medical care savings account, plus interest on the account earned in the year of withdrawal, that was not included in adjusted gross income.
5. Distributions from tuition programs other than (1) the College Savings Pool, (2) the Illinois Prepaid Tuition Trust Fund, or (3) tuition programs that comply with the College Savings Plans Network's disclosure principles and that inform in-state residents of in-state tuition programs.
6. Transfers from a state-administered tuition program to an out-of-state program that were deducted from adjusted gross income.
7. The contribution component of any nonqualified withdrawal or refund from a tuition savings program that was previously deducted from adjusted gross income and did not result from the death or disability of the beneficiary.
8. Any credit taken for matching contributions to an employee's College Savings Pool or Illinois Prepaid Tuition Trust Fund account.

The following items are **subtracted** from adjusted gross income:

1. Interest received on Treasury bonds and notes.
2. For property acquired before August 1, 1969 (effective date of the Illinois income tax) but sold after that date, appreciation in the property before that date.
3. Benefits from employee benefit and retirement plans, to the extent such plans are included in federal adjusted gross income.
4. Military and National Guard pay from any state, and compensation to a government employee who was a prisoner of war.
5. State income tax refunds.
6. Distributive shares of subtractions from partnerships, estates, and trusts.
7. Dividends paid by corporations doing substantially all their business in an enterprise zone or foreign trade zone.

8. Recoveries from bad debts, prior taxes, and delinquency accounts.
9. Any amortizable bond premium disallowed as a federal deduction, and any expenses and interest costs incurred in earning federally tax-exempt income and disallowed as a federal deduction.
10. Any contribution made to a job training project established under the Real Property Tax Increment Allocation Redevelopment Act.
11. Other income exempted by the Illinois Constitution or federal law.
12. Social Security and railroad retirement benefits.
13. Interest from Puerto Rican bonds, some kinds of Illinois bonds, and Illinois college savings bonds.
14. Payment of life, endowment, or annuity benefits to the taxpayer as an advance indemnity for a terminal illness.
15. Any federal or state bonus paid to veterans of the 1991 war in the Persian Gulf area.
16. Any amount included in a taxpayer's federal adjusted gross income as a result of the taxpayer's conversion of a traditional IRA to a Roth IRA.
17. Up to \$10,000 per tax year contributed to a College Savings Pool account or the Illinois Prepaid Tuition Trust Fund, if included in federal adjusted gross income. Contributions made by an employer on behalf of an employee, or matching contributions made by an employee, must be treated as made by the employee.
18. Any amount received by a driver in a ridesharing arrangement using a motor vehicle.
19. Beginning in 2009, income from interest and intangible property with respect to transactions with entities who are excluded as members of a unitary business group only because of how their income is apportioned.

The amount of tax otherwise due is reduced by **credits** of:

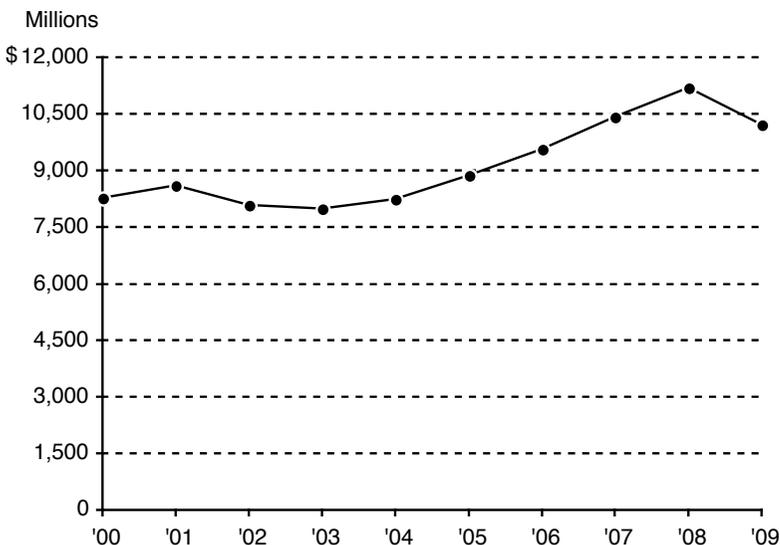
1. \$500 per eligible employee hired during the tax year to work full-time in an Illinois enterprise zone or federal Foreign Trade Zone.
2. 0.5% of amounts invested in qualified property in an enterprise zone (can be carried forward for 5 years).
3. 0.5% of amounts invested in qualified property by a high-impact business.
4. 5% of property taxes paid on the taxpayer's principal residence.
5. 25% of qualified educational expenses (tuition, book fees, and lab fees) exceeding \$250 per student at any public or private elementary or secondary school. The maximum credit is \$500 per family.
6. 5% of the amount of the federal earned income tax credit.
7. 50% of donations to an affordable housing project authorized under the Illinois Housing Development Act (20 ILCS 3805/7.28). This credit lasts through 2011.

8. Beginning in 2009, the amount of tax reported on a composite return by a nonresident member of a partnership, corporation, or some insurance businesses, or by resident members of a partnership or corporation as allowed by the Department of Revenue.
9. Through 2019, amounts equal to 25% of contributions to a College Savings Pool or Illinois Prepaid Tuition Trust Fund account that match contributions made by an employee (not to exceed \$500 per contributing employee per tax year). The credit may be carried forward 5 years.

History: The individual income tax was enacted in 1969 at a rate of 2.5%. The rate was temporarily increased to 3% from January 1, 1983 to June 30, 1984; it reverted to 2.5% on July 1, 1984; and it rose again to 3% on July 1, 1989. It was scheduled to fall to 2.75% later; but on July 1, 1993 the 3% rate became permanent. A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest; collections totaled \$40,156,054.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$8,264.2	6.3%	2005	\$ 8,872.5	7.7%
2001	8,606.9	4.1	2006	9,568.0	7.8
2002	8,085.9	-6.1	2007	10,424.9	9.0
2003	7,979.3	-1.3	2008	11,187.3	7.3
2004	8,236.1	3.2	2009	10,219.4	-8.7



Distribution:

1. 9.75% of gross receipts were deposited into the Income Tax Refund Fund for FY 2009. The Department of Revenue adjusts this percentage annually under a statutory formula. This percentage is 9.75% for FY 2010. Any surplus in the Refund Fund at the end of the fiscal year goes to the General Revenue Fund. (35 ILCS 5/901(c)(1))
2. Of the remainder:
 - (a) 10% to the Local Government Distributive Fund.
 - (b) 7.3% to the Education Assistance Fund.
 - (c) The remainder (82.7%) to the General Revenue Fund.

Other taxes on personal income

Federal: The federal income tax has 6 brackets for individual taxpayers, with rates of 10%, 15%, 25%, 28%, 33%, and 35%.

Local: No local tax is authorized by statute. The Illinois Constitution prohibits even home-rule units from imposing income taxes without statutory authorization.

Other states' taxes

Individual income taxes are levied at graduated rates in 33 states. Illinois is among ten states that impose individual income taxes at flat rates. The remaining seven states have no income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

The nine other states with flat rates are:

<i>State</i>	<i>Rate(s)</i>	<i>Base</i>
Massachusetts	12.0 %	Net capital gains; interest and dividends on accounts over \$100,000
	5.3	Other income
Maine	6.5	Federal adjusted gross income with modifications
	0.35	Taxable income over \$250,000
Tennessee	6.0	Stock dividends; interest on nonfederal bonds and other obligations
New Hampshire	5.0	Interest and dividend income
Utah	5.0	Taxable income (as described in statute)
Colorado	4.63	Federal taxable income under Internal Revenue Code §63
Michigan	4.35	Taxable income (as described in statute)
Indiana	3.4	Adjusted gross income
Pennsylvania	3.07	Specified classes of income
Illinois	3.0	Adjusted gross income

Insurance Taxes and Fees

The state imposes a number of taxes and fees on insurance companies. Foreign companies (those not incorporated in Illinois) pay a privilege tax. All companies writing fire or fire-related policies, including domestic companies, pay a fire marshal's tax. Insurance brokers writing nonstandard policies (such as coverage for amusement parks) with companies not licensed to do business in Illinois pay a surplus line producer's tax. Administered by Department of Insurance. (215 ILCS 5/408 to 5/416 and 5/445; 425 ILCS 25/12)

Various fees are also imposed on the activities of insurance companies. The fee bringing the most revenue is based on amounts of life insurance that domestic companies have in force in the state.

Rate and base:

1. Privilege tax on insurers and HMOs:
 - (a) 0.4% of net taxable written premiums for accident and health insurance.
 - (b) 0.5% of net taxable written premiums for all other types of insurance.
2. Fire marshal's tax: 1% of premiums on fire or fire-related insurance policies.
3. Surplus line producers' tax: 3.5% of gross insurance premiums from policies issued in Illinois.
4. Workers' Compensation Commission Operations Fund Surcharge: 1.01% of direct written premiums for workers' compensation liability insurance.
5. Numerous other fees on particular types of insurance activities.

History: A 2% privilege tax on foreign companies was enacted in 1853, and retained when the state's insurance laws were consolidated into an Illinois Insurance Code in 1937. That tax was held unconstitutional by the Illinois Supreme Court in 1997. A new privilege tax, on all insurance companies, was enacted in 1998.

The fire marshal's tax was enacted in 1909 at a rate of 0.5% of all fire and fire-related insurance premiums paid in Illinois. The rate dropped to 0.25% in 1931, reverted to 0.5% in 1941, and doubled again to 1% in 1979.

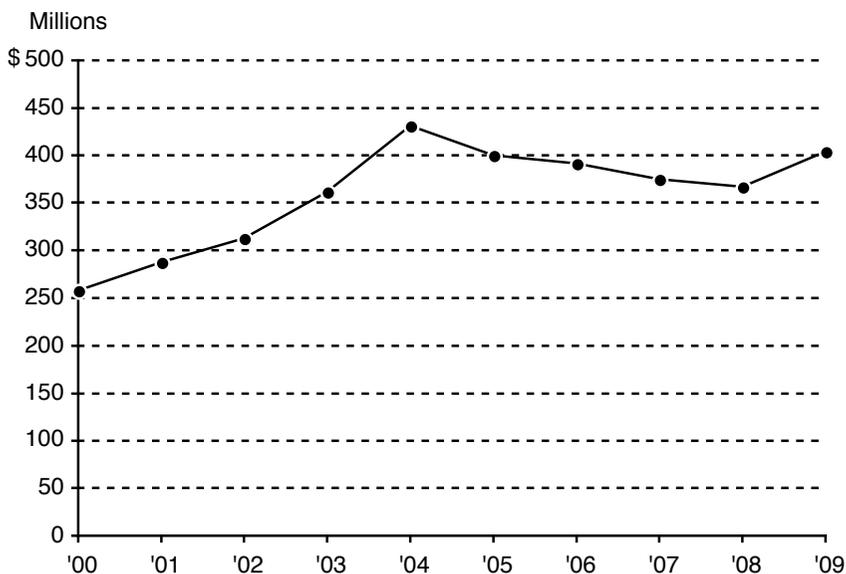
The surplus line producers' tax was enacted in 1937 at the rate of 2% of gross insurance premiums on surplus line policies in Illinois. It rose to 3% in 1963. A 2003 law increased the rate to 3.5%.

A life insurance policy fee on domestic companies of 3¢ per \$1,000 of direct life insurance policies in force was enacted in 1979, but abolished in 1998.

The Illinois Workers' Compensation Commission Operations Fund Surcharge was enacted in 2003 at a rate of 1.5% of direct written premiums for employers' liabilities under the Workers' Compensation Act (820 ILCS 305/1 ff.) or Workers' Occupational Diseases Act (820 ILCS 310/1 ff.). The surcharge was reduced to 1.01% in 2004. It is imposed on every company licensed or authorized by the Department of Insurance.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$257.6	8.0%	2005	\$399.8	-7.4%
2001	287.9	11.8	2006	391.4	-2.1
2002	312.4	8.5	2007	375.0	-4.2
2003	361.5	15.7	2008	366.7	-2.2
2004	431.7	19.4	2009	403.9	10.1



Distribution:

1. Insurance taxes and fees to the General Revenue Fund.
2. Insurance fees imposed under 215 ILCS 5/408 to the Insurance Financial Regulation Fund. If the Fund exceeds \$100,000 at fiscal yearend, the excess goes to the General Revenue Fund.
3. Fire marshal's tax to the Fire Prevention Fund.

4. Fees collected from companies writing workers' compensation and employers' liability insurance policies to the Insurance Producers' Administration Fund.
5. A percentage (set annually by the Department of Insurance) of privilege tax and retaliatory tax revenue to the Insurance Premium Tax Refund Fund.
6. Illinois Workers' Compensation Commission Operations Fund Surcharge to Illinois Workers' Compensation Commission Operations Fund.

Other taxes on insurance companies

Federal: Insurance companies incorporated in other states and operating in Illinois pay taxes at these rates:

1. 4% of premiums on casualty insurance and indemnity bonds.
2. 1% of premiums on life insurance, sickness and accident policies, and annuity contracts.
3. 1% of premiums on reinsurance under policies listed above.

Local: Each municipality having a fire department, or fire protection district, can levy a tax of up to 2% of gross premiums on fire insurance policies that are issued by insurance companies incorporated outside Illinois on property within its boundaries. Proceeds go to the fire protection district, or the fire department's foreign fire insurance board, for "the maintenance, use, and benefit of the fire department." (65 ILCS 5/11-10-1 and 5/11-10-2)

Other taxes by non-home-rule units are prohibited by statute. Home-rule taxation probably is prohibited by the Illinois Constitution, Art. 7, subsec. 6(e) as a tax on occupations.

Other states' taxes

All states impose a variety of privilege taxes and fees on insurers. Seventeen states have rates under 2%; 25 have rates between 2% and 3%; and four have rates over 3%. Kentucky taxes non-life mutual companies at 2% of premiums; most other insurers must collect and pay a surcharge of \$1.50 per \$100 of premiums or other charges (\$1.80 per \$100 starting April 1, 2010). Louisiana imposes a \$140 minimum tax if a company's total annual premiums are \$7,000 or less, and adds \$225 per \$10,000 of premiums over \$7,000. Oregon has phased out its insurance taxes but included insurance companies in its corporate excise tax.

Insurance tax rates are complicated by "retaliatory" taxes that nearly every state has enacted. These impose higher rates on insurers from any state that taxes out-of-state insurers at a higher rate than its own insurers.

Liquor Taxes and Fees

A tax is imposed on the privilege of making or distributing alcoholic beverages in Illinois, based on beverage type and volume. The Illinois Liquor Control Commission also imposes a variety of annual fees on each manufacturer, distributor, and retail seller. Administered by Department of Revenue. (235 ILCS 5/8-1 ff.)

Rate and base (per gallon): 23.1¢ on beer and cider with 0.5% to 7% alcohol; \$1.39 on wine (excluding cider with up to 7% alcohol); \$8.55 on distilled liquor. Annual Liquor Control Commission fees are \$500 for retail sellers, and \$120 to \$3,600 on some manufacturers.

History: The present liquor tax was enacted in 1934. Rates since then are shown below.

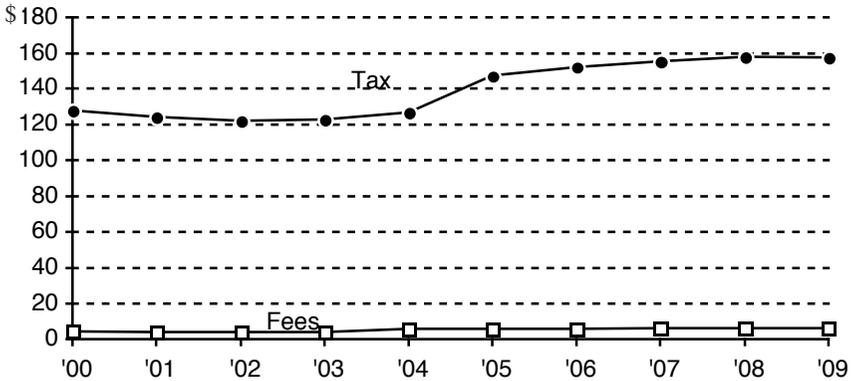
Year	<i>Rate per gallon</i>			
	<i>Beer and cider</i>	<i>Wine up to 14% alc.</i>	<i>Wine over 14% alc.</i>	<i>Distilled liquor</i>
1934	2 ¢	\$0.10	\$0.25	\$0.50
1941	4	0.15	0.40	1.00
1959	6	0.23	0.60	1.52
1969	7	0.23	0.60	2.00
1999	18.5	0.73	0.73	4.50
2009	23.1	1.39	1.39	8.55

A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Collections totaled \$16,669.

State revenue collected

Fiscal year	<i>Taxes</i>		<i>License fees</i>	
	<i>Receipts (millions)</i>	<i>Change</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$127.9	123.6%	\$4.2	2.4%
2001	124.3	2.8	4.0	-4.7
2002	122.0	1.9	4.1	2.5
2003	122.8	0.7	4.1	0.0
2004	126.8	3.3	5.9	43.9
2005	147.2	16.1	5.9	0.0
2006	152.3	3.5	5.8	-1.7
2007	155.7	2.2	6.0	3.4
2008	158.1	1.5	6.0	0.0
2009	157.6	-0.3	6.2	3.3

Millions



Collections by Beverage Type

When reporting liquor tax revenue to the Comptroller, the Department of Revenue lists only total revenue, not classified by type of beverage. The data below, obtained directly from the Department of Revenue, show collections (in millions of dollars) by beverage class.

Fiscal year	Beer		Liquor 20% or more alc.	
	Amount	Change	Amount	Change
2000	\$48.1	147.9%	\$63.2	105.2%
2001	52.1	8.3	69.9	10.6
2002	52.6	1.0	70.4	0.7
2003	53.0	0.8	69.8	-0.9
2004	51.9	-2.1	80.6	15.5
2005	51.5	-0.8	78.4	-2.7
2006	52.2	1.4	81.7	4.2
2007	51.6	-1.1	81.4	-0.4
2008	51.8	0.4	84.9	4.3
2009	51.5	-0.6	84.9	0.0

Fiscal year	Wine or liquor up to 14% alcohol		Wine or liquor over 14% but less than 20%	
	Amount	Change	Amount	Change
2000	\$14.7	188.2%	\$ 2.1	40.0%
2001	16.3	10.9	1.7	-19.0
2002	16.7	2.5	1.7	0.0
2003	16.9	1.2	1.7	0.0
2004	18.1	7.1	1.7	0.0
2005	18.5	2.2	1.6	-5.9
2006	18.9	2.2	1.5	-6.3
2007	21.4	13.2	1.6	6.7
2008	21.0	-1.9	1.7	6.2
2009	20.8	-1.0	1.8	5.9

Distribution:

1. Liquor tax revenue to the General Revenue Fund, except that revenue from the 2009 rate increases goes to the Capital Projects Fund.
2. Retailer's license fee:
 - (a) \$250 to the Dram Shop Fund.
 - (b) \$250 to the General Revenue Fund.
3. All other license fees to the Dram Shop Fund.

Other taxes on alcoholic beverages

Federal: The federal tax on distilled liquor is based on the number of "proof gallons" sold. A proof gallon is a gallon of liquor containing 50% alcohol (equivalent in alcohol content to one-half gallon of pure alcohol). The rate has been \$13.50 per proof gallon since 1991. An 80-proof beverage (40% alcohol) is taxed at \$10.80 per gallon of beverage; 100-proof at \$13.50; and 120-proof at \$16.20.

	<i>Beverage class</i>	<i>Tax per gallon</i>
Beer		\$ 0.58
Wines	Up to 14% alcohol	1.07
	14% to 21% alcohol	1.57
	21% to 24% alcohol	3.15
	Artificially carbonated	3.30
	Sparkling	3.40
Distilled liquor (per 100-proof gallon)		13.50

Local: Municipalities and counties collect liquor fees. Home-rule units can impose taxes. Cook County's tax rates per gallon are: 6¢ on beer, 16¢ on alcoholic beverages up to 14% alcohol, 30¢ on alcoholic beverages over 14% but less than 20% alcohol, and \$2 on alcoholic beverages with 20% or more alcohol. Chicago's tax rates per gallon are: 29¢ on beer, 36¢ on alcoholic liquor up to 14% alcohol, 89¢ on alcoholic liquor over 14% but less than 20% alcohol, and \$2.68 on distilled liquor or wines with 20% or more alcohol.

Other states' taxes

Taxes on alcoholic beverages vary greatly among the 32 states (including Illinois) that license sellers of alcoholic beverages rather than selling them from state-run stores. The approximate ranges of rates are on the next page.

*Beverage class**Rates per gallon*

<i>Beverage class</i>	<i>Rates per gallon</i>	
Beer	\$0.02 (Wyoming)	to \$ 1.07 (Alaska)
Wine up to 14%	0.11 (Louisiana)	to 2.50 (Alaska)
Wine over 14%	0.23 (Louisiana)	to 5.68 (New Mexico)
Spirits	1.50 (Maryland)	to 12.80 (Alaska)

The other 18 states are liquor monopoly states, which sell liquor from state-run stores:

Alabama	Oregon
Idaho	Pennsylvania
Iowa	Utah
Maine	Vermont
Michigan	Virginia
Mississippi	Washington
Montana	West Virginia
New Hampshire	Wyoming
North Carolina	
Ohio	

Lottery

The Illinois State Lottery was authorized in 1974. It gets revenues from ticket sales; agent fees; and interest on funds held. After the Lottery pays prizes, agent commissions, and administrative costs, net receipts go to the Common School Fund. Administered by Department of Revenue. (20 ILCS 1605/1 ff.)

Rate and base: The lottery law initially provided that “net lottery revenue” could never be less than 40% of total revenue from lottery ticket sales. That made it difficult to finance the startup costs of a daily game. An exception authorizing net revenue to fall below 40% was enacted for fiscal years 1979, 1980, and 1981 to allow operation of a daily game. The 40% requirement was repealed in 1981.

History: Total lottery revenue and net receipts to the state were substantial in fiscal years 1975 and 1976, but by fiscal year 1979 had dropped almost 62%. Variations of the 50¢ and \$1 games were tried, but none brought in revenue at levels matching those of fiscal year 1976.

A daily on-line game (Pick 3) was started in 1980, bringing a significant increase in sales (about 24% higher in fiscal year 1981 than in 1976). A second daily game (Pick 4) was added in 1984. Although several years had flat or slightly declining sales, the overall sales trend was upward, with gross sales exceeding \$2 billion in fiscal year 2007.

A weekly “Lotto” game was added in 1983. A second weekly “Lotto” game was added in 1986 but replaced with a “Lotto 7” game in 1987. “Lotto 7” was replaced in 1988 with a game now called “Little Lotto,” and the Lotto game returned to its twice-weekly drawing format in 1990. Current lottery games include the two daily games (Pick 3 and Pick 4), with drawings twice a day on Monday through Saturday, and once on Sunday; “Little Lotto” with seven drawings per week; “Lotto” with three drawings per week; “Pick ‘n Play,” a combined instant and online game; and about 60 instant games. What is now called “Mega Millions”—a multistate lotto game conducted jointly with 33 other states—began in September 1996 with drawings on Tuesdays and Fridays. The Millionaire Raffle, in which four prizes of \$1 million and numerous lesser prizes are awarded, began in February 2007. A pilot program to sell lottery tickets on the Internet was to be implemented by January 1, 2010 if the U.S. Department of Justice approved. In 2010, Illinois began offering Powerball, joining 40 other states participating in that multistate lottery. Drawings are twice a week.

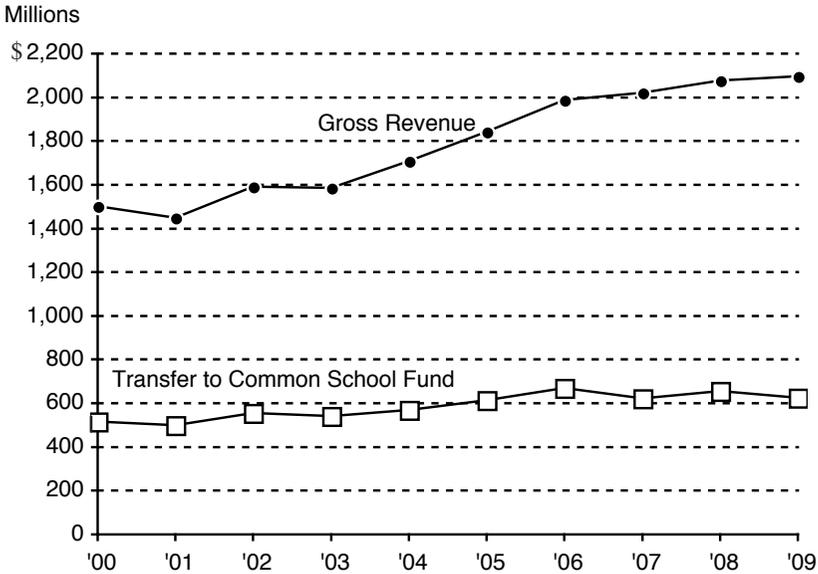
Net revenues for state use, after paying prizes, advertising, and administrative expenses, did not exceed \$100 million until fiscal year 1982, when they were \$137.6 million. Net revenue reached about \$500 million in fiscal year 1985, and has remained between \$500 and \$670 million per year since then. It declined in recent years to a low of \$501 million in fiscal year 2001, but recovered to \$555 million in fiscal year 2002, and set a new record of \$670 million in fiscal year 2006.

A 1985 law requires that net lottery revenue (after expenses listed above) be deposited into the Common School Fund, with five exceptions: net proceeds of a game designated by the Department for the Illinois Land Grant Collegiate Athletics Fund are distributed to the University of Illinois Athletic Association (20 ILCS 1605/21.2) (however, no money has been transferred to this Fund since the early 1980s); net revenues from a special instant scratch-off game called "Ticket for the Cure" go to the Ticket for the Cure Fund to fund breast cancer research and provide services to patients (20 ILCS 1605/21.5); net revenue from a special instant scratch-off game to benefit Illinois Veterans goes to the Illinois Veterans Assistance Fund for research or services related to veterans' post-traumatic stress disorder, homelessness, health insurance costs (limited to 20% of net revenue), disability benefits, and long-term care (20 ILCS 1605/21.6); net revenue from a special instant scratch-off game called "Quality of Life" goes to the Quality of Life Endowment Fund to be appropriated to the Department of Public Health for HIV/AIDS prevention education and grants to organizations serving people at risk for HIV/AIDS; and net revenue from a special instant scratch-off game called "Scratch-Out Multiple Sclerosis" goes to the Multiple Sclerosis Research Fund for appropriation to the Department of Public Health for grants to organizations that research ways to repair damage from multiple sclerosis.

Transfers of net proceeds to the Quality of Life Endowment Fund for fiscal year 2009 totaled \$563,680; total transfers to the Veterans Assistance Fund were \$1,287,280; Ticket for the Cure Fund transfers totaled \$1,179,336; and total transfers to the Multiple Sclerosis Research Fund were \$2,127,268. Under Department of Revenue's contract with a private manager for management of the lottery (which was to be made by March 1, 2010), monthly transfers to the Common School Fund are to equal the transfers in the same month in FY 2009, as adjusted for inflation. Any remainder is to go to the Capital Projects Fund (except for profits from dedicated lottery tickets as described above).

State revenue collected

<i>Fiscal year</i>	<i>Gross revenues (millions)</i>	<i>Transfers to Common School Fund (millions)</i>	<i>Change</i>	<i>Transfers as % of gross revenues</i>
2000	\$1,503.2	\$515.2	-4.6%	34.3%
2001	1,449.8	501.0	-2.8	34.6
2002	1,590.0	555.1	10.8	34.9
2003	1,585.8	540.3	-2.7	34.1
2004	1,709.2	570.1	5.5	33.4
2005	1,842.9	614.0	7.7	33.3
2006	1,989.2	670.5	9.2	33.7
2007	2,021.3	622.4	-7.2	30.8
2008	2,078.2	657.0	5.6	31.6
2009	2,095.5	625.0	-4.9	29.8



Disposition: Net revenue (about 33% of gross) to the Common School Fund. (About 57% of gross revenue goes for prizes, 7% for agents’ commissions, and 3% for other operating expenses.) After March 1, 2010, an amount to the Common School Fund equal to the amount transferred in FY 2009; remainder to the Capital Projects Fund.

Other revenue from lotteries

Federal: Lotteries authorized by state laws are exempt from federal gambling taxes.

Local: Lotteries are illegal except as authorized by Illinois law. All municipalities and counties are authorized to license raffles and to charge license fees, to be set by their governing bodies (230 ILCS 15/1 ff.).

Other states' lotteries

Forty-two other states operate lotteries. Those with net receipts over \$200 million are listed below.

State	<i>Net receipts (millions)*</i>		<i>Change</i>
	<i>FY 2008</i>	<i>FY 2009</i>	
New York	\$2,556.1	\$2,544.0	-0.5%
Florida	1,283.4	1,284.8	0.1
California	1,069.3	1,027.7	-3.9
Texas	1,034.9	1,062.1	2.6
Massachusetts	935.0	859.4	-8.1
Pennsylvania	928.1	910.5	-1.9
New Jersey	882.1	887.2	0.6
Georgia	867.7	872.0	0.5
Michigan	740.7	724.5	-2.2
Ohio	672.2	702.3	4.5
Illinois†	657.0	625.0	-4.9
Oregon	648.4	592.8	-8.6
West Virginia	631.2	616.6	-2.3
Maryland	529.4	493.2	-6.8
Virginia	455.3	439.1	-3.6
Rhode Island	355.6	344.3	-3.2
North Carolina	349.3	390.6	11.8
Delaware	319.8	248.0	-22.5
Tennessee	286.1	280.2	-2.1
Connecticut	283.6	283.0	-0.2
South Carolina	265.3	263.0	-0.9
Missouri	266.7	259.0	-2.9
Indiana	217.1	183.4	-15.5
Kentucky	192.1	204.4	6.4

* The 2008 figures are from LaFleur's 2009 World Lottery Almanac. The 2009 figures are from states' lottery annual reports and state officials since LaFleur's has not yet published 2009 figures.

† Figures for Illinois include only receipts going to the Common School Fund, not receipts from the four tickets whose proceeds are dedicated to special funds as described on the previous page.

Motor Fuel Taxes

The motor fuel tax is imposed on the privilege of operating motor vehicles on public highways or waterways in Illinois. It is paid by distributors and suppliers, who include it in the retail price; it is also payable by anyone who makes biodiesel fuel or biodiesel blends for self-use. Aircraft fuels are exempt. Administered by Department of Revenue. (35 ILCS 505/1 ff.) The Department also collects a tax of 0.3¢ per gallon, and an environmental impact fee of 0.8¢ per gallon, to fund cleanup of underground storage tanks (35 ILCS 505/2a and 415 ILCS 125/301 ff.). Finally, Illinois' sales tax applies to motor fuel; see "Sales and Use Taxes" beginning on page 110.

Rates and base:

1. Gasoline: 19¢ per gallon.
2. Special fuel (mostly diesel fuel): 21.5¢ per gallon.
3. Additional levies for the Underground Storage Tank Fund on gasoline, special fuel, aviation fuel (unless sold at O'Hare or Midway Airports), kerosene, and home heating oil:
 - (a) 0.3¢ per gallon tax (until 2025);
 - (b) 0.8¢ per gallon environmental impact fee (until 2025).

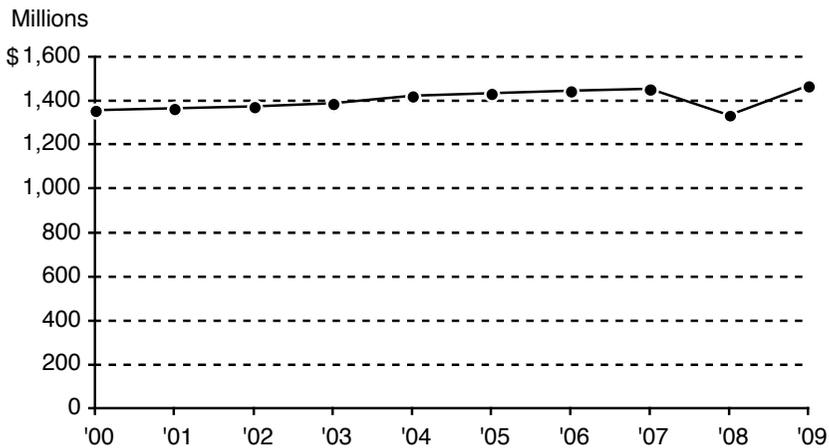
History: A motor fuel tax was enacted in 1927 at 2¢ per gallon. Rates since then are shown below.

Year	Tax per gallon		Year	Tax per gallon	
	Gasoline	Diesel fuel		Gasoline	Diesel fuel
1927	2.0¢	2.0¢	1983	11.0¢	13.5¢
1929	3.0	3.0	1984	12.0	14.5
1951	4.0	4.0	1985	13.0	15.5
1953	5.0	5.0	1989	16.0	18.5
1967	6.0	6.0	1990	19.3	21.8
1969	7.5	7.5	1996	20.1	22.6

A leaking underground storage tanks tax of 0.3¢ per gallon was added in 1990, and the 0.8¢ environmental impact fee in 1996. A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Amnesty collections totaled \$1,964,758.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$1,356.3	2.1%	2005	\$1,434.6	0.8%
2001	1,366.6	0.8	2006	1,446.1	0.8
2002	1,373.5	0.5	2007	1,453.7	0.5
2003	1,388.3	1.1	2008	1,334.7	-8.2
2004	1,423.8	2.6	2009	1,467.4	9.9



Distribution: All motor fuel tax revenue goes to the Motor Fuel Tax Fund. Distributions from the Fund are as follows:

1. 2.5¢ per gallon from collections on special fuel to the State Construction Account Fund.
2. \$5,040,000 per year to the State Boating Act Fund.
3. \$42 million per year to the Grade Crossing Protection Fund.
4. \$30 million per year (through June 30, 2010) to the Vehicle Inspection Fund to administer the Vehicle Emissions Inspection Law of 2005.
5. Sufficient amounts to:
 - (a) the Department of Revenue for administrative expenses and refunds; and
 - (b) the Department of Transportation to:
 - administer motor fuel tax distribution to local governments;
 - pay motor fuel tax refunds to other states under reciprocal agreements; and
 - pay Illinois Court of Claims judgments.

6. Of the remainder:

(a) 45.6% is apportioned as follows:

- 37% to the State Construction Account Fund;
- 63% to the State Road Fund (\$15 million is reserved for bridge construction in townships and road districts); and

(b) 54.4% is apportioned as follows:

- 49.10% to municipalities, distributed by population;
- 16.74% to Cook County;
- 18.27% to the other 101 counties based on motor vehicle license fees collected in each county; and
- 15.89% to townships and road districts, distributed among counties in proportion to township and road district mileage, and redistributed within each county in proportion to road mileage in each township or road district.

All revenue from the tax of 0.3¢ per gallon and the fee of 0.8¢ per gallon for underground storage tank cleanup goes to the Underground Storage Tank Fund.

Other taxes on motor fuels

Federal: 18.4¢ per gallon on gasoline and 24.4¢ per gallon on diesel fuel.

Local: Home-rule units can tax motor fuels. Cook County collects 6¢ per gallon, and Chicago 5¢. DuPage, Kane, and McHenry Counties can impose taxes up to 4¢ per gallon without a referendum (55 ILCS 5/5-1035.1). Each of those counties collects 4¢. Any city of over 100,000 can also impose a tax of 1¢ per gallon by referendum (65 ILCS 5/8-11-15). At least 31 home-rule cities impose their own taxes. Local home-rule taxes are summarized in the table on the next page. (Amounts in the “Total” column include the 19¢ state tax.)

	<i>County</i>	<i>City</i>	<i>Total</i>
Cook County	6.0¢	-	25.0¢
Chicago, Oak Park	6.0	5.0¢	30.0
Alsip, Evanston, Evergreen Park, Park Ridge	6.0	3.0	28.0
Burbank, Cicero, Des Plaines, Lincolnwood, Morton Grove, Mount Prospect, Rolling Meadows, and Rosemont	6.0	2.0	27.0
Berwyn, Dolton	6.0	1.0	26.0
DuPage County	4.0	-	23.0
Bolingbrook	4.0	5.0	28.0
Downers Grove, Woodridge	4.0	2.5	25.5
Naperville	4.0	2.0	25.0
Kane County	4.0	-	23.0
McHenry County	4.0	-	23.0
Municipalities in other counties			
Danville	-	5.4	24.4
Pekin	-	4.0	23.0
Carbondale	-	3.0	22.0
Galesburg	-	2.5	20.5
Freeport, Peoria, Sycamore	-	2.0	21.0
Channahon, Joliet, Moline, Rock Island	-	1.0	20.0

Other states' taxes

Motor fuel is taxed at fixed rates per gallon by 41 states. Rates on gasoline and gasohol range from 8¢ in Alaska to 37.5¢ in Washington; rates on diesel fuel range from 8¢ in Alaska to 45.1¢ in Connecticut. The remaining nine states reset rates per gallon periodically based on the retail or wholesale price of motor fuel, or on other factors. Their latest available rates were:

<i>State</i>	<i>Variable rate</i>	<i>Adjusted each</i>	<i>Amount per gal. (Jan. 2010)</i>
West Virginia	11.7¢ ¹	year	32.2 ¢
North Carolina	17.5¢ per gal. plus the greater of 7% or 12.4¢ ²	6 months	30.55
Nebraska	13.5¢ + fixed rate	6 months	27.7
New York	16.3¢ (2010) ³	year	24.35
Kentucky	9% of avg. wholesale price	quarter	24.1
Massachusetts	19.1% of avg. wholesale price ⁴	quarter	23.5
Delaware	Based on avg. wholesale price	year	23.0
Iowa	Based on fuel distribution ⁵	year	22.0
Florida	Based on CPI	year	18.193

Notes

1. Set annually by West Virginia Tax Department.
2. North Carolina's variable rate is as stated through June 30, 2011; it then reverts to 17.5¢ per gallon plus the greater of 7% of the average wholesale price of motor fuel or 3.5¢.
3. New York's rate is indexed to changes in the Producer Price Index for refined petroleum products.
4. Massachusetts' minimum is 21¢ per gallon.
5. Iowa's rates are based on the "distribution percentage"—the percentage that gallons of gasohol distributed in the state are of gallons of all motor fuels distributed in the state.

Sales Taxes on Motor Fuel

Illinois is among 10 states that collect general sales taxes on motor fuels:

California	Indiana
Florida	Michigan
Georgia	New York
Hawaii	Virginia*
Illinois	West Virginia

* A 2.1% sales tax applies in localities served by mass transit.

Personal Property Tax Replacement Taxes

The Illinois Constitution of 1970 required that all ad valorem (value-based) personal property taxes be abolished by 1979. The personal property tax was already restricted to businesses and trusts, because a 1970 amendment to the former (1870) Constitution had abolished it as to individuals. In 1979 the General Assembly replaced the personal property tax on businesses with an income tax on most businesses and an invested capital tax on public utilities. A 1997 law repealed the invested capital tax as to electricity distributors (except electric cooperatives) and telecommunications distributors. Electricity distributors now pay a personal property tax replacement tax based on amounts of electricity delivered in Illinois; telecommunications distributors pay a telecommunications infrastructure maintenance fee. Electric cooperatives still pay the invested capital tax. These taxes are administered by the Department of Revenue. (35 ILCS 635/1 ff. (telecommunications companies); 615/2a.1 (gas distribution companies); 620/2a.1 (electric companies); and 625/3 (water companies))

1. Personal Property Tax Replacement Income Tax

This tax is imposed on the net income of corporations, business partnerships, trusts, and “S” corporations. Administered by Department of Revenue. (35 ILCS 5/201(c))

Rate and base:

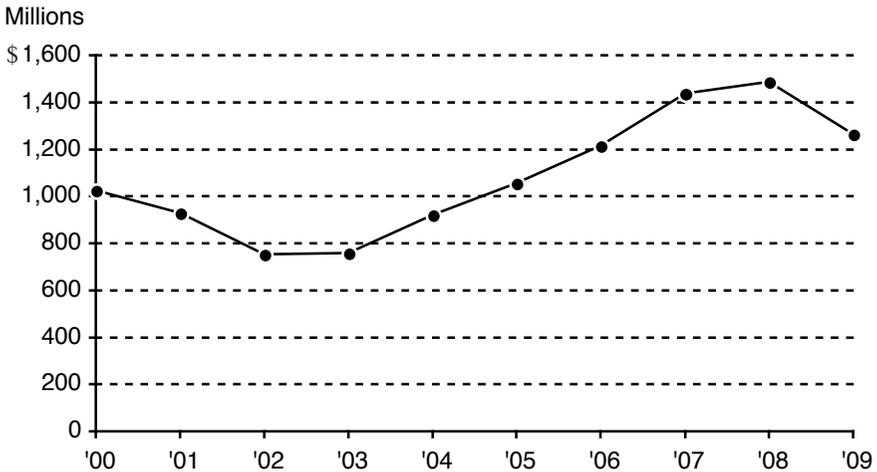
1. Corporations: 2.5% of federal taxable income.
2. Partnerships, trusts, and “S” corporations: 1.5% of federal taxable income.

Since July 1, 1984, a 0.5% investment tax credit has been allowed against this tax liability for buying equipment used in manufacturing, mining, or retailing. A further 0.5% credit for buying such equipment is allowed if the company’s Illinois employment base expanded 1% over the preceding year’s. These credits can be carried forward up to 5 years, but do not apply to property acquired after 2013 unless bought under a binding contract before the end of 2013. (35 ILCS 5/201(e))

History: The tax took effect July 1, 1979 at 2.85%. On January 1, 1981 its rate declined to 2.5%.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$1,025.6	13.3%	2005	\$1,055.2	14.5%
2001	930.4	-9.3	2006	1,216.0	15.2
2002	754.5	-18.9	2007	1,438.6	18.3
2003	759.9	0.7	2008	1,486.2	3.3
2004	921.7	21.3	2009	1,263.7	-15.0



Distribution: From Personal Property Tax Replacement Fund: 51.65% to local governments in Cook County based on their shares of personal property tax collections in 1976; 48.35% to local governments in the other 101 counties based on their shares of personal property tax collections in 1977.

Other taxes in lieu of personal property taxes

Federal: None.

Local: None.

Other states

No other state imposes a tax based on the invested capital of public utility companies, or an income tax specifically designated to replace a personal property tax.

2. Invested Capital Tax

This tax is imposed on the invested capital of rural electric cooperatives and businesses that sell gas, electric, or water service. It does not apply to municipally owned electric and water companies, or to telephone cooperatives. (35 ILCS 615/2a.1, 620/2a.1(b), and 625/3)

Rate and base: The rate is 0.8% of capital invested in gas, electric, and water facilities in service during the taxable period. Invested capital is defined as the average of the totals at the beginning and end of the taxable period of shareholders' equity and long-term debt attributable to Illinois, minus investments in and advances to all corporations, as set forth on the balance sheets in the company's annual report to the Illinois Commerce Commission for the taxable period.

History: The tax took effect July 1, 1979.

Distribution: Same as Personal Property Tax Replacement Income Tax.

3. Electricity Distribution Tax

This tax is imposed on electricity distributors except electric cooperatives. Annual revenue from this tax is limited to an amount that was set in 1998 at \$145.3 million and is increased each year as follows: the preceding year's revenue is multiplied by the lesser of (a) the percentage increase in the Consumer Price Index for All Urban Consumers, All Items (CPI-U) for that year or (b) 5%. If that limit is exceeded in a year, the Department of Revenue will issue credit memoranda to reduce all these taxpayers' future liability. (35 ILCS 620/2a.1)

Rate and base:

	<i>Kwh distributed</i>			<i>Tax</i>
	<i>per month</i>			<i>per kwh</i>
First	500	million		0.031¢
Next	1	billion		0.050
Next	2.5	billion		0.070
Next	4	billion		0.140
Next	7	billion		0.180
Next	3	billion		0.142
Over	18	billion		0.131

History: The tax took effect January 1, 1998.

Distribution: Same as Personal Property Tax Replacement Income Tax.

4. Telecommunications Infrastructure Maintenance Fee

This state tax is imposed on telecommunications services, including provision of messages or information through local, toll, and wide-area telephone services; channel, telegraph, teletypewriter, computer exchange, private line, and specialized mobile radio services; and any other transmission of messages or information by electronic or similar means, between or among points by wire, cable, fiber optics, laser, microwave, radio, satellite, or similar methods. (35 ILCS 635/10, 635/15, and 635/25b)

Rate and base: 0.5% of the retailer's gross charges for telecommunications services.

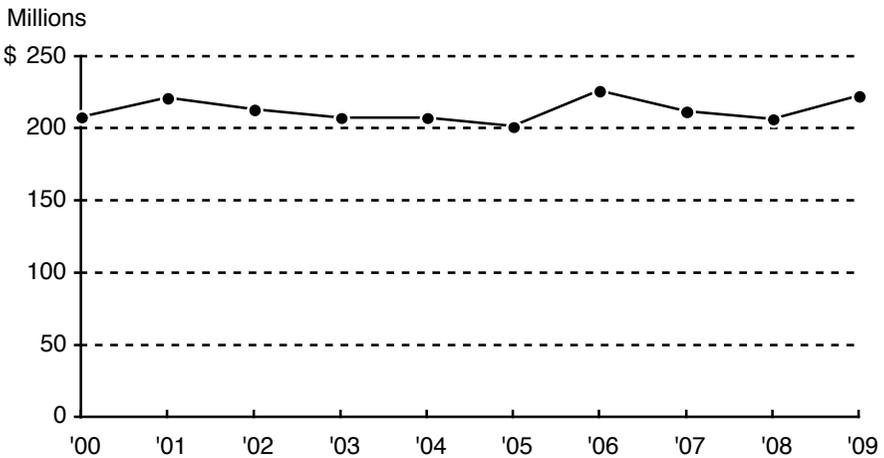
History: The tax took effect January 1, 1998. A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Amnesty collections totaled \$442,627.

Distribution: Same as Personal Property Tax Replacement Income Tax.

Public utility companies report liability for both the Invested Capital Tax and the Electricity Distribution Tax to the Department of Revenue on the same tax form. The Department of Revenue reports to the Comptroller only the total amount collected for those two taxes. The telecommunications infrastructure maintenance fee is reported separately.

State revenue collected (totals from the Invested Capital Tax, Electricity Distribution Tax, and Telecommunications Infrastructure Maintenance Fee)

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$208.0	-1.0%	2005	\$201.3	-3.0%
2001	221.6	6.5	2006	226.4	12.5
2002	213.2	-3.8	2007	212.1	-6.3
2003	207.6	-2.6	2008	206.9	-2.5
2004	207.6	0.0	2009	222.9	7.7



Public Utility Taxes

There is one tax each on companies that sell electricity, communications, and natural gas. In addition, communications and gas companies must pay an intrastate gross revenue tax to help fund the Illinois Commerce Commission. (Part of the Electricity Excise Tax described below also funds the Commission.)

1. Electricity Excise Tax

Until August 1, 1998 the Public Utilities Revenue Tax was based on gross revenue of companies distributing and selling electricity in Illinois. Such companies were authorized to pass the tax on to consumers through a charge equal to the tax. On that date the tax was replaced by a new Electricity Excise Tax on electric users in Illinois. Electric suppliers add this tax to residential customers' bills; the tax is based on the number of kilowatt-hours (kwh) used by each customer. Nonresidential customers can register as "self-assessing purchasers" and pay the tax directly to the Department of Revenue. Both the old and new laws exempt electricity used by municipalities to operate public transportation systems they own. Administered by Department of Revenue. (35 ILCS 640/2-1 ff.; see also 220 ILCS 5/9-222)

Rate and base:

Residential customers:

<i>Kwh used per month</i>	<i>Tax per kwh</i>	<i>Kwh used per month</i>	<i>Tax per kwh</i>
First 2,000	0.330¢	Next 2,000,000	0.270¢
Next 48,000	0.319	Next 2,000,000	0.254
Next 50,000	0.303	Next 5,000,000	0.233
Next 400,000	0.297	Next 10,000,000	0.207
Next 500,000	0.286	Over 20,000,000	0.202

Self-assessing (nonresidential) purchasers: 5.1% of purchase price.

Customers of municipal electric systems and rural electric cooperatives pay the lesser of (a) 0.32¢ per kilowatt-hour or (b) 5% of purchase price.

See "Note on Abatement of Public Utility Taxes" on page 94.

Exemption: A business enterprise classified by the Department of Commerce and Economic Opportunity as a “high impact business” is partly or fully exempt from this tax for up to 20 years, as determined by the Department, if it intends to do one of the following: (a) make a minimum investment of \$12 million and create 500 full-time jobs; (b) make a minimum investment of \$30 million and retain at least 1,500 full-time jobs at an Illinois location; (c) establish a new electric generating facility; (d) establish production operations at a new coal mine, re-establish production operations at a closed coal mine, or expand production at an existing coal mine; or (e) construct new high-voltage electric transmission facilities or upgrade existing ones. (220 ILCS 5/9-222.1A and 20 ILCS 655/5.5(a)(3)(B), (a)(3)(C), and (a)(3)(D))

History: A 3% tax on public utilities’ (electric) gross revenue was enacted in 1937. The rate was changed three times in the 1960s, eventually settling in 1967 at 5% of gross revenue. In 1985 it was set at the lesser of 5% or 0.32¢ per kilowatt-hour sold. That tax was repealed by a 1997 law deregulating the electric industry, and replaced on August 1, 1998 with the new excise tax. On that date the excise tax also replaced the intrastate gross (electric) revenue tax of 0.08% used to fund the Illinois Commerce Commission. The General Assembly intended that the excise tax raise substantially the same amount of revenue as the gross revenue taxes it replaced.

To encourage alternative energy production, electric utilities have been required to buy electricity from new qualified solid-waste-to-energy facilities (QSWEFs) in their service areas for 10 years (20 years if fueled by methane from a forest preserve district’s landfill). QSWEFs use methane produced by landfills as their primary fuel. Such a facility can take a credit against the Electricity Excise Public Utility Tax until the full capital costs incurred to develop the facility are paid. At that time, the QSWEF must reimburse the Public Utility Fund and General Revenue Fund for the amount of credit taken. (220 ILCS 5/8-403.1) The table on the next page lists such repayments, which are also included in the table on page 92. But recognition of new QSWEFs has been prohibited since June 30, 2006.

QSWEFs' repayments of credits

<i>Fiscal year</i>	<i>Receipts (000 omitted)</i>
2002*	\$2,217.7
2003	850.0
2004	700.0
2005	601.6
2006	495.0
2007	200.0
2008	400.0
2009	0.024

* The FY 2002 deposits represent several years of repayments.

From July 1, 2006 through January 31, 2013, the Comptroller must transfer to the Municipal Economic Development Fund an amount equal to the difference between the amount collected for that month and the amount collected for the same month in 2002.

A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Amnesty collections totaled \$246,969.

Distribution:

1. 97% to the General Revenue Fund.
2. 3% to the Public Utility Fund. (Of that 3%, \$5,000,004 annually goes to the General Revenue Fund.)

Other taxes on electric utilities

Federal: None.

Local: Each municipality can impose a tax on the privilege of using electricity in its territory. Rates decline with increasing electricity use by each customer, from 0.61¢ per kwh on the first 2,000 kwh per month to 0.30¢ per kwh on monthly usage over 20 million kwh. On request by a municipality, the Commerce Commission can approve alternative maximum rates. This tax was authorized by the 1997 electric deregulation law, replacing the tax of 5% of electric companies' gross revenue. The new tax was allowed to be imposed on nonresidential customers that choose alternative electric suppliers (65 ILCS 5/8-11-2). As of December 2008, 62 municipalities were using alternative rates issued by the Illinois Commerce Commission.

Municipalities can also charge deliverers of electricity a fee for using public rights of way. Such a fee would be based on monthly usage by each customer, declining from 0.53¢ per kwh on the first 2,000 kwh to 0.26¢ per kwh on monthly amounts over 20 million kwh. (35 ILCS 645/5-5)

Other states' taxes

Taxes on gross receipts of electric companies vary widely. Their rates range from under 1% to as high as 5%, or are based on kilowatt-hours used.

2. Telecommunications (Messages) Excise Tax

This tax is imposed on those who send or receive intrastate and/or interstate telecommunications—including telephone, telegraph, private line, channel, teletypewriter, computer exchange, mobile radio and telephone, and paging services. The tax applies to the transmission of messages or information between or among points by wire, cable, fiber optics, laser, microwave, radio, satellite, and other methods. Telecommunications providers collect the tax from customers. Administered by Department of Revenue. (35 ILCS 630/1 ff.)

Rate and base: 7% of gross charges by businesses for transmitting messages in intrastate or interstate commerce.

See “Note on Abatement of Public Utility Taxes” on page 94.

History: The messages tax was enacted in 1945 at 3% of gross receipts. Rate changes are shown below.

<i>Year</i>	<i>Rate</i>	<i>Year</i>	<i>Rate</i>
1945	3 %	1967	5%
1965	4	1985*	5
1966	3.92	1998	7

* In 1985 the tax was expanded to cover new telecommunications services and interstate messages; its rate stayed at 5%.

A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Amnesty collections totaled \$11,154,187.

Distribution: Of the original 5% tax:

- (a) \$12 million per year to the Common School Fund.
- (b) Remainder to the General Revenue Fund.

Of the additional 2 percentage points added in 1998:

- (a) 50% to the School Infrastructure Fund.
- (b) 50% to the Common School Fund.

Other taxes on telecommunications providers

Federal: A tax of 3% on amounts billed (26 U.S. Code sec. 4251) still applies to local service. (Its application to long-distance service was effectively ended by court decisions interpreting that section's definition of "toll telephone" service.)

Local: Through 2002, each municipality could impose an occupation tax of up to 5% of gross receipts of businesses transmitting messages (65 ILCS 5/8-11-2, subd. 1). A municipality not imposing that tax could levy a 5% municipal telecommunications tax (65 ILCS 5/8-11-17). Any municipality could also impose a local telecommunications infrastructure maintenance fee of up to 1% of gross charges by providers of telecommunications to addresses in its area (2% in Chicago).

On January 1, 2003, authority for the above taxes was replaced with authority for a Simplified Municipal Telecommunications Tax on gross retail charges for telecommunications. Each municipality that imposed any of the taxes described in the preceding paragraph automatically imposed the new tax, at a rate equal to the sum of (1) 70% of its rate for the first tax described in that paragraph, plus (2) its actual rates for the other two taxes—each rounded to the nearest 0.25%. Any municipality can change the rate of this tax in 0.25% increments, subject to a limit of 6% (7% in Chicago). (35 ILCS 636/5-1 ff.)

Other states' taxes

Taxes on gross receipts of telephone and telegraph companies vary widely among states; rates range from under 1% to 7%.

3. Natural Gas Revenue Tax and Gas Use Tax

The Natural Gas Revenue Tax is imposed on companies distributing natural gas in Illinois; they can include the tax in bills to customers. Administered by Department of Revenue. (35 ILCS 615/1 ff.; see also 220 ILCS 5/9-222)

A Gas Use Tax was added in 2003. It is imposed, at the same rates as the Natural Gas Revenue Tax, on gas bought out of state for use in Illinois. (35 ILCS 173/5-1 ff.) Exemptions from the Gas Use Tax include gas used:

- (a) by businesses in enterprise zones.
- (b) by governmental bodies or any corporation, society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes.
- (c) in generating electricity.
- (d) in a petroleum refinery.
- (e) for use in liquefaction and fractionation processes to make value-added natural gas byproducts for resale.
- (f) in producing anhydrous ammonia and downstream nitrogen fertilizer products for resale.

Rate and base: The lesser of:

- (a) 2.4¢ per therm of gas sold to each customer, or
- (b) 5% of gross revenue from each customer.

See “Note on Abatement of Public Utility Taxes” on page 94.

History: The gas revenue tax was enacted in 1945 at 3%. Rate changes since then are shown below.

<i>Year</i>	<i>Rate</i>	<i>Year</i>	<i>Rate</i>
1945	3.00%	1967	5.00%
1965	4.00	1985	5.00% or 2.4¢ per therm
1966	3.92		

A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Amnesty collections totaled \$44,680.

Disposition: To General Revenue Fund.

Other taxes on natural gas utilities

Federal: None.

Local: A municipality can impose an occupation tax based on the gross receipts of businesses that provide natural gas for consumption within its territory, at a rate up to 5% (8% in Chicago) (65 ILCS 5/8-11-2).

Other states' taxes

Taxes on gross receipts of natural gas distribution companies vary widely among states. Rates range from under 1% to as much as 5%, or are based on amounts of gas sold.

4. Intrastate Gross Revenue Tax

This tax is imposed on public utility companies (except electric companies) regulated by the Illinois Commerce Commission. (The law excludes municipally operated utilities and mutual telephone companies.) Proceeds of the tax pay the Commission's expenses. Administered by Department of Revenue. (220 ILCS 5/2-202)

Rate and base: Up to 0.1% of a company's gross revenue from intrastate business for the calendar year.

History: The tax was first imposed in 1963 at a rate of 0.08%. Up to \$3 million per biennium could be used to pay the Commission's expenses. That maximum transfer was increased to \$3.5 million in 1967 and \$5.5 million in 1970. A 1977 law abolished the limit on transfers to the Commission. In 1987 the Commission was authorized to raise the rate to as much as 0.1%. The 1997 law deregulating Illinois electric suppliers exempted them from this tax but provided for 3% of Electric Excise Tax revenue to go to the Public Utility Fund for this purpose.

If the balance in the Public Utility Fund exceeds \$5 million in October of an odd-numbered year, the Commission issues a memorandum of credit to each company for its proportionate share of the fund balance, and its tax liability is reduced by that amount.

Disposition: To the Public Utility Fund.

Other taxes on public utility companies

Federal: None.

Local: See previous entries on other public utility taxes.

Other states' taxes

Separate taxes on public utility companies to fund state regulatory bodies' administrative expenses are imposed by 43 states. Rates vary, but almost all are below 1% of gross intrastate revenue. In Washington, railroad companies pay 1.5%.

State revenue collected from utility taxes:**Total, all utility taxes**

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$1,316.4	8.5%	2005	\$1,295.7	-2.6%
2001	1,384.3	5.2	2006	1,319.0	1.8
2002	1,355.0	-2.1	2007	1,387.9	5.2
2003	1,231.8	-9.1	2008	1,424.6	2.6
2004	1,330.3	8.0	2009	1,439.8	1.1

Electricity Excise Tax

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$416.1	12.3%	2005	\$418.8	<0.1%
2001	397.3	-4.5	2006	461.2	10.1
2002	402.4	1.3	2007	464.1	0.6
2003	399.5	-0.7	2008	478.6	3.1
2004	418.7	4.8	2009	460.7	-3.7

Telecommunications (Messages) Tax

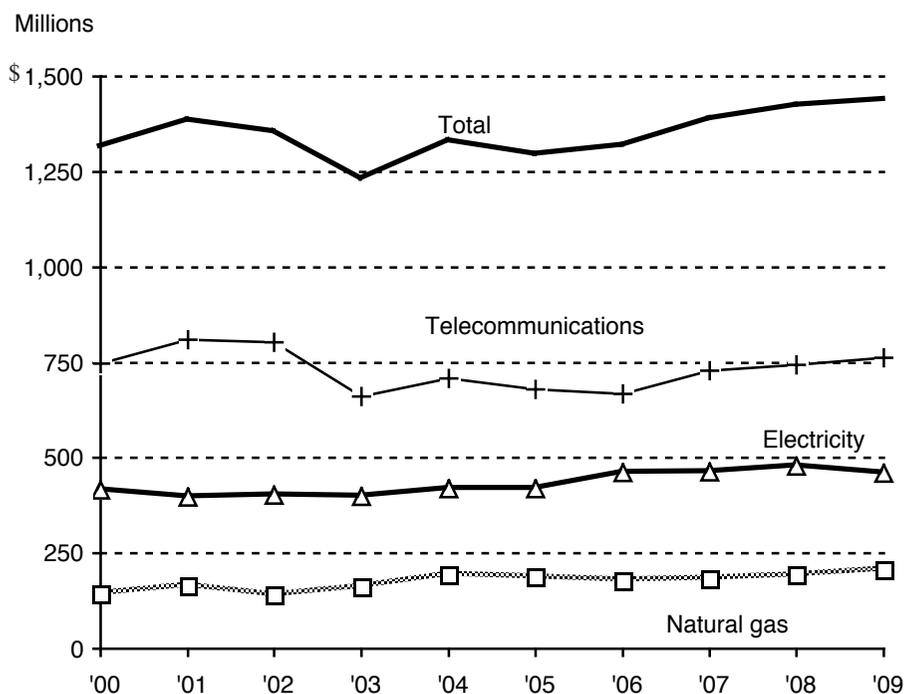
<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$747.9	6.2%	2005	\$680.4	-4.0%
2001	810.4	8.4	2006	668.6	-1.7
2002	802.9	-0.9	2007	729.7	9.1
2003	661.7	-17.6	2008	743.8	1.9
2004	708.8	7.1	2009	762.5	2.5

Natural Gas Revenue Tax

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$144.2	10.2%	2005	\$187.0	-3.9%
2001	166.5	15.5	2006	180.0	-3.7
2002	139.8	-16.0	2007	184.7	2.6
2003	162.7	16.4	2008	193.4	4.7
2004	194.5	19.5	2009	207.6	7.3

Intrastate Gross Revenue Tax

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$ 8.2	7.9%	2005	\$9.5	14.5%
2001	10.1	23.2	2006	9.2	-3.2
2002	9.9	-2.0	2007	9.4	2.2
2003	7.9	-20.2	2008	8.9	-5.3
2004	8.3	5.1	2009	8.8	-1.1



Note on Abatement of Public Utility Taxes

State and/or municipal public utility taxes on a business can be abated if the Department of Commerce and Economic Opportunity certifies that:

- (1) the business has (a) made investments that created at least 200 full-time-equivalent jobs in Illinois; (b) invested at least \$175 million to create at least 150 jobs in Illinois; (c) kept at least 1,000 full-time jobs in Illinois; (d) made investments that retained at least 300 full-time-equivalent jobs in the manufacturing sector in an area of the state in which the unemployment rate is above 9%, and applied to the Department of Commerce and Economic Opportunity for the abatement by November 25, 2009; or (e) made investments that retained at least 500 full-time-equivalent jobs in 2009 and 2010, 675 jobs in 2011, 850 jobs in 2012, and 1,000 jobs in 2013 in the manufacturing sector, and applied to the Department for the abatement by March 21, 2010; and
- (2) the business is either (a) in an Illinois Enterprise Zone, or (b) in a federally designated Foreign Trade Zone or Subzone and designated by the Department as a High Impact Business.

The extent and length of abatement are decided by the state and local government. Abatements may last up to 30 years or the certified term of the enterprise zone, whichever is less (except that the only limit on the abatement period for a business qualifying under item (1)(d) is 30 years). If the state and/or local government decides to abate the public utility tax on a particular firm, each public utility serving that firm is excused from collecting public utility tax on service provided to it, and from paying the tax to the government imposing the tax. Also, a municipality that taxes a public utility may exempt a unit of local government or school district in the utility's territory from paying the tax. (20 ILCS 655/5.3; 65 ILCS 5/8-11-2, paragraphs (e) and (f); 220 ILCS 5/9-222.1; and 35 ILCS 640/2-3(d), last paragraph)

Pull Tab and Jar Games Tax and Fees

The state gets two kinds of revenue from pull tabs and jar games: license fees, and the pull tab and jar games receipts tax. Pull tabs and jar games use single-folded or banded tickets, or a card whose face is initially covered from view to conceal a number, symbol, or set of symbols. Each player chooses one of the tickets or positions on a card, then learns whether it is a winner. Pull tabs are played by pulling a tab from a board to reveal a number corresponding to the number for a given prize. The cost of a single ticket may not exceed \$2, and no prize for a single game may exceed \$500. No more than 6,000 tickets may be sold for a single game. Organizations with charitable-games licenses may conduct pull tab and jar games; such games may also be conducted at bingo locations. Administered by the Gaming Board in the Department of Revenue. (230 ILCS 20/1 ff.)

Rate and base:

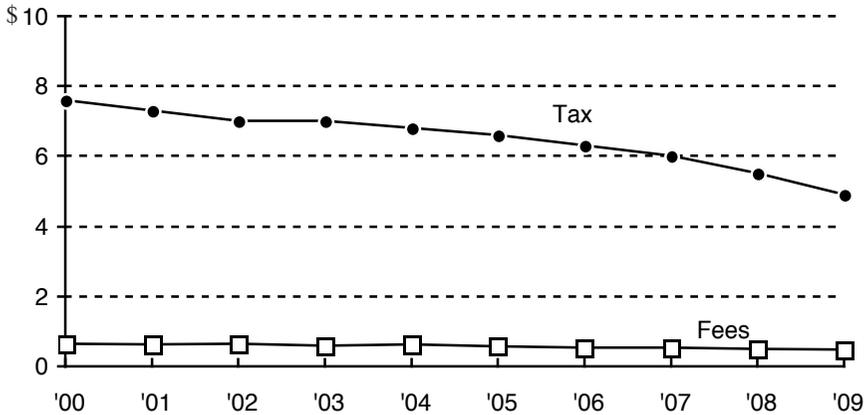
1. Licenses offered and fees:
 - (a) A \$500 annual license (with an extension up to 1 year if authorized by the Department of Revenue) for a nonprofit charitable, educational, religious, fraternal, veterans', labor, youth athletic, or senior citizens' organization to hold games at a single location.
 - (b) A \$50 limited license for such an organization to hold games on up to 2 occasions per year for up to 5 consecutive days each.
 - (c) A \$5,000 annual license, or a \$15,000 three-year license (with an extension up to 1 year if authorized by the Department of Revenue) for suppliers and manufacturers of pull tab and jar games materials and equipment.
2. Pull tab and jar games receipts tax: 5% of gross receipts.

History: The tax took effect July 1, 1988. A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Collections totaled \$1,955.

State revenue collected

Fiscal year	License fees		Tax	
	Receipts (thousands)	Change	Receipts (millions)	Change
2000	\$646.0	-6.9%	\$7.6	-1.3%
2001	632.3	-2.1	7.3	-3.9
2002	638.0	0.9	7.0	-4.1
2003	599.5	-6.0	7.0	0.0
2004	628.4	4.8	6.8	-2.9
2005	564.9	-10.1	6.6	-2.9
2006	544.7	-3.6	6.3	-4.5
2007	529.8	-2.7	6.0	-4.8
2008	493.3	-6.9	5.5	-8.3
2009	478.5	-3.0	4.9	-10.9

Millions



Distribution:

1. 50% to the Common School Fund.
2. 50% to the Illinois Gaming Law Enforcement Fund.

Other taxes on similar wagering

Federal: A federal tax of 0.25% is imposed on the amount of any wager permitted by state law. But drawings, punchboards, and similar devices are exempt if operated by an organization that is exempt from taxation under section 501 of the Internal Revenue Code (26 U.S. Code secs. 4401, 4421, and 501). A federal license fee of \$50 is also imposed on persons accepting wagers authorized by state law (26 U.S. Code sec. 4411).

Local: No tax is authorized by statute. Even home-rule units probably cannot collect license fees due to the restriction on licensing for revenue in the Illinois Constitution, Art. 7, subsec. 6(e). A tax on the gross receipts of game operators probably would also be invalid under that provision as an occupation tax.

Counties and municipalities are authorized to license and regulate raffles held by nonprofit charitable, educational, religious, fraternal, veterans', labor, and some kinds of business organizations (230 ILCS 15/1 ff.).

Other states' taxes

At least fourteen states separately tax proceeds of pull tabs and jar games. Taxes on gross receipts from such games are 10% in Oklahoma, 3% in Alaska, 3% in North Dakota, 1.7% in Minnesota, and 0.5% in New Mexico. Alaska also collects 1% of net pull tab proceeds if gross annual receipts are at least \$20,000. Minnesota also imposes a combined receipts tax on gross receipts from gambling (except bingo, raffles, and paddlewheels) at three rates: 1.7% on receipts of \$500,001 to \$700,000; \$3,400 plus 3.4% of receipts of \$700,001 to \$900,000; and \$10,200 plus 5.1% of receipts over \$900,000. Indiana charges 10% of the price paid for pull tabs, punchboards, and tip boards. Louisiana collects up to 3% of net proceeds. Michigan collects 40% of the proceeds from the sale of pull tab games for charity. Suppliers of numeral tickets (similar to pull tabs) must pay \$5 per 1,000 tickets sold. Maryland collects 30% of net proceeds from electronic tip jar machines. Mississippi imposes a tax of 2.5% on net proceeds, and New York 5%. Missouri imposes a tax of 2% of the pull tabs' retail sales value. South Dakota distributors pay 5% of their gross sales of pull tabs. Washington charges 1.5% of gross income, plus 0.13% of gross income if it is at least \$50,000 annually. Also, local governments may charge up to 10% of gross receipts minus prizes paid. Some other states authorize local governments to tax pull tabs and jar games.

Racing Taxes

The pari-mutuel tax is imposed on daily racing receipts of racetrack operators. Smaller amounts of revenue come from the state's racetrack admission tax (15¢ per person) and from license fees on racing organizations and racetrack personnel. Administered by the Illinois Racing Board. (230 ILCS 5/15, 5/18, 5/20, 5/25 ff., and 5/32.1)

Rate and base:

- (a) 1.5% of daily pari-mutuel handle (total amount bet).
- (b) 1.5% of advance-deposit wagers from a location other than a wagering facility, plus 0.25% (limited to \$250,000 per year, apparently statewide). (This tax is under a 3-year trial of wagering on horse races from remote locations other than OTB locations, authorized beginning August 25, 2009.)

The tax on the licensees of any track holding live racing dates during a tax year is reduced by credits equaling the greater of:

- (a) half the property tax paid on the racetrack in the preceding year, or
- (b) the amount by which the property tax paid on the racetrack in the preceding year exceeds 60% of the average property taxes paid in the preceding year by all racetracks with live horse racing meets in the tax year.

The tax is not levied on winning wagers made in Illinois on races held outside Illinois.

For licensees of Fairmount Park, the tax is 0.25% of the daily pari-mutuel handle until all money required under the Riverboat Gambling Act (230 ILCS 10/13(c-5)) has been paid into the Horse Racing Equity Fund; then 1.5% of the daily pari-mutuel handle.

The fee for an organization license is \$1,000 plus \$110 per racing date awarded. License fees for racetrack personnel are up to \$25 per year (up to \$60 for 3 years).

History: The Horse Racing Act of 1927 had different privilege tax schedules for thoroughbred and harness racing wagers. The Horse Racing Act of 1975 established a single privilege tax schedule for wagers on both types of racing. The 1975 Act based the tax on the daily wagering handle, rather than on the cumulative handle at a race meeting as under the 1927 Act. In 1979 the graduated tax rate on daily wagers was reduced by percentages ranging from 53.3% for amounts wagered up to \$200,000 per day, to 20.5% for amounts over \$3 million per day. The Downstate tax rates were enacted in 1985.

A 1986 law phased out the graduated racing privilege tax rates. Beginning in 1988, the privilege tax rate was a flat 2% at Cook County tracks (Arlington, Hawthorne, and Maywood). At Downstate tracks (Balmoral and Fairmount) the tax rate was 1% of the first \$400,000 wagered each day and 2% on the excess over \$400,000. The Quad City Downs in Rock Island stopped live racing in 1994, but it still has off-track betting. Arlington was closed for the 1998 racing season, and Sportsman's closed in 2003.

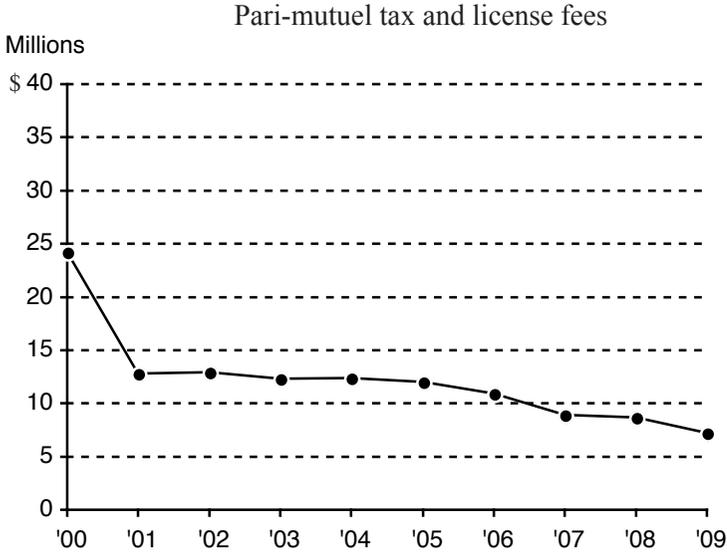
Off-track betting was authorized on July 1, 1987. Hawthorne is authorized to operate 6 OTB locations; Quad City Downs, 5; Balmoral and Maywood, 4; and Arlington and Fairmount, 3. The 16 locations for the three Cook County tracks cannot be more than 90 miles from their respective sponsoring tracks. The twelve locations of the three Downstate tracks cannot be more than 135 miles from their sponsoring tracks. Neither kind of location can be within 5 miles of an existing track without written permission from the track owner.

The graduated privilege tax was abolished in 1999 and replaced by a flat-rate pari-mutuel tax.

A 2009 law authorized advance deposit wagering from August 25, 2009 through August 25, 2012.

State revenue collected

<i>Fiscal year</i>	<i>Pari-mutuel tax and license fees</i>		<i>Admission tax and fees</i>	
	<i>Receipts (millions)</i>	<i>Change</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$24.2	-46.1%	\$0.1	-83.3%
2001	12.8	-47.1	0.1	0.0
2002	12.9	0.8	0.1	0.0
2003	12.3	-4.7	0.1	0.0
2004	12.4	0.8	0.1	0.0
2005	12.0	-3.2	0.1	0.0
2006	10.9	-9.2	0.1	0.0
2007	8.9	-18.3	0.09	-10.0
2008	8.7	-2.2	0.08	-11.1
2009	7.2	-17.2	0.09	12.5



Distribution:

1. 8.5% of pari-mutuel tax collected for quarter-horse racing to the Illinois Quarter Horse Breeders Fund. (230 ILCS 5/30.5(b))
2. Amounts from the 0.25% tax on advance deposit wagers to the Quarter Horse Purse Fund.
3. All other pari-mutuel tax to the Horse Racing Fund. Part of the money going to the Fund is transferred to the General Revenue Fund. Most is then used to support activities related to racing, but some supports local museums and parks. Any remainder is available for general state spending.

Other taxes on race wagering

Federal: The federal tax of 0.25% of the amount of any wager allowed by state law does not apply to wagers made with a pari-mutuel wagering enterprise licensed under state law (26 U.S. Code subsec. 4402(1)).

Local: A municipality or township hosting a race licensed by the Illinois Racing Board may charge an admission tax up to 10¢ per person. A township may do so only if the racetrack is in an unincorporated area. Imposition by a home-rule unit of such a tax before it was authorized by statute was held invalid. A municipality and a county with an OTB facility may each impose an admission fee up to \$1 per admission; thus admission fees may total \$2 (230 ILCS 5/27(f)).

An OTB licensee must pay 1% of the pari-mutuel handle at each OTB location to the municipality and 1% to the county. If the OTB location is in an unincorporated area, the county gets 2% (230 ILCS 5/26(h)(10.1)).

Other states' taxes

In states allowing wagers on horse racing, each track is allowed to retain a percentage of the money wagered each day to pay state taxes, compensate track management, and provide the purses for winning horses. This percentage, commonly called the “take,” is regulated by state law. Most other money wagered is distributed among winning bettors.

The “take” may vary by type of race (thoroughbred or harness), or by type of wager. A regular wager involves a bet on a single horse for a single race. Multiple wagers involve bets on more than one horse in a single race: quinella (first and second horses regardless of order); perfecta (first and second horses in that order); trifecta (first, second, and third horses in that order); or a combination of races (daily double).

At least 42 other states tax bets on horse races:

Alabama	Maryland	Oregon
Arizona	Massachusetts	Pennsylvania
Arkansas	Michigan	Rhode Island
California	Minnesota	South Dakota
Colorado	Missouri	Tennessee
Connecticut	Montana	Texas
Delaware	Nebraska	Vermont
Florida	Nevada	Virginia
Idaho	New Hampshire	Washington
Indiana	New Jersey	West Virginia
Iowa	New Mexico	Wisconsin
Kansas	New York	Wyoming
Kentucky	North Dakota	
Louisiana	Ohio	
Maine	Oklahoma	

Many states also impose taxes on intertrack, simulcast, televised, and re-broadcast wagering at off-track facilities. Some states' rates vary during the year.

In addition, Kentucky collects a license tax on race operators based on the average daily mutuel handle—up to \$2,500 for a daily average of over \$900,000. Ohio imposes a racing permit tax of 3% plus 0.5% of total daily wagers on wagering pools other than win, place, or show, plus

0.1% if total wagers are below \$5 million and 0.15% if they are at least \$5 million. At least 16 states tax admissions to racetracks, in amounts ranging from 5¢ in New Jersey to 50¢ in Wisconsin. Nebraska imposes an admissions tax of 0.64% of gross wagers in the preceding year. States levying admissions taxes as percentages of admission charges include New York (4%); Kansas, Missouri, and Oklahoma (10% each); Pennsylvania (15%); and Rhode Island (20%). Kansas also charges 20¢ per admission at facilities that are exempt from local property taxes. Florida's rate is the greater of 10¢ or 15% of the admissions charge; Arkansas' is the greater of 10¢ or 10% of the admissions charge.

Several states also collect similar taxes on dog racing and jai alai games. Connecticut, Florida, and Rhode Island impose a tax on the handle for jai alai. At least 17 states impose racing taxes on dog racing: Alabama, Arizona, Arkansas, Colorado, Connecticut, Florida, Idaho (only simulcast and televised races are allowed), Iowa, Kansas, Montana (simulcast races only), New Hampshire, Oregon, Rhode Island, South Dakota, Texas, West Virginia, and Wisconsin.

Real Estate Transfer Tax

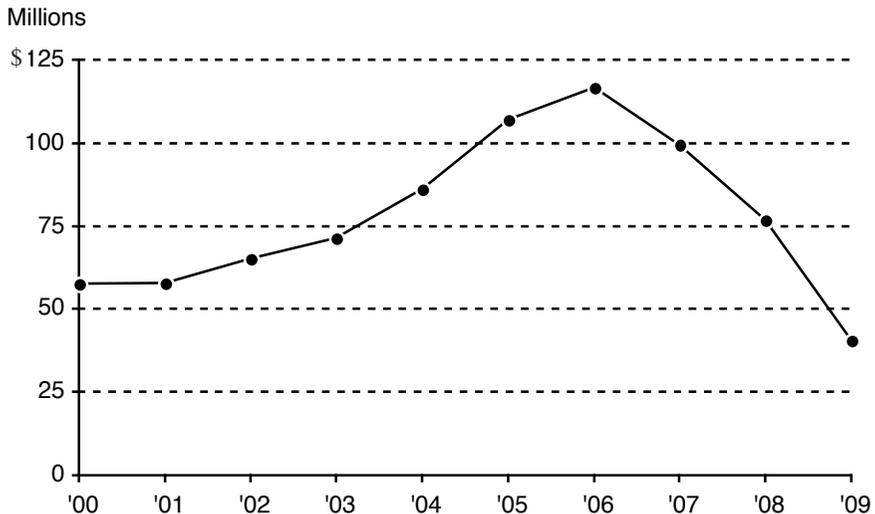
This tax is imposed on sellers of real estate when they transfer title. Administered by Department of Revenue. (35 ILCS 200/31-1 ff.)

Rate and base: 50¢ per \$500, or fraction thereof, in market value of property transferred. If the property transferred is subject to a mortgage, only the excess of value of the property over the amount owed (the owner's equity) is taxed.

History: The tax was enacted in 1967 at the current rate. The rate was halved in 1979, then restored to 50¢ per \$500 in 1989. Effective June 1, 2004, a transfer of a controlling interest in a "real estate entity" that owns property in Illinois also became subject to this tax. The Department of Revenue must now allow recorders or registrars to buy revenue stamps electronically.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$57.7	5.9%	2005	\$107.0	24.1%
2001	57.8	0.2	2006	116.6	9.0
2002	65.2	12.8	2007	99.6	-14.6
2003	71.4	9.5	2008	76.8	-22.9
2004	86.2	20.7	2009	40.6	-47.1



Distribution:

1. 50% to the Illinois Affordable Housing Trust Fund.
2. 35% to the Open Space Lands Acquisition Development Fund.
3. 15% to the Natural Areas Acquisition Fund.

Other taxes on transfers of real estate

Federal: None. A federal tax of 50¢ per \$500 of the value of property transferred was repealed in 1967.

Local: Counties can impose a tax of 25¢ per \$500 of value (55 ILCS 5/5-1031). Some home-rule municipalities also impose real estate transfer taxes. The governing body of a home-rule municipality or county must hold a public hearing and referendum to impose or increase a local real estate transfer tax. A 2008 law allowed Chicago, without a referendum, to increase its real estate transfer tax by up to \$1.50 per \$500 of value to help fund the Chicago Transit Authority. Chicago's rate is now \$10.50 per \$1,000 of sale price.

Other states' taxes

Real estate transfer taxes are imposed by 35 states, at rates ranging from 1¢ per \$100 of price in Colorado to as much as 4% (1% state rate plus up to 3% in local taxes) of a property's value in Pennsylvania. Arizona charges \$2 per deed. In California and Louisiana, only local taxes apply. The following table lists state tax rates, stated as percentages of price.

<i>State</i>	<i>Rate</i>	<i>State</i>	<i>Rate</i>
Pennsylvania	4.00 ^a %	Virginia	0.35 ^h %
Washington	3.78 ^a	Arkansas	0.33
Delaware	2.00-3.00	Minnesota	0.33 ⁱ
New Hampshire	1.50	Wisconsin	0.30
Vermont	1.25 ^a	Kansas	0.26 ^j
Connecticut	1.25 ^{a, b}	Nebraska	0.225
New Jersey	1.21 ^c	Iowa	0.16
Michigan	0.90 ^a	Oklahoma	0.15 ^k
Florida	0.70 ^d	Alabama	0.10 ^l
North Carolina	0.60 ^a	Georgia	0.10
Nevada	0.51 ^a	Hawaii	0.10 ^m
Maryland	0.50 ^e	Illinois	0.10
Massachusetts	0.456	Kentucky	0.10
Maine	0.44	South Dakota	0.10
West Virginia	0.44 ^a	Colorado	0.01
New York	0.40 ^f		
Ohio	0.40 ^a		
Rhode Island	0.40		
South Carolina	0.37		
Tennessee	0.37 ^g		

a. Maximum rate, including local taxes.

b. Connecticut's rate declines to 1.11% on July 1, 2010.

c. Maximum rate, plus 1% of the amount transferred over \$1 million for some properties.

d. Florida also imposes a mortgage tax of 0.35%.

e. Plus various county recordation and transfer taxes.

f. Plus an added 1% if over \$1 million, and a mortgage recording tax of up to 1.05%. New York City imposes an additional 1% tax for mortgage recording and real estate transfers (more if over \$500,000).

g. Tennessee also imposes a mortgage recordation tax of 0.115%.

h. Includes a 0.25% recordation tax that applies to deeds and mortgages. Counties and cities may impose up to 1/3 of the state recordation tax.

i. Minnesota also imposes a mortgage registry tax of 0.23%.

j. This is a mortgage registration fee.

k. Oklahoma also imposes a mortgage registration tax up to 0.1%.

l. Alabama also imposes a mortgage filing tax of 0.15%.

m. If price is under \$600,000; up to 1% otherwise.

Riverboat Gambling Taxes and Fees

Illinois gets three kinds of revenue from licensed riverboat gambling: wagering taxes, license fees, and an admission tax (although part of the proceeds of that tax are distributed to the locality where each gambling boat docks). State law authorizes a total of 10 riverboat licenses. Only nine are active; but a tenth license was awarded on December 22, 2008 to Midwest Gaming & Entertainment to operate a riverboat at Des Plaines. Administered by Illinois Gaming Board in the Department of Revenue. (230 ILCS 10/1 ff.)

Rates and base:

1. Wagering tax:

	<i>Adjusted gross receipts</i>	<i>Rate</i>
Up to \$25	million	15.0%
50	million	22.5
75	million	27.5
100	million	32.5
150	million	37.5
200	million	45
Over 200	million	50

2. License fees:

- (a) \$25,000 nonrefundable application fee.
- (b) \$5,000 annual operator's fee.
- (c) \$50,000 fee for background investigation costs.
- (d) \$5,000 annual gambling device supplier's fee.

3. Admission fee (for entire day's admission):

- (a) \$2 per person if admissions in 2004 were up to 1 million.
- (b) \$3 per person if admissions in 2004 were over 1 million.

History: The tax was enacted in 1990 at a flat rate of 20% of adjusted gross receipts. In 1997 that was changed to a graduated system with 5 rates. On July 1, 2003 the number of rates was expanded to 7.

A 2005 act required any riverboat with over 1 million admissions in calendar year 2004 to pay an additional amount determined by how much its statutory "base amount" exceeds the tax liability. The obligation to pay that additional amount ended on July 1, 2007.

Riverboats were first allowed to conduct gambling while docked in 1999.

Illinois has nine riverboats operating. They are listed below by when they opened.

<i>Location</i>	<i>Year and month opened</i>	
Alton	1991	September
Peoria	1991	November
Rock Island	1992	March
Joliet (Empress)	1992	June
Metropolis	1993	February
Joliet (Harrah's)	1993	May
Aurora	1993	June
East St. Louis	1993	June
Elgin	1994	October

A boat opened at Galena in June 1992 but closed in July 1997.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$475.5	31.3%	2005	\$816.4	5.4%
2001	529.1	11.3	2006	817.2	0.1
2002	580.2	9.7	2007	812.6	-0.6
2003	670.5	15.6	2008	687.8	-15.4
2004	774.9	15.6	2009	553.2	-19.6



Distribution:

1. All regular wagering taxes and fees to the State Gaming Fund for distribution as follows:
 - (a) 5% of each boat's monthly receipts to the local government where it docks.
 - (b) Amounts appropriated to the Departments of Revenue and State Police for administering and enforcing the Riverboat Gambling Act and the Video Gaming Act, and to the Department of Human Services to administer programs to treat problem gambling.
 - (c) From December 15, 2008 until the first to occur of (i) December 15, 2011, (ii) the date a horse racing track begins operating a slot machine or video game of chance, (iii) the date that payments to the Horse Racing Equity Fund begin as described in (d) below, or (iv) the date the current wagering tax is increased to at least the rates that were in effect on July 1, 2003: of receipts from riverboats with calendar year 2004 adjusted gross receipts of \$200 million or more, 3% to the Horse Racing Equity Trust Fund.
 - (d) Of receipts from (i) a riverboat that was licensed but not operating on January 1, 1998 and moves to a new location, (ii) a riverboat newly licensed after June 25, 1999, or (iii) the first riverboat gambling conducted on behalf of the state (whichever of those events occurs first):
 - 15% to the Horse Racing Equity Fund. (The law says that the General Assembly "shall" appropriate an equal amount from the General Revenue Fund to the Education Assistance Fund. Both provisions apply before May 26, 2006 and starting December 15, 2008, unless any horse racing track begins operating a slot machine or video game of chance.)
 - 2% of adjusted gross receipts (AGR) to Cook County to improve criminal justice. (Again, the law says the General Assembly "shall" appropriate an equal amount to the Education Assistance Fund.)
 - 2% of AGR to Chicago State University.
 - (e) Remainder of all regular taxes to Education Assistance Fund.
2. Fines and penalties to Education Assistance Fund.
3. Admission tax:
 - (a) \$1 to the municipality where the riverboat docks (or to the county if it docks in an unincorporated area).
 - (b) Remainder to the state.

Other taxes on riverboat gambling

Federal: A federal tax of 0.25% applies to any wager allowed by state law. But the tax does not apply to a game in which all participants are present during the wagering, determination of winners, and distribution of prizes (26 U.S. Code secs. 4401 and 4421).

Local: None are authorized.

Other states' taxes

Indiana, Iowa, Louisiana, Mississippi, and Missouri are the only other states with riverboat gambling taxes. Iowa's gross-receipts tax is 5% of the first \$1 million wagered; 10% of the next \$2 million; and 22% of any excess over \$3 million. An Iowa city or county hosting a riverboat can impose a 50¢ admission fee by referendum. Mississippi imposes fees of 4% to 8% on gross receipts, and additional annual fees based on the number of games conducted, plus a gambling tax of 3% of payments or credits to patrons. Local governments in Mississippi can also tax monthly gross receipts from riverboat gambling, at rates ranging from 0.4% of the first \$50,000 to 0.8% of any excess over \$134,000.

Louisiana imposes an annual license fee of \$50,000 in the first year of operation and \$100,000 in later years, plus 3.5% of net proceeds. It also collects a franchise fee of 18% of net proceeds (some riverboats in Orleans Parish pay 15% to 18% depending on net proceeds). Localities may charge admission fees up to \$2.50 (\$3 in two parishes). Indiana imposes a tax of 22.5% of adjusted gross receipts of riverboats that do not have gambling at the dock, and six rates on those that do: 15% of the first \$25 million in annual adjusted gross receipts; 20% of receipts over \$25 million up to \$50 million; 25% of receipts over \$50 million up to \$75 million; 30% of receipts over \$75 million up to \$150 million; 35% of receipts over \$150 million up to \$600 million; and 40% of receipts over \$600 million. Indiana also imposes an admissions tax of \$3 (\$4 in some localities). Missouri imposes taxes of 21% of adjusted gross receipts and \$2 per admission.

Sales and Use Taxes

The “sales” tax actually consists of two matching pairs of taxes:

- The retailers’ occupation tax, and the use tax.
- The service occupation tax, and the service use tax.

The retailers’ occupation tax is imposed on gross receipts of retailers from sales of tangible personal property in Illinois.

The use tax is imposed on persons who use tangible personal property in Illinois. If the property is bought from an Illinois retailer, the retailer collects the use tax and uses it to pay the retailers’ occupation tax. A person who buys property out of state, paying a lower rate of sales tax than would be due here, and then uses it in Illinois is liable for the difference as use tax.

The service occupation tax and service use tax are similar to the retailers’ occupation tax and use tax, but apply to tangible property received incident to buying a service. There is no tax on the charge for the service. For example, if a car is repaired, these taxes apply only to the prices of any replacement parts used, not to the labor.

If out-of-state sellers have offices or other facilities in Illinois, the Illinois Department of Revenue can require them to collect these taxes on their sales in Illinois. Administered by Department of Revenue. (35 ILCS 105/1 ff. (use tax); 120/1 ff. (retailers’ occupation tax); 110/1 ff. (service use tax); and 115/1 ff. (service occupation tax))

Rate and base: 6.25% of the purchase price (except on food and drugs, gasohol, blended ethanol, biodiesel, and biodiesel blends, as described below). The state keeps the part equal to 5% of the purchase price, and pays the remaining 1.25% to local governments as described below.

Retailers’ occupation tax exemptions

A rate of only 1% applies to food to be consumed off the premises (excluding alcoholic beverages; soft drinks and candy as defined in the law; and food prepared for immediate consumption on the premises); medicines and medical appliances (but not nonprescription cleaning and grooming products); and modifications to automobiles used by disabled persons. That 1% goes to local governments. Municipalities and counties can exempt food from this tax if it is sold below retail cost, for off-premises consumption,

by a nonprofit organization that requires buyers to do community service as a condition of buying.

For gasohol, the retailers' occupation tax applies to only 80% of the price; no sales tax applies to fuel that is mostly ethanol. The tax applies to 80% of the sales price on biodiesel blends with 1% to 10% biodiesel content; no tax applies to blends with over 10% biodiesel content. These rates are to last through December 31, 2013. If the tax rate is reduced to only the 1.25% for local governments (as it was from July 1 to December 31, 2003), 100% of the sale price of gasohol and blends with 10% to 99% biodiesel will be taxed.

The state's portion of the sales tax (5%) on regular motor fuels and gasohol was suspended from July through December 2000.

The following *classes of items* are completely exempt from retailers' occupation tax:

1. Mandatory service charges to the extent they cover tips for persons directly involved in preparing, serving, hosting, or cleaning after a function for which the charges are imposed.
2. Farm chemicals.
3. New and used farm machinery (including farm wagons, trailers, and similar vehicles with gross weight up to 36,000 pounds, and apparatus for transporting or spreading chemicals) for production agriculture, or for state or federal agricultural programs; facilities to propagate, grow, or overwinter plants; and precision farm equipment such as soil sensors, computers, global positioning systems for soil testing and mapping, and equipment to collect data to formulate animal diets and farm chemicals.
4. Motor vehicles, recreational vehicles, and vans designed to carry 7 to 16 people, if they are to be rented out by a leasing company (see "Automobile Renting Occupation & Use Tax" on page 6).
5. Motor vehicles sold in Illinois to nonresidents and not titled in Illinois, for which drive-away permits are issued—if the state in which they will be titled has such an exemption for motor vehicles sold in it to Illinois residents. If it has no such exemption, a tax is imposed at a rate equal to that other state's tax on tangible personal property, but limited to the Illinois tax that would have otherwise been imposed.
6. Newsprint and ink.
7. All machinery, equipment, structures, and associated apparatus of a coal gasification operation.

8. Legal tender, currency, medallions, or gold or silver coins issued by Illinois, the U.S., or any foreign country; or bullion.
9. Photoprocessing machinery and equipment, including repair and replacement parts.
10. Photoprocessing products sold for use in commercial motion pictures.
11. Semen used for artificial insemination of livestock for direct agricultural production.
12. Some kinds of thoroughbred and standardbred horses used for breeding and racing. (No claim for credit or refund is allowed for taxes paid from May 30, 2000 through January 1, 2008, but the exemption applies for all other periods after May 30, 1995.)
13. Equipment used for diagnosis, analysis, or treatment of hospital patients, and computers and communications equipment used for any hospital purpose, if bought by a lessor and leased for at least 1 year to a hospital having an active tax exemption number.
14. Game or game birds bought at a game breeding and hunting preserve.
15. Motor vehicles donated to a recognized educational organization (such transactions formerly were treated as taxable).
16. Motor vehicles weighing over 8,000 pounds and subject to the commercial distribution fee (see “Driver’s License & Vehicle Fees” on page 28). This exemption formerly applied to repair and replacement parts if the vehicle qualifies for the rolling stock exemption described below. The exemption was repealed for transactions on or after July 1, 2005. But motor vehicles and trailers that previously qualified for the exemption will remain exempt if the taxpayer continues to pay the Commercial Distribution Fee in later registration years.
17. Through August 30, 2014, graphic-arts machinery, equipment, and replacement parts, and chemicals that act directly on graphic-arts products.
18. Building materials when used for real estate in a redevelopment project within an intermodal terminal facility area (35 ILCS 120/2-6; see also 65 ILCS 5/11-74.4-3.1). (Such an area may be designated by a municipality for purposes of developing new and/or rehabilitating obsolete intermodal terminal facilities.)
19. Building materials when used for real estate in an enterprise zone as part of a building project that is exempt from sales tax.
20. Building materials that will be incorporated into a High Impact Business location.

21. Building materials when used for real estate in a River Edge Redevelopment Zone certified by the Department of Commerce and Economic Opportunity.
22. Food for off-premises human consumption, and prescription and nonprescription medicines, medical appliances, and insulin, urine testing materials, syringes, and needles used by diabetics, if used by a person living on Medicaid in a licensed nursing home or a licensed facility for the mentally retarded or developmentally disabled (through June 30, 2011).
23. Materials used in construction or maintenance of a community water supply operated by a nonprofit corporation having a water supply permit.
24. Tangible personal property bought by a public facilities corporation to build or furnish a municipal convention hall, but only if legal title to the hall is transferred to the municipality without further payment by the municipality when the hall is completed or bonds issued by the corporation to finance the hall are retired.
25. Materials and components incorporated into or upon an aircraft as part of its modification, completion, repair, or maintenance by organizations that hold Air Agency Certificates, are empowered by the Federal Aviation Administration to operate an approved repair station, and meet some other requirements.

Sales in the following *kinds of situations* are also exempt:

1. Sales to government bodies; charitable, religious, and educational organizations; and nonprofit corporations organized to provide recreation to persons 55 or older.
2. Isolated or occasional sales by persons other than retailers.
3. Occasional dinners of charitable, religious, or educational organizations.
4. Sales of property to interstate carriers for hire for use as rolling stock (trucks or trailers) in interstate commerce, or to lessors under leases of at least 1 year executed or in effect at the time of purchase to interstate carriers for hire for use as rolling stock in interstate commerce. To qualify, over half of the vehicle's total trips must be to transport people or property in movement that is part of an interstate trip, and the vehicle (unless a trailer) must have a gross weight rating over 16,000 lbs. or be a limousine.
5. Sales of fuel consumed or used in ships, barges, or vessels used primarily to transport persons or property on a river bordering Illinois, if the fuel is delivered while the ship, barge, or vessel is on that river.

6. Sales of jet fuel used in operating high-impact service facilities in enterprise zones where mail, freight, cargo, or other parcels are sorted, handled, and redistributed (to be effective for a period of at least 10 years to be determined by the Department of Commerce and Economic Opportunity).
7. Sales of aviation fuel for flights beginning or ending outside the U.S.
8. Sales of petroleum products if federal law prohibits the seller from charging tax.
9. Sales of personal property to a nonprofit Illinois county fair association for fair use.
10. Sales of personal property by a teacher-sponsored student organization affiliated with a school.
11. Sales of machinery and equipment used for general maintenance and repair, or in-house manufacture, of exempt machinery and equipment. This includes up to 5% of the purchase price of production-related tangible personal property that is sold from July 1, 2007 through June 30, 2008 (no more than a total of \$10 million in exemptions may be given).
12. Sales of machinery to operate other equipment in a computer-assisted design (CAD) or computer-assisted manufacturing (CAM) system.
13. Sales of repair and replacement parts, fuels, equipment, and supplies used in manufacturing processes, bought by a business certified by the Department of Commerce and Economic Opportunity and located in an enterprise zone.
14. Sales of personal property by nonprofit organizations organized to benefit people over 65.
15. Sales to nonprofit arts or cultural organizations, including music and dramatic arts organizations, symphony orchestras and theatrical groups, local arts councils, visual arts organizations, and media arts organizations.
16. Sales of flowers by wire from outside Illinois for delivery by Illinois florists.
17. Sales of tangible personal property to a railroad, if transported out of Illinois for use elsewhere.
18. Purchases of personal property by a lessor, if leased to a governmental body (with an active tax exemption number) for at least 1 year.
19. Personal property sold at school fundraising events sponsored by volunteer entities that are recognized by a school district.
20. Sales of property to be used for repair or rebuilding of aircraft at a maintenance facility operated by an interstate carrier, in a county of 150,000 to 200,000 that contained three enterprise zones at the end of 1990, if other criteria are met.

21. Sales of aircraft that leave the state shortly after being made ready to fly, and are not based or registered in Illinois after the sale.
22. Sales to a public-facilities corporation for constructing or furnishing a municipal convention hall.

Use tax exemptions

The use tax does not apply to use of personal property that would be exempt from the retailers' occupation tax, or to the following kinds of property:

1. Property brought into the state for temporary use by a nonresident.
2. Property already taxed in another state, to the extent of the tax paid there.
3. Through June 30, 2011, temporary storage in Illinois of property acquired and later used outside the state, or that is altered and, as altered, used outside the state.
4. Building materials temporarily stored in Illinois, if acquired by a registered combination retailer and construction contractor, either inside or outside Illinois, and used by incorporating it into realty outside Illinois.
5. Property acquired outside the state by a nonresident and used for at least 3 months before being brought into Illinois for use here.
6. Used property moved to Illinois by a business not formerly operating in Illinois, if the property was bought and used in the business outside Illinois for at least 3 months.
7. Motor fuel acquired outside Illinois and brought into the state in fuel supply tanks of locomotives engaged in freight hauling and passenger service in interstate commerce.
8. Motor vehicles weighing over 8,000 pounds and subject to the commercial distribution fee (see "Driver's License & Vehicle Fees" on page 28). This exemption also applies to repair and replacement parts, if the vehicle qualifies for the rolling stock exemption. This exemption ended for transactions after June 2005. But motor vehicles and trailers that previously qualified for the exemption remain exempt as long as the taxpayer continues paying the Commercial Distribution Fee in later registration years.
9. Aircraft temporarily located in Illinois (a) for pre-purchase evaluation if they are not based or registered in the state after evaluation, or (b) for post-sale customization if they leave the state shortly after being made ready to fly, and are not based or registered in the state before or after customization.

Service tax exemptions

A rate of only 1% applies to food prepared for immediate consumption and transferred incident to a sale of service by a licensed hospital, nursing home, child care facility, or facility for the mentally retarded or developmentally disabled.

Service transactions involving provision of the following kinds of property are exempt from the service use and service occupation taxes:

1. Personal property taxable under the retailers' occupation or use tax, and tangible personal property offered for resale.
2. Personal property that is essential for providing service for or by any governmental body or charitable, religious, or educational organization, or a nonprofit corporation organized for the recreation of persons 55 or older.
3. Personal property that is essential for providing service by interstate carriers for hire for use as rolling stock in interstate commerce, or by lessors under leases of at least 1 year, executed or in effect at the time of purchase, to interstate carriers for hire as rolling stock moving in interstate commerce if at least 51% of the carrier's total trips are used in transporting people or property and cross an Illinois state border.
4. Property that is incorporated into other tangible personal property and sold in the regular course of business, or that is transported in interstate commerce to destinations outside Illinois (through June 2011).
5. Sales for the primary purpose of conveying news, with or without other information.
6. Property acquired outside the state and moved into Illinois for use as rolling stock in interstate commerce, if at least 51% of the carrier's total trips are used for transporting people or property and cross an Illinois state border.
7. Property that cannot be taxed under federal law.
8. Interim use of tangible personal property.
9. Property temporarily used in the state by nonresidents.
10. Property taxed in another state, but only to the extent of the tax paid there.
11. Property temporarily stored in the state for later use outside the state, or rented and used outside the state.
12. Property acquired outside the state at least 3 months before being used in Illinois.
13. Machinery and equipment primarily used for manufacture or assembly of tangible personal property for sale or lease.

14. Mandatory service charges to the extent they cover tips for persons directly involved in preparing, serving, hosting, or cleaning after a function for which the charges are imposed.
15. New or used farm machinery for production agriculture, or for state or federal programs.
16. All machinery, equipment, structures, and associated apparatus of a coal gasification operation.
17. Motor vehicles designed to carry up to 10 people, if they are to be rented out by a leasing company.
18. Property used for repairing railroad equipment that is transported outside Illinois for use elsewhere.
19. Sale or transfer of property made on special order for an interstate carrier for hire that is received in Illinois, but is transported to and used outside Illinois.
20. Personal property bought by a nonprofit Illinois county fair association for fair use.
21. Personal property sold by a teacher-sponsored student organization affiliated with an elementary or secondary school.
22. Legal tender, currency, medallions, or gold or silver coins issued by Illinois, the U.S., or any foreign country, and bullion.
23. Photoprocessing machinery and equipment, including repair and replacement parts.
24. Machinery and equipment used for general maintenance and repair, or in-house manufacture, of exempt machinery and equipment.
25. Machinery used to operate other equipment in a computer-assisted design (CAD) or computer-assisted manufacturing (CAM) system.
26. Proceeds from sales of personal property by nonprofit organizations organized to benefit people over 65.
27. Sales to nonprofit music or dramatic-arts organizations that present live performances on a regular basis.
28. Aviation fuels bought for flights outside the U.S.
29. Photoprocessing products used in commercial motion pictures.
30. Motor vehicles weighing more than 8,000 pounds and subject to the commercial distribution fee (see “Driver’s License & Vehicle Fees” on page 28). This exemption also applies to repair and replacement parts, if the vehicle qualifies for the rolling stock exemption. But as stated under “Use tax exemptions” above, this exemption does not apply to new transactions after June 2005.
31. Graphic arts machinery, equipment, and replacement parts.
32. Materials used in the construction or maintenance of a community water supply operated by a nonprofit corporation having a water supply permit.

33. Sales to a public-facilities corporation for constructing or furnishing a municipal convention hall.
34. Tangible personal property bought by a public facilities corporation to build or furnish a municipal convention hall, but only if legal title to the hall is transferred to the municipality without further payment by the municipality when the hall is completed or bonds issued by the corporation to finance the hall are retired.
35. Materials and components incorporated into or upon an aircraft as part of its modification, completion, repair, or maintenance by organizations that hold Air Agency Certificates, are empowered by the Federal Aviation Administration to operate an approved repair station, and meet some other requirements.

Through August 30, 2014, a manufacturer's purchase credit may be earned for buying manufacturing machinery and equipment and construction materials that are incorporated into a manufacturing facility, and for graphic arts machinery and equipment. The credit may be used to offset sales tax liability for buying production-related personal property and construction materials that do not otherwise qualify for the exemptions of machinery, equipment, or materials. The credit is 50% of the price of manufacturing machinery or equipment to which that exemption did not apply. The credit may not be claimed when buying production-related tangible personal property for which an exemption is received as described in "Retailers' occupation tax exemptions" above.

History:

	<i>Year</i>	<i>Rate</i>
A retailers' occupation tax was enacted in 1933 at a rate of 2%.	1933	2 %
	1935	3
	1941	2
A use tax was added in 1955, and both rates were set at 2.5%.	1955	2.5
	1959	3
The service use tax and service occupation taxes were added in 1961.	1961	3.5
	1967	4.25
	1969	4
	1984	5
	1990	6.25*

* The 6.25% is a combined state-local rate. The state keeps 80% (the first 5¢ per \$1.00), and pays the other 20% (1.25¢ per \$1.00) to local governments. See "Distribution" on page 120.

Rates of sales and use taxes on food and drugs were reduced from 4% to 3% on January 1, 1980, and from 3% to 2% on January 1, 1981. All food not for consumption on the premises, and all drugs, were completely exempted from state sales and use taxation on January 1, 1984. When the combined state-local rate of 6.25% took effect in 1990, a 1% state tax was imposed on food and drugs; its proceeds are transferred to local governments.

A 2003 act created the Aircraft Use Tax on the sale of airplanes (35 ILCS 157/10-1 ff.). Its rate is 6.25% of the purchase price, of which 1.25% is deposited into the Local Government Distributive Fund and the remainder to the General Revenue Fund.

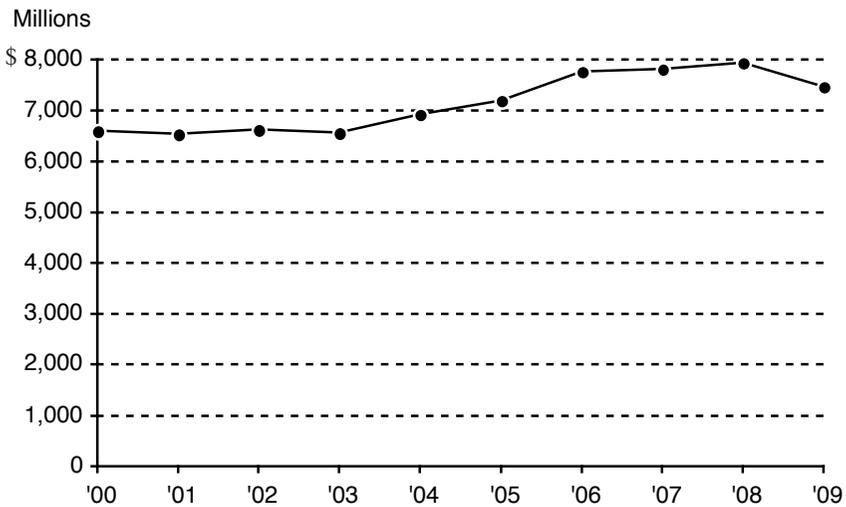
A 2004 act created the Watercraft Use Tax (35 ILCS 158/15-1 ff.) at 6.25% of the price of watercraft acquired by gift, transfer, or purchase. Proceeds go 20% to the State and Local Sales Tax Reform Fund, and 80% to the General Revenue Fund. (Leased or rented watercraft are tangible personal property subject to the Retailers' Occupation Tax.)

A tax amnesty program in fiscal year 2004 allowed taxpayers to pay outstanding tax liabilities without penalty or interest. Amnesty collections totaled \$101,358,086.

Effective September 1, 2009, candy was excluded from the definition of "food for human consumption that is to be consumed off the premises where it is sold," and products such as soap, shampoo, toothpaste, and sunscreen were excluded from the definition of "nonprescription medicines and drugs," causing them to be taxed at 6.25% rather than 1%.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$6,602.0	7.8%	2005	\$7,190.3	3.9%
2001	6,531.8	-1.1	2006	7,763.1	8.0
2002	6,617.0	1.3	2007	7,817.3	0.7
2003	6,563.4	-0.8	2008	7,935.5	1.5
2004	6,922.6	5.5	2009	7,470.5	-5.9



Distribution:

1. 80% of net revenue from 6.25% sales tax as follows:
 - (a) 1.75% to Build Illinois Fund;
 - (b) 3.8% to Build Illinois Fund to retire bonds;
 - (c) 0.27% to Illinois Tax Increment Fund;
 - (d) 80% of net tax revenue on Illinois coal bought by a new electric generating facility that received state financial aid, to the Energy Infrastructure Fund (for the first 25 years that the facility buys Illinois coal).
 - (e) 25% reserved for transfer to Common Schools Special Account Fund;
 - (f) 80% of net revenue from sales of products that were taxed at 1% until September 1, 2009 and then began to be taxed at 6.25%, to Capital Projects Fund.

- (g) Remainder to General Revenue Fund, with two transfers out:
 - (i) 3/32 of net revenue from counties and municipalities that have Downstate mass transit districts, to the Downstate Public Transportation Fund.
 - (ii) 3/32 of net revenue from Madison, Monroe, and St. Clair Counties to the Downstate Public Transportation Fund.

In addition to those transfers of money from state sales tax revenues, the law calls for the state to match the following amounts of sales tax (and real estate transfer tax) collected by Chicago or the RTA, by transferring matching amounts to the Public Transportation Fund, which supports the RTA exclusively (70 ILCS 3615/4.09(b)(1)):

- (i) 25% of net revenue from (a) 80% of the proceeds of a 1.25% tax in Cook County; (b) 75% of the proceeds of a 1% tax in Cook County; and (c) one-third of the proceeds of a 0.75% tax in the collar counties, to the Public Transportation Fund.
 - (ii) 5% of net revenue collected from the total RTA sales tax (and 5% of revenue transferred to the Chicago Transit Authority from Chicago's real estate transfer tax), to the Public Transportation Fund.
 - (iii) Beginning January 1, 2009, 25% of net revenue from (a) 20% of the proceeds from a 1.25% RTA sales tax in Cook County; (b) 25% of the proceeds from a 1% RTA sales tax in Cook County; (c) one-third of the proceeds from a 0.75% RTA sales tax in the collar counties; and (d) 25% of revenue transferred to the Chicago Transit Authority from Chicago's real estate transfer tax, under an intergovernmental agreement to be made, to the Public Transportation Fund.
2. 16% of net proceeds of the 6.25% sales tax to the Local Government Tax Fund.
 3. 4% of net revenue from the 6.25% sales tax to the County and Mass Transit Fund.

Additional amounts specified by law are to be deposited in the Build Illinois Fund and the McCormick Place Expansion Project Fund.

Other taxes on sales

Federal: None.

*Local:*Goods other than food and drugs:

Illinois law authorizes local governments to impose sales taxes, subject to the following provisions on rates:

Home-rule units	0.25% or more in 0.25% increments (no statutory limit)
Non-home-rule municipalities	0.25%, 0.50%, 0.75%, or 1.0% for property tax relief or public infrastructure
Regional Transportation Authority (RTA)	1.00% maximum in Cook County; 0.75% maximum in DuPage, Kane, Lake, McHenry, and Will Counties
DuPage County Water Commission	0.25% maximum
Metro East Transit District	0.25% maximum (any county in the District may impose an additional 0.5% by referendum)
Metro-East Park and Recreation District	0.1% maximum

Current rates of home-rule units, and numbers of units imposing them, are:

1.75%	Cook County and the cities of DeKalb and Springfield (Cook County's rate drops to 1.25% in July 2010.)
1.50	16 municipalities
1.25	21 municipalities, including Chicago
1.00	72 municipalities
0.75	23 municipalities
0.5	23 municipalities
0.25	3 municipalities

The RTA and DuPage County Water Commission impose the maximum rates allowed. The Madison County Metro East Transit District imposes 0.25%, and the St. Clair County Metro East Transit District 0.75%. The Department of Revenue collects these local taxes along with the 6.25% statewide tax.

The Illinois Municipal Code authorizes non-home-rule municipalities by referendum to tax sales, except of food and drugs, for public infrastructure and/or property tax relief at rates of 0.25%, 0.5%, 0.75%, or 1.0%. The Illinois Department of Revenue collects those taxes for the municipalities that impose them (65 ILCS 5/8-11-1.1 and 5/8-11-1.3). Over 80 municipalities impose such taxes. A provision intended specifically for East Peoria allows it to impose a sales tax in 0.25% increments (65 ILCS 5/8-11-1.6); it imposes 1.25%.

Any county by referendum may impose a sales tax, except on food and drugs, for public safety, public facility, or transportation purposes in 0.25% increments. The Illinois Department of Revenue collects those taxes (55 ILCS 5/5-1006.5). At least 34 counties impose them.

Any county (except Cook) by referendum may impose a sales tax in 0.25% increments up to 1%, except on food and drugs, for school facility purposes. Cass, Champaign, Schuyler, and Williamson Counties impose the tax at a 1% rate; Jo Daviess County's rate is 0.5%. The Illinois Department of Revenue collects such taxes. (55 ILCS 5/5-1006.7)

A municipality may designate an area as a business district and, if the area is found to be blighted and not likely to be developed without assistance, impose a sales tax within the district, except on food and drugs, in 0.25% increments up to 1% to fund plans and projects in the district. The Illinois Department of Revenue collects those taxes. (65 ILCS 5/11-74.3-6(b) and (c))

A flood prevention district (authorized to be formed by Madison, Monroe, and St. Clair Counties) may by ordinance impose a sales tax, except on food and drugs, of 0.25% for up to 25 years if the district board determines that an emergency exists regarding levee repair or flood prevention. Funds are to be used to pay the costs of emergency levee repair and flood prevention, and to secure the payment of bonds issued for those purposes. Each of those counties currently imposes the tax. The Illinois Department of Revenue collects such taxes. (70 ILCS 750/25)

Food and drugs:

The state collects a 1% tax on sales of food for consumption off the premises; food served in hospitals and nursing homes incident to providing other services; prescription and nonprescription drugs; and medical appliances. This tax is collected by the Department of Revenue and paid into the Local Government Tax Fund for distribution to municipalities and counties.

The state does not keep any of this revenue. In addition, Chicago is authorized to levy a tax on soft drinks, which the state collects; and the state collects sales taxes on food and drugs for three transit districts. The Regional Transportation Authority imposes the maximum rates allowed. The St. Clair County Mass Transit District collects 0.75%, and the Madison County Mass Transit District 0.25%.

Chicago (soft drinks only)	0.25% or more in 0.25% increments (3.0% maximum)
Regional Transportation Authority (RTA)	1.25% maximum in Cook County 0.75% maximum in DuPage, Kane, Lake, McHenry, and Will Counties
Metro East Transit District	0.25% maximum (any county in the District may impose an additional 0.5% by referendum)

A home-rule unit that does not impose a sales tax may tax gross receipts from the sale of alcoholic beverages, soft drinks, and food for immediate consumption. The tax may not be collected within more than 1 square mile, and must have the written consent of at least three-fourths of the operators of businesses to be taxed. It may be imposed in 0.25% increments up to 2%, for up to 25 years. Proceeds may be used for parking facilities in the area taxed. Those taxes are administered by municipalities.

Other taxes up to 1% are authorized for specific purposes for Belvidere and Collinsville, and for Boone County.

Use Tax:

The increase in the general sales tax rate from 5% to 6.25% also increased collections of use tax by 25% ($1.25 \div 5$). That additional revenue is distributed as follows:

- (a) 20% to Chicago.
- (b) 10% to RTA Occupation and Use Tax Replacement Fund.
- (c) 0.6% to Madison County Mass Transit District.
- (d) \$37.8 million to Build Illinois Bond Account Fund (through FY 2025).
- (e) The remainder to the Local Government Distributive Fund (distributed by population to local governments other than Chicago).

Restaurants:

The Metropolitan Pier and Exposition Authority is authorized to impose a 1% retailers' occupation tax on restaurant and carry-out food in the area of Chicago bordered by the Stevenson Expressway on the south, Ashland Avenue on the west, Surf Street on the north, and Lake Michigan on the east; and at O'Hare and Midway Airports.

The following tables list rates collected in each locality or area. Rates of county taxes for public safety or school facilities, business district taxes, and flood prevention district taxes, as described above, are not included.

Items except food and drugs

	<i>Chicago</i>	<i>Suburban Cook Co.</i>	<i>DuPage</i>	<i>Other collar</i>	<i>Down- state</i>	<i>St. Clair</i>	<i>Madi- son</i>
State	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Municipal*	1.00	1.00	1.00	1.00	1.00	1.00	1.00
County	0.25	0.25	0.25	0.25	0.25	0.25	0.25
County home-rule	1.75**	1.75**	-	-	-	-	-
RTA	1.00	1.00	0.75	0.75	-	-	-
DuPage water†	-	-	0.25	-	-	-	-
Metro East Transit	-	-	-	-	-	0.75‡	0.25‡
Metro East Park and Recreation	-	-	-	-	-	0.10	0.10
City home-rule ^Δ	1.25	0.25- 1.50	0.50- 1.50	0.50- 1.50	0.50- 1.75	0.25- 1.50	1.00- 1.50
Totals	10.25%	9.00- 10.50%	7.25- 8.75%	7.00- 8.50%	6.25- 8.00%	7.10- 8.60%	6.60- 8.10%

* Revenues from the 1% tax go to municipalities, or to counties for sales made in unincorporated areas.

** These rates will drop to 1.25% on July 1, 2010.

† City of Chicago areas within DuPage County are not subject to the DuPage water tax.

‡ The Metro East Transit District sales tax is levied only in townships that are part of the District.

Δ In 0.25% increments.

Food and drugs

	<i>Chicago</i>	<i>Suburban Cook Co.</i>	<i>DuPage</i>	<i>Other collar</i>	<i>Down- state</i>	<i>St. Clair</i>	<i>Madi- son</i>
State	-	-	-	-	-	-	-
Municipal*	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
County	-	-	-	-	-	-	-
County home-rule	-	-	-	-	-	-	-
RTA	1.25	1.25	0.75	0.75	-	-	-
DuPage water [†]	-	-	-	-	-	-	-
Metro East Transit	-	-	-	-	-	0.75 [‡]	0.25 [‡]
Totals	2.25%	2.25%	1.75%	1.75%	1.00%	1.75%	1.25%

* Revenues from the 1% tax go to municipalities, or to counties for sales made in unincorporated areas.

† City of Chicago areas within DuPage County are not subject to the DuPage water tax.

‡ The Metro East Transit District sales tax is levied only in townships that are part of the District.

Other states' taxes

Only five states do not impose general sales taxes: Alaska, Delaware, Montana, New Hampshire, and Oregon.

Basic (statewide) rates in the states with general sales taxes are:

<i>Rate</i>	<i>States</i>
7.25 %	California*
7.0	Indiana, Mississippi, New Jersey, Rhode Island, Tennessee
6.875	Minnesota
6.85	Nevada [†]
6.5	Washington
6.25	Illinois , Massachusetts, Texas
6.0	Arkansas, Connecticut, Florida, Idaho, Iowa, Kentucky, Maryland, Michigan, Pennsylvania, South Carolina, Vermont, West Virginia
5.75	North Carolina
5.6	Arizona
5.5	Nebraska, Ohio
5.3	Kansas
5.0	Maine, New Mexico, North Dakota, Wisconsin
4.7	Utah
4.5	Oklahoma
4.225	Missouri
4.0	Alabama, Georgia, Hawaii, Louisiana, New York, South Dakota, Virginia,* Wyoming
2.9	Colorado

* California and Virginia also levy a 1% statewide local sales tax. California's rate is scheduled to decline to 6.25% on July 1, 2011.

† Nevada's rate will decline to 6.5% on July 1, 2011.

Tire User Fee

The fee is imposed on the retail sale of new or used tires (except tires sold by mail; tires sold while mounted on a vehicle; and reprocessed tires). Administered by Department of Revenue. (415 ILCS 5/55.8)

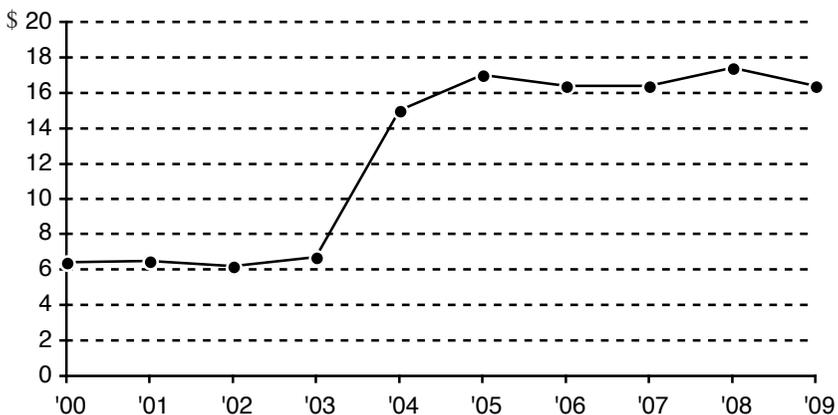
Rate and base: \$2.50 per tire sold.

History: The fee was first imposed on July 1, 1992 at \$1 per tire. In 2003 it was raised to \$2, and a 50¢ fee for the Emergency Public Health Fund was added. The 50¢ fee was to end in 2008, but in 2007 became permanent.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$ 6.4	4.9%	2005	\$17.0	13.3%
2001	6.5	1.6	2006	16.4	-3.5
2002	6.2	-4.6	2007	16.4	0.0
2003	6.7	8.1	2008	17.4	6.1
2004	15.0	123.9	2009	16.4	-5.7

Millions



Distribution:

1. 10¢ kept by seller.
2. 10¢ to General Revenue Fund.
3. 50¢ to Emergency Public Health Fund.
4. Remaining \$1.80 to Used Tire Management Fund.

Other taxes on tires

Federal: A tax applies to heavy-duty tires (with maximum rated load capacity over 3,500 lbs.), in most cases at 9.45¢ per 10 lbs. over that capacity; it expires in 2011. (26 U.S. Code sec. 4071)

Local: Chicago imposes a \$1 fee on each new tire sold at retail, except by mail order or as part of a vehicle. The city uses the proceeds to pay costs of regulating used tires and their effects. (Chicago Municipal Code, sec. 11-4-142)

Other states' taxes

<i>State</i>	<i>Tax per tire</i>	
Alaska	\$2.50	(\$5 if tire is spiked)
Illinois	2.50	
New York*	2.50	(expires January 1, 2011)
Arkansas	2.00	(\$5 per truck tire)
Delaware	2.00	
Louisiana	2.00	(\$5 per medium truck tire; \$10 per off-road tire)
South Carolina	2.00	
California*	1.75	
Colorado	1.50	
New Jersey*	1.50	
Tennessee	1.35	
Alabama	1.00	
Florida*	1.00	
Georgia	1.00	(expires June 30, 2011)
Kentucky	1.00	(expires July 31, 2010)
Maine	1.00	
Mississippi	1.00	(\$2 if tire is at least 24 inches wide)
Nebraska*	1.00	
Nevada	1.00	
Ohio	1.00	(expires July 1, 2011)
Oklahoma	1.00	(\$2.50 if 17½-19½ inches wide; \$3.50 if larger; \$1 per motorcycle tire)
Pennsylvania	1.00	
Utah	1.00	(for tire up to 24½ inches wide)
Virginia	1.00	(50¢ starting July 1, 2011)
Washington	1.00	

<i>State</i>	<i>Tax per tire</i>
Maryland*	0.80
Missouri	0.50 (expires January 1, 2015)
Rhode Island	0.50
New Mexico	0.375 (annual fee of \$1.50 per automobile, \$1 per motorcycle, 50¢ per wheel on a bus)
Indiana*	0.25
Kansas*	0.25
South Dakota	0.25 (charged at vehicle registration)
Arizona*	2% of price; limited to \$2 per tire (\$1 per tire on a motor vehicle if tire price is not stated separately)
North Carolina	1% of price of tire with at least 20-inch diameter; 2% if smaller

* These states appear to impose their fees on tires sold on motor vehicles as well as on replacement tires.

Vehicle Use Tax

This tax is imposed on each motor vehicle given, transferred, or sold between private parties. Administered by Department of Revenue. (625 ILCS 5/3-1001 ff.)

Rate and base

(a) Vehicle valued under \$15,000:

<i>Years since model year</i>	<i>Tax</i>	<i>Years since model year</i>	<i>Tax</i>
Up to 1	\$390	7	\$80
2	290	8	65
3	215	9	50
4	165	10	40
5	115	over 10	25
6	90		

(b) Vehicle valued at \$15,000 or more:

<i>Sale price</i>	<i>Tax</i>	<i>Sale price</i>	<i>Tax</i>
\$15,000-19,999	\$ 750	\$25,000-29,999	\$1,250
20,000-24,999	1,000	30,000+	1,500

(c) \$15 for a motor vehicle sold or transferred among immediate family members in administering an estate (except transfer to a surviving spouse), or in reorganizing a business with no change in beneficial ownership.

(d) \$25 for a motorcycle, motor-driven cycle, or mo-ped.

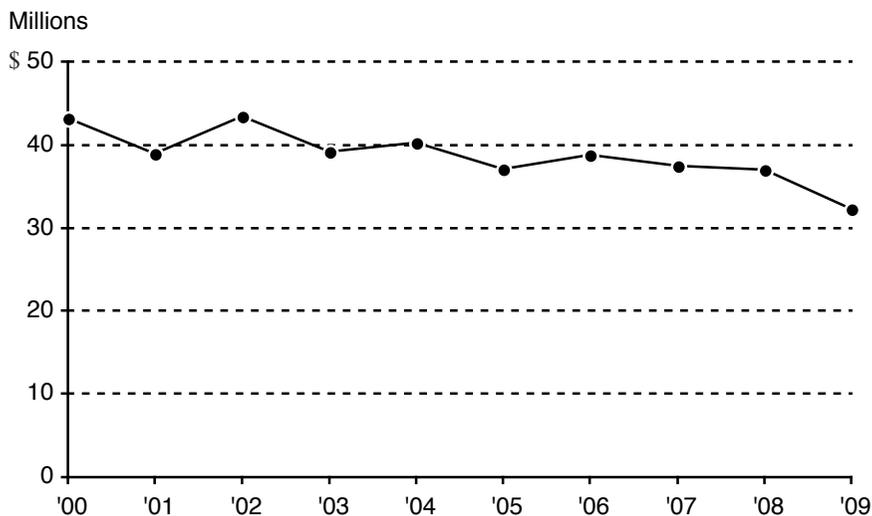
Exemptions:

1. Vehicles taxable under the use tax.
2. Vehicles bought and used by government agencies, or by a society, association, foundation, or institution organized and operated exclusively for charitable, religious, or educational purposes.
3. Vehicles sold after issuance of junking certificates.
4. Vehicles transferred to a surviving spouse.
5. Vehicles for on-farm use only.

History: The tax was enacted in 1979 at \$30 per vehicle. In 1981 motor vehicles over 5 years old were exempted. In 1985 the rate was changed to 5% of the selling price for vehicles up to 10 years old. The current rates, based on vehicle age and selling price, took effect in 1988. The tax will be discontinued when there are enough proceeds to retire the Build Illinois bonds. A tax amnesty program in fiscal year 2004 allowed tax-payers to pay outstanding tax liabilities without penalty or interest. Amnesty collections totaled \$183,589.

State revenue collected

<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>	<i>Fiscal year</i>	<i>Receipts (millions)</i>	<i>Change</i>
2000	\$43.2	0.5%	2005	\$37.1	-7.9%
2001	39.0	-9.7	2006	38.8	4.6
2002	43.4	11.3	2007	37.5	-3.4
2003	39.2	-9.7	2008	37.0	-1.3
2004	40.3	2.8	2009	32.3	-12.7



Distribution: \$5 million per year to the Build Illinois Fund; remainder to the General Revenue Fund.

Other taxes on vehicle use

Federal: None.

Local: No local tax is authorized by statute, but a home-rule unit probably could impose one.

Other states' taxes

Other states usually tax sales of motor vehicles between private parties at the same rates as other sales.

Video Gaming Tax

The state gets two kinds of revenue from licensed video gaming terminals: license fees, and the video gaming terminal tax. Terminals covered include those that, upon insertion of cash, play or simulate play of a video game (including video poker, line up, and blackjack) using a video display or microprocessors, in which a player may receive free games or credits redeemable for cash. Such terminals do not include those that directly dispense cash or tokens, or are for amusement only. They are authorized at alcoholic beverage establishments (except racetracks and riverboats), fraternal and veterans' establishments, and large truck stops. Administered by Illinois Gaming Board. (230 ILCS 40/1 ff.)

Rate and base:

1. Video gaming terminal license fees:

Manufacturer:	\$10,000
Distributor:	10,000
Operator:	5,000
Supplier:	2,000
Technician:	100
Establishment:	100
Terminal:	100
Terminal handler:	50

2. Video gaming terminal tax:

30% of net terminal income (gross revenue minus prizes paid)

History: The tax took effect July 13, 2009.

Disposition

1. License fees: To the State Gaming Fund.
2. Video gaming tax:
 - (a) Five-sixths to the Capital Projects Fund.
 - (b) One-sixth to the Local Government Video Gaming Distributive Fund for distribution to counties and municipalities that have video gaming.

Other taxes on video gaming

Federal: The federal tax of 0.25% of the amount of any wager allowed by state law does not apply to wagers placed in a coin-operated device, or to any amount paid in lieu of inserting a coin, token, or similar object into such a device (26 U.S. Code subsec. 4402(2)).

Local: No tax is authorized by statute. Home-rule units probably cannot collect license fees due to the restriction on licensing for revenue in the Illinois Constitution, Art. 7, subsec. 6(e). A tax on net income of video gaming terminal operators probably would be invalid under the same provision as an occupation tax.

A non-home-rule unit may not charge a fee exceeding \$25 per year for operation of a video gaming terminal. (230 ILCS 40/65)

Other states' taxes

At least six other states authorize video gaming at establishments other than racetracks or casinos. Louisiana allows video draw poker devices in restaurants, bars, taverns, cocktail lounges, clubs, hotels, motels, and large truck stops. It charges \$250 annually per machine (\$1,000 per machine at truck stops), and takes 22.5% to 32.5% of net machine revenue in taxes depending on the machine location. Montana authorizes video poker, keno, and bingo machines in establishments licensed for alcohol and gambling. The annual fee is \$220 per machine, and the state collects 15% of gross machine income. In Nevada, video gaming and slot machines are allowed in bars, taverns, grocery stores, drugstores, convenience stores, liquor stores, and casinos. Operators must pay \$250 annually for each such machine, plus additional fees based on the type of license and number of machines. The state takes a percentage of monthly gross income from gambling, ranging from 3.5% of the first \$50,000 to 6.75% of income over \$134,000. Oregon authorizes video lottery machines in alcoholic beverage establishments and restaurants. The annual fee is \$135 per terminal, plus an amount based on net receipts. The state takes about two-thirds of net video lottery revenue. In South Dakota, bars and lounges may have video lottery machines, and each operator must pay annually the greater of \$100 per machine or \$1,000. The state takes half of net machine income. Finally, West Virginia allows video lottery at private clubs and some beer establishments. The annual fee is \$1,000 per terminal; the state also takes 30% to 50% of net income from video lottery depending on the amount of income.

Several states, including some of those listed above, also authorize video gaming at casinos and/or racetracks.