

# HB1478



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

**HB1478**

by Rep. Tony McCombie

#### SYNOPSIS AS INTRODUCED:

New Act  
35 ILCS 5/229 new

Creates the Manufacturing Job Destination Tax Credit Act and amends the Illinois Income Tax Act. Provides for a credit of 25% of the Illinois labor expenditures made by a manufacturing company in order to foster job creation and retention in Illinois. Authorizes the Department of Revenue to award a tax credit to taxpayer-employers who apply for the credit and meet the certain Illinois labor, job training, and apprenticeship requirements. Sets minimum requirements and procedures for certifying a taxpayer as an "accredited manufacturer" and for awarding the credit. Effective January 1, 2020.

LRB101 04732 HLH 49741 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 1. Short title. This Act may be cited as the  
5 Manufacturing Job Destination Tax Credit Act.

6 Section 10. Purpose. The General Assembly finds that the  
7 manufacturing sector is a crucial underpinning of the economy  
8 of the State of Illinois. Manufacturing employs approximately  
9 570,000 workers directly in jobs that pay an average of more  
10 than \$84,000 per year in wages and benefits. Total  
11 manufacturing output exceeded \$103,000,000,000, contributing  
12 the single largest share of the Illinois Gross State Product.  
13 Ninety-three percent of Illinois exports are manufactured  
14 goods and services, totaling approximately \$54,800,000,000.  
15 However, Illinois has lost more than 300,000 manufacturing jobs  
16 since 2000. Since the end of the recession in 2009, Illinois  
17 has gained only 8,300 manufacturing jobs while neighboring  
18 states have increased manufacturing employment by an average of  
19 68,800 jobs. Illinois manufacturers are experiencing a skills  
20 gap with the need to find qualified workers to fill the  
21 pipeline before half of the workforce retires in the next 15  
22 years. Therefore, it is in the best interest of the State to  
23 make Illinois the preferred destination for manufacturing and

1 to strengthen the existing industrial base in Illinois, thereby  
2 promoting job growth, increased capital investment, expanded  
3 exports, and long-term revenue growth for the State.

4 Section 15. Definitions. As used in this Act:

5 "Accredited manufacturer" means a manufacturer that has  
6 been certified by the Department.

7 "Apprenticeship expense" means the amount incurred on  
8 behalf of a qualifying apprentice for tuition, book fees, and  
9 lab fees at the school or community college in which the  
10 apprentice is enrolled during the regular school year.

11 "Credit" means an amount equal to 25% of the sum of the  
12 qualifying Illinois labor expenditures approved by the  
13 Department, the job training expenditures approved by the  
14 Department, and the apprenticeship expenses approved by the  
15 Department. The accredited manufacturer is deemed to have paid,  
16 on its balance due day for the year, an amount equal to 25% of  
17 its qualified Illinois labor expenditure for the tax year.

18 "Department" means the Department of Revenue.

19 "Director" means the Director of Revenue.

20 "Illinois labor expenditure" means salary or wages paid to  
21 employees of an accredited manufacturer for services in  
22 Illinois after the effective date of this Act.

23 To qualify as an Illinois labor expenditure, the  
24 expenditure must be:

25 (1) Reasonable under the circumstances.

1           (2) Included in the federal income tax basis of the  
2           property.

3           (3) Incurred by the accredited manufacturer for  
4           services on or after January 1, 2018.

5           (4) Incurred for the production stages of the  
6           manufacturing process.

7           (5) Limited to the first \$25,000 of wages paid or  
8           incurred to each employee of the manufacturing company.

9           (6) Exclusive of the salary or wages paid to or  
10          incurred for the 2 highest paid employees of the  
11          manufacturing company.

12          (7) Directly attributable to the accredited  
13          manufacturer.

14          (8) Paid in the tax year for which the applicant is  
15          claiming the credit or no later than 60 days after the end  
16          of the tax year.

17          (9) Paid for services rendered in Illinois.

18          "Job training expenditure" means all amounts paid or  
19          accrued on behalf of all persons employed by the taxpayer in  
20          the State for education or vocational training in  
21          semi-technical, semi-skilled, or skilled fields.

22          "Qualifying apprentice" means an individual who (i) is a  
23          resident of the State of Illinois, (ii) is between the ages of  
24          16 and 30 years old at the close of the school year for which a  
25          credit is sought, and (iii) during the school year for which a  
26          credit is sought was a full-time apprentice enrolled in an

1 apprenticeship program which is registered with the US  
2 Department of Labor, Office of Apprenticeship.

3 "School" means any public or nonpublic secondary school in  
4 Illinois, or any community college that is in compliance with  
5 Title VI of the Civil Rights Act of 1964, except that nothing  
6 shall be construed to allow a student to attend a community  
7 college not a part of an approved apprenticeship program to  
8 qualify for the credit under this Section.

9 Section 20. Tax credit awards. Subject to the conditions  
10 set forth in this Act, an accredited manufacturer is entitled  
11 to a credit of 25% of all qualifying Illinois labor  
12 expenditures approved by the Department.

13 Section 25. Accredited manufacturing company  
14 certification. Any taxpayer may request certification as an  
15 accredited manufacturing company by formal application to the  
16 Department. In determining whether to issue an accredited  
17 manufacturing company certificate, the Department must  
18 determine that the following conditions exist:

19 (1) The taxpayer is engaged primarily in the business  
20 of manufacturing goods.

21 (2) The taxpayer intends to employ workers in the State  
22 of Illinois.

23 (3) The taxpayer provides health insurance to its  
24 employees.

1           (4) The taxpayer provides to its employees either a  
2 pension plan or a 401k plan.

3           (5) The taxpayer offers to its employees paid time-off  
4 benefits.

5           (6) The taxpayer intends to expend a portion of its  
6 research and development budgets in the State of Illinois.

7           Section 30. Issuance of manufacturing job destination tax  
8 credit certification.

9           (a) In order to qualify for a tax credit under this Act, an  
10 accredited manufacturer must file, on forms prescribed by the  
11 Department, all information necessary to calculate the tax  
12 credit.

13           (b) Upon satisfactory review of the application, the  
14 Department shall issue a manufacturing job destination tax  
15 credit certificate stating the amount of the tax credit.

16           Section 35. Amount and duration of the credit. The amount  
17 of the credit awarded under this Act is based on the amount of  
18 qualifying Illinois labor expenditures approved by the  
19 Department in any tax year beginning on January 1, 2020 or  
20 thereafter for the applicant.

21           Section 40. Evaluation of tax credit program. The  
22 Department shall evaluate the tax credit program annually. The  
23 evaluation must include an assessment of the effectiveness of

1 the program in creating and retaining jobs in Illinois,  
2 improving the skill level of workers, and of the revenue impact  
3 of the program and may include a review of the practices and  
4 experiences of other states or nations with similar programs.  
5 Upon completion of this evaluation, the Department shall  
6 determine the overall success of the program.

7 Section 45. Program terms and conditions. Any documentary  
8 materials or data made available to or received by any agent or  
9 employee of the Department are confidential and are not public  
10 records to the extent that the materials or data consist of  
11 commercial or financial information regarding the  
12 manufacturing operation of the applicant for or recipient of  
13 any tax credit under this Act.

14 Section 50. Appeals. If the Department denies a taxpayer  
15 certification under Section 25 of this Act, the denial must be  
16 in writing stating the reasons for the denial. The taxpayer  
17 shall have 60 days to correct any deficiency that was the  
18 reason for the initial denial of certification.

19 If the Department again denies the certification, the  
20 taxpayer may appeal the denial within 60 days after the denial  
21 and request a hearing. At the hearing, if the taxpayer shows,  
22 by preponderance of evidence, that he or she has complied with  
23 the requirements of this Section, then the taxpayer shall be  
24 certified as an accredited manufacturer.

1           If the taxpayer disagrees with the Department about the  
2 amount of the tax credit available for any tax year, the  
3 taxpayer may appeal the certification and request a hearing. If  
4 the taxpayer shows, by a preponderance of evidence, that he or  
5 she is entitled to a larger amount, the Department shall  
6 approve the larger amount. However, in no instance may the  
7 Department determine a lesser amount.

8           The provisions of the Administrative Review Law, and the  
9 rules adopted pursuant thereto, apply to and govern all  
10 proceedings for the judicial review of this Act.

11           Section 90. The Illinois Income Tax Act is amended by  
12 adding Section 229 as follows:

13           (35 ILCS 5/229 new)

14           Sec. 229. Manufacturing job destination tax credit. For tax  
15 years beginning on or after January 1, 2020, a taxpayer who has  
16 been awarded a tax credit under the Manufacturing Job  
17 Destination Tax Credit Act is entitled to a credit against the  
18 taxes imposed under subsections (a) and (b) of Section 201 of  
19 this Act in an amount determined by the Department under the  
20 Manufacturing Job Destination Tax Credit Act. If the taxpayer  
21 is a partnership or Subchapter S corporation, the credit is  
22 allowed to the partners or shareholders in accordance with the  
23 determination of income and distributive share of income under  
24 Sections 702 and 704 and Subchapter S of the Internal Revenue



1 Code. The Department must prescribe rules to enforce and  
2 administer the provisions of this Section. This Section is  
3 exempt from the provisions of Section 250 of this Act.

4 The credit is non-refundable, but may be sold, transferred,  
5 or conveyed to other taxpayers who are primarily engaged in  
6 manufacturing.

7 The credit may not be carried forward or back. In no event  
8 shall a credit under this Section reduce the taxpayer's  
9 liability to less than zero.

10 Section 99. Effective date. This Act takes effect January  
11 1, 2020.