



## 97TH GENERAL ASSEMBLY

### State of Illinois

2011 and 2012

HB1160

Introduced 02/08/11, by Rep. Richard Morthland

#### SYNOPSIS AS INTRODUCED:

35 ILCS 5/221 new

Amends the Illinois Income Tax Act. Creates the Hire Illinois Tax Credit. Provides that a business is eligible for a \$1,500 tax credit for each recent graduate of an Illinois college or university it hires within a taxable year. Provides that the Department of Commerce and Economic Opportunity shall limit the monetary amount of these tax credits to \$15,000,000. 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. Provides that a business shall submit a copy of the tax credit certificate to the Department of Revenue with its return. Grants the Department of Commerce and Economic Opportunity powers necessary or convenient to administer the tax credit. Applies only to taxable years 2011 and 2012. Effective immediately.

LRB097 07862 HLH 47976 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 221 as follows:

6 (35 ILCS 5/221 new)

7 Sec. 221. 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 under  
19 subsection (f) for each qualified employee hired.

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

22 "Director" means the Director of the Department.

23 "Full-time employee" means an individual who is employed

1 for a basic wage for at least 35 hours each week or who renders  
2 any other standard of service generally accepted by industry  
3 custom or practice as full-time employment.

4 "Illinois college or university" means any public or  
5 private college or university located in the State of Illinois.

6 "Incentive period" means the period beginning January 1,  
7 2012 and ending December 31, 2012.

8 "Qualified employee" means a full-time employee who has  
9 graduated from an Illinois college or university within a year  
10 prior to being hired by the applicant. "Qualified employee"  
11 does not include:

12 (1) a person who was previously employed by the  
13 applicant or a related member prior to the onset of the  
14 incentive period; or

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

18 "Noncompliance date" means, in the case of an applicant  
19 that is not complying with the requirements of the provisions  
20 of this Section, the day following the last date upon which the  
21 taxpayer was in compliance with the requirements of the  
22 provisions of this Section, as determined by the Director,  
23 pursuant to subsection (h).

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 (f).

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:

17 (1) Promulgate procedures, rules, or regulations  
18 deemed necessary and appropriate for the administration of  
19 this Section; establish forms for applications,  
20 notifications, contracts, or any other agreements; and  
21 accept applications at any time during the year and require  
22 that all applications be submitted via the Internet. The  
23 Department shall require that applications be submitted in  
24 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) An applicant that has hired a qualified employee during  
2 the incentive period may apply for a certificate of eligibility  
3 for the credit with respect to the qualified employee on or  
4 after the date of hire of the qualified employee. The date of  
5 hire shall be the first day on which the employee begins  
6 providing services for basic wage compensation.

7       An applicant may apply for a certificate of eligibility for  
8 the credit for more than one qualified employee on or after the  
9 date of hire of each qualified employee.

10       After receipt of an application under this subsection, the  
11 Department shall issue a certificate of eligibility to the  
12 applicant, stating the date and time on which the application  
13 was received by the Department and an identifying number  
14 assigned to the applicant by the Department.

15       (d) Subject to the conditions set forth in this Section, an  
16 applicant is entitled to a credit of an amount equal to \$1,500  
17 against payment of taxes withheld under Section 704A of this  
18 Act for each qualified employee who is employed for at least 12  
19 months after the date of hire, in the first calendar year  
20 ending on or after the date that is 12 months after the date of  
21 hire of the qualified employee.

22       The credit shall be claimed for the first calendar year  
23 ending on or after the date on which the certificate is issued  
24 by the Department.

25       (e) The Department shall limit the monetary amount of  
26 credits awarded under this Section to no more than \$15,000,000.



1 If applications for a greater amount are received, credits  
2 shall be allowed on a first-come-first-served basis, based on  
3 the date on which each properly completed application for a  
4 certificate of eligibility is received by the Department. If  
5 more than one certificate of eligibility is received on the  
6 same day, the credits will be awarded based on the time of  
7 submission for that particular day.

8 (f) On or after the conclusion of the 12-month period after  
9 a qualified employee has been hired, an applicant shall file  
10 with the Department an application for award of a credit. The  
11 application shall include the following:

12 (1) The names, Social Security numbers, job  
13 descriptions, salary or wage rates, and dates of hire of  
14 the qualified employees with respect to whom the credit is  
15 being requested, and an indication of whether each  
16 qualified employee listed graduated from an Illinois  
17 college or university within the past year.

18 (2) A certification that each new employee listed has  
19 been retained on the job for one year from the date of  
20 hire.

21 (3) The number of qualified employees hired by the  
22 applicant during the incentive period.

23 (4) An agreement that the Director is authorized to  
24 verify with the appropriate State agencies the information  
25 contained in the request before issuing a certificate to  
26 the applicant.

1           (5) Any other information the Department determines to  
2           be appropriate.

3           Although an application may be filed at any time after the  
4           conclusion of the 12-month period after a new employee was  
5           hired, an application filed more than 90 days after the  
6           earliest date on which it could have been filed shall not be  
7           awarded any credit if, prior to the date it is filed, the  
8           Department has received applications under this subsection for  
9           credits totaling more than \$15,000,000.

10           The Department shall issue a tax credit certificate to each  
11           applicant awarded a credit under this Section. The tax credit  
12           certificate shall include the following:

13                   (1) The name and taxpayer identification number of the  
14                   applicant.

15                   (2) The date on which the certificate is issued.

16                   (3) The credit amount that will be allowed.

17                   (4) Any other information the Department determines to  
18                   be appropriate.

19           (g) An applicant claiming a credit under this Section shall  
20           submit to the Department of Revenue a copy of each tax credit  
21           certificate issued under subsection (f) with the first return  
22           for which the credit shown on the tax credit certificate is  
23           claimed. However, failure to submit a copy of the tax credit  
24           certificate with the applicant's return shall not invalidate a  
25           claim for a credit.

26           (h) If the Director determines that an applicant who has

1 received a credit under this Section is not complying with the  
2 requirements of the provisions of this Section, the Director  
3 shall provide notice to the applicant of the alleged  
4 noncompliance, and allow the taxpayer a hearing under the  
5 provisions of the Illinois Administrative Procedure Act. If,  
6 after such notice and any hearing, the Director determines that  
7 a noncompliance exists, the Director shall issue to the  
8 Department of Revenue notice to that effect, stating the  
9 noncompliance date.

10 (i) The Department may adopt rules necessary to implement  
11 this Section. The rules may provide for recipients of credits  
12 under this Section to be charged fees to cover administrative  
13 costs of the tax credit program.

14 (j) This Section applies only for taxable years 2011 and  
15 2012.

16 Section 99. Effective date. This Act takes effect upon  
17 becoming law.