



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB3194

Introduced 2/15/2018, by Sen. Paul Schimpf

SYNOPSIS AS INTRODUCED:

35 ILCS 5/227 new

Amends the Illinois Income Tax Act. Creates the Hire Illinois Tax Credit. Provides that a business is eligible for a \$500 tax credit against its withholding tax liability for each recent graduate of a public university in the State who is hired by the taxpayer within the incentive period and retained by the taxpayer for 12 consecutive months. Provides that the \$500 tax credit may be taken in both the year the qualified employee is hired and for each year of the next 4 years the qualified employee is retained by the taxpayer for 12 consecutive months. Provides 2 ways the taxpayer may take the \$500 tax credit. Provides that the Department of Commerce and Economic Opportunity shall limit the monetary amount of these tax credits to \$25,000,000. Provides for procedures for a business to apply for a certificate of eligibility for the credit and for procedures to apply for a tax credit certificate. Grants the Department of Commerce and Economic Opportunity the powers necessary or convenient to administer the tax credit. Effective immediately.

LRB100 18917 HLH 34163 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning revenue.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Illinois Income Tax Act is amended by adding
5 Section 227 as follows:

6 (35 ILCS 5/227 new)

7 Sec. 227. Hire Illinois Tax Credit.

8 (a) As used in this Section:

9 "Applicant" means a corporation, partnership, limited
10 liability company, or natural person that hires a qualified
11 employee.

12 "Basic wage" means compensation for employment that is no
13 less than \$10 per hour or the equivalent salary for a new
14 employee.

15 "Certificate of eligibility" means the certificate issued
16 by the Department under subsection (c).

17 "Credit" means the amount awarded by the Department to an
18 applicant by issuance of a tax credit certificate.

19 "Date of hire" means the first day on which the employee
20 begins providing services for basic wage compensation.

21 "Department" means the Department of Commerce and Economic
22 Opportunity.

23 "Director" means the Director of Commerce and Economic

1 Opportunity.

2 "Full-time employee" means an individual who is employed
3 for a basic wage for at least 35 hours each week or who renders
4 any other standard of service generally accepted by industry
5 custom or practice as full-time employment.

6 "Incentive period" means the period beginning January 1,
7 2017 and ending December 31, 2018.

8 "Noncompliance date" means, in the case of an applicant
9 that is not complying with the requirements of the provisions
10 of this Section, the day following the last date upon which the
11 taxpayer was in compliance with the requirements of the
12 provisions of this Section, as determined by the Director.

13 "Qualified employee" means a full-time employee who (i) is
14 hired by the applicant during the incentive period and (ii)
15 graduated from a public university in the State within a year
16 prior to being hired by the applicant. "Qualified employee"
17 does not include:

18 (1) a person who was previously employed by the
19 applicant or a related member prior to the onset of the
20 incentive period; or

21 (2) any individual who has a direct or indirect
22 ownership interest of at least 5% in the profits, capital,
23 or value of the applicant or a related member.

24 "Related member" means a person that, with respect to the
25 applicant during any portion of the incentive period, is any
26 one of the following:

1 (1) An individual, if the individual and the members of
2 the individual's family (as defined in Section 318 of the
3 Internal Revenue Code) own directly, indirectly,
4 beneficially, or constructively, in the aggregate, at
5 least 50% of the value of the outstanding profits, capital,
6 stock, or other ownership interest in the applicant.

7 (2) A partnership, estate, or trust and any partner or
8 beneficiary, if the partnership, estate, or trust and its
9 partners or beneficiaries own directly, indirectly,
10 beneficially, or constructively, in the aggregate, at
11 least 50% of the profits, capital, stock, or other
12 ownership interest in the applicant.

13 (3) A corporation, and any party related to the
14 corporation in a manner that would require an attribution
15 of stock from the corporation under the attribution rules
16 of Section 318 of the Internal Revenue Code, if the
17 applicant and any other related member own, in the
18 aggregate, directly, indirectly, beneficially, or
19 constructively, at least 50% of the value of the
20 corporation's outstanding stock.

21 (4) A corporation and any party related to that
22 corporation in a manner that would require an attribution
23 of stock from the corporation to the party or from the
24 party to the corporation under the attribution rules of
25 Section 318 of the Internal Revenue Code, if the
26 corporation and all such related parties own, in the

1 aggregate, at least 50% of the profits, capital, stock, or
2 other ownership interest in the applicant.

3 (5) A person to or from whom there is attribution of
4 stock ownership in accordance with Section 1563(e) of the
5 Internal Revenue Code, except that for purposes of
6 determining whether a person is a related member under this
7 paragraph, "20%" shall be substituted for "5%" whenever
8 "5%" appears in Section 1563(e) of the Internal Revenue
9 Code.

10 "Tax credit certificate" means the tax credit certificate
11 issued by the Department under subsection (d).

12 (b) The Department, in addition to those powers granted
13 under the Civil Administrative Code of Illinois, is granted and
14 shall have all the powers necessary or convenient to carry out
15 and effectuate the purposes and provisions of this Section,
16 including, but not limited to, the power and authority to do
17 all of the following:

18 (1) Adopt rules deemed necessary and appropriate for
19 the administration of this Section; establish forms for
20 applications, notifications, contracts, or any other
21 agreements; and accept applications at any time during the
22 year and require that all applications be submitted via the
23 Internet. The Department shall require that applications
24 be submitted in electronic form.

25 (2) Provide guidance and assistance to applicants
26 pursuant to the provisions of this Section, and cooperate

1 with applicants to promote, foster, and support job
2 creation within the State.

3 (3) Enter into agreements and memoranda of
4 understanding for participation of and engage in
5 cooperation with agencies of the federal government, units
6 of local government, universities, research foundations or
7 institutions, regional economic development corporations,
8 or other organizations for the purposes of this Section.

9 (4) Gather information and conduct inquiries, in the
10 manner and by the methods it deems desirable, including,
11 without limitation, gathering information with respect to
12 applicants for the purpose of making any designations or
13 certifications necessary or desirable or to gather
14 information in furtherance of the purposes of this Section.

15 (5) Establish, negotiate, and effectuate any term,
16 agreement, or other document with any person necessary or
17 appropriate to accomplish the purposes of this Section and
18 consent, subject to the provisions of any agreement with
19 another party, to the modification or restructuring of any
20 agreement to which the Department is a party.

21 (6) Provide for sufficient personnel to permit
22 administration, staffing, operation, and related support
23 required to adequately discharge its duties and
24 responsibilities described in this Section from funds made
25 available through charges to applicants or from funds as
26 may be appropriated by the General Assembly for the

1 administration of this Section.

2 (7) Require applicants, upon written request, to issue
3 any necessary authorization to the appropriate federal,
4 State, or local authority or any other person for the
5 release to the Department of information requested by the
6 Department, with the information requested to include, but
7 not be limited to, financial reports, returns, or records
8 relating to the applicant or to the amount of credit
9 allowable under this Section.

10 (8) Require that an applicant shall at all times keep
11 proper books of record and account in accordance with
12 generally accepted accounting principles consistently
13 applied, with the books, records, or papers related to the
14 agreement in the custody or control of the applicant open
15 for reasonable Department inspection and audits, and
16 including, without limitation, the making of copies of the
17 books, records, or papers.

18 (9) Take whatever actions are necessary or appropriate
19 to protect the State's interest in the event of bankruptcy,
20 default, foreclosure, or noncompliance with the terms and
21 conditions of financial assistance or participation
22 required under this Section, including the power to sell,
23 dispose of, lease, or rent, upon terms and conditions
24 determined by the Director to be appropriate, real or
25 personal property that the Department may recover as a
26 result of these actions.

1 (c) Subject to the conditions set forth in this Section, an
2 applicant is entitled to a credit of \$500 against the payment
3 of taxes withheld under Section 704A of this Act for each
4 qualified employee who is employed for at least 12 consecutive
5 months after the date of hire. This credit may be taken both in
6 the year that the qualified employee was hired and again in the
7 amount of \$500 for each year of the next 4 years where the
8 qualified employee is employed for 12 consecutive months. The
9 credit may be taken in equal installments for each withholding
10 tax return filed by the taxpayer during the 12-month period
11 occurring on or after the date on which the tax credit
12 certificate is issued by the Department, and for each year
13 thereafter in which the credit is taken.

14 (d) An applicant that hires a qualified employee during the
15 incentive period may apply for a tax credit certificate with
16 respect to a qualified employee on or after the date that is 12
17 months after the date of hire of the qualified employee;
18 however, no tax credit certificate shall be granted if the
19 application is filed more than 18 months after the qualified
20 employee's date of hire. The application shall include the
21 following:

22 (1) the names, Social Security numbers, job
23 descriptions, salary or wage rates, and dates of hire of
24 the qualified employees with respect to whom the credit is
25 being requested, and an indication of whether each
26 qualified employee listed graduated from a public

1 university in the State within a year prior to the date of
2 hire;

3 (2) a certification that each new employee listed has
4 been retained on the job for a period of 12 months after
5 the date of hire;

6 (3) the number of qualified employees hired by the
7 applicant during the incentive period;

8 (4) an agreement that the Director is authorized to
9 verify with the appropriate State agencies the information
10 contained in the request before issuing a certificate to
11 the applicant; and

12 (5) any other information the Department determines to
13 be appropriate.

14 After receipt of an application under this subsection, the
15 Department shall issue a receipt to the applicant, stating the
16 date and time on which the application was received by the
17 Department and an identifying number assigned to the applicant
18 by the Department. The Department shall then approve or deny
19 the application.

20 The Department shall issue a tax credit certificate to each
21 applicant that qualifies for a credit under this Section, until
22 such time as the monetary limit set forth in subsection (e) is
23 met. The tax credit certificate shall include the following:

24 (1) the name and taxpayer identification number of the
25 applicant;

26 (2) the date on which the certificate is issued;

1 (3) the credit amount that will be allowed; and

2 (4) any other information the Department determines to
3 be appropriate.

4 (e) The Department shall limit the monetary amount of
5 credits awarded under this Section to no more than \$25,000,000.
6 If applications for a greater amount are received, credits
7 shall be allowed on a first-come, first-served basis, based on
8 the date on which each properly completed application for a
9 certificate of eligibility is received by the Department. If
10 more than one certificate of eligibility is received on the
11 same day, the credits will be awarded based on the time of
12 submission for that particular day.

13 (f) An applicant claiming a credit under this Section shall
14 submit to the Department of Revenue a copy of each tax credit
15 certificate with the first return for which the credit shown on
16 the tax credit certificate is claimed. However, failure to
17 submit a copy of the tax credit certificate with the
18 applicant's return shall not invalidate a claim for a credit.

19 (g) If the Director determines that an applicant who has
20 received a credit under this Section is not complying with the
21 requirements of the provisions of this Section, the Director
22 shall provide notice to the applicant of the alleged
23 noncompliance, and allow the taxpayer a hearing under the
24 provisions of the Illinois Administrative Procedure Act. If,
25 after such notice and any hearing, the Director determines that
26 a noncompliance exists, the Director shall issue to the

1 Department of Revenue notice to that effect, stating the
2 noncompliance date.

3 (h) The Department may adopt rules necessary to implement
4 this Section. The rules may provide for recipients of credits
5 under this Section to be charged fees to cover administrative
6 costs of the tax credit program.

7 Section 99. Effective date. This Act takes effect upon
8 becoming law.