



97TH GENERAL ASSEMBLY

State of Illinois

2011 and 2012

HB1405

by Rep. Bill Mitchell

SYNOPSIS AS INTRODUCED:

New Act
35 ILCS 5/221 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 certain Illinois labor expenditure requirements. Sets minimum requirements and procedures for certifying a taxpayer as an "accredited manufacturer" and for awarding the credit. Effective immediately.

LRB097 06845 HLH 46938 b

FISCAL NOTE ACT
MAY APPLY

HOUSING
AFFORDABILITY
IMPACT 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. 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 provides a crucial underpinning for the
8 economy of the State of Illinois. Therefore, it is in the best
9 interest of the State of Illinois to make Illinois the
10 preferred destination for manufacturing and to strengthen the
11 existing industrial base in Illinois, thereby promoting job
12 growth, an expedited economic recovery, and long-term revenue
13 growth for the State.

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

15 "Accredited manufacturer" means a manufacturer that has
16 been certified by the Department.

17 "Credit" means an amount equal to 25% of qualifying
18 Illinois labor expenditures approved by the Department. The
19 accredited manufacturer is deemed to have paid, on its balance
20 due day for the year, an amount equal to 25% of its qualified
21 Illinois labor expenditure for the tax year.

22 "Department" means the Department of Revenue.

1 "Director" means the Director of Revenue.

2 "Illinois labor expenditure" means salary or wages paid to
3 employees of an accredited manufacturer for services rendered
4 in Illinois.

5 To qualify as an Illinois labor expenditure, the
6 expenditure must be:

7 (1) reasonable under the circumstances;

8 (2) included in the federal income tax basis of the
9 property;

10 (3) incurred in a county in the State that has had a
11 seasonally adjusted unemployment rate of more than 9.5% for
12 at least 3 consecutive months during the taxable year in
13 which the credit is sought;

14 (4) incurred by the accredited manufacturer for
15 services on or after January 1, 2011;

16 (5) incurred for the production stages of the
17 manufacturing process;

18 (6) limited to the first \$25,000 of wages paid to or
19 incurred for each employee of the manufacturing company;

20 (7) exclusive of the salary or wages paid to or
21 incurred for the 2 highest paid employees of the
22 manufacturing company;

23 (8) directly attributable to the accredited
24 manufacturer;

25 (9) paid in the tax year for which the applicant is
26 claiming the credit or no later than 60 days after the end

1 of the tax year; and

2 (10) paid for services rendered in Illinois.

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

7 Section 25. Accredited manufacturing company
8 certification. Any taxpayer may request certification as an
9 accredited manufacturing company by formal application to the
10 Department. In determining whether to issue an accredited
11 manufacturing company certificate, the Department must
12 determine that all of the following conditions exist:

13 (1) The taxpayer is engaged primarily in the business
14 of manufacturing goods.

15 (2) The taxpayer intends to employ workers in the State
16 of Illinois.

17 (3) The taxpayer provides health insurance to its
18 employees.

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

21 (5) The taxpayer offers to its employees elder care
22 benefits and a dependent care flexible spending account.

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

1 (7) The taxpayer must reside or be doing business in a
2 county in the State that has had a seasonally adjusted
3 unemployment rate of more than 9.5% for at least 3
4 consecutive months during the taxable year in which the
5 credit is sought.

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

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

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

15 Section 35. Amount and duration of the credit. The amount
16 of the credit awarded under this Act is based on the amount of
17 qualifying Illinois labor expenditures approved by the
18 Department in any tax year beginning on or after January 1,
19 2012 for the applicant.

20 Section 40. Evaluation of tax credit program. The
21 Department shall evaluate the tax credit program. The
22 evaluation must include an assessment of the effectiveness of
23 the program in creating and retaining jobs in Illinois and of

1 the revenue impact of the program and may include a review of
2 the practices and experiences of other states or nations with
3 similar programs. Upon completion of this evaluation, the
4 Department shall determine the overall success of the program
5 and may make a recommendation to extend, modify, or not extend
6 the program based on this evaluation.

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 and must state the reasons for the denial. The
17 taxpayer shall have 60 days after the first denial to correct
18 any deficiency that was the reason for the initial denial of
19 certification.

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

1 taxpayer shall be certified as an accredited manufacturer.

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

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

12 Section 90. The Illinois Income Tax Act is amended by
13 adding Section 221 as follows:

14 (35 ILCS 5/221 new)

15 Sec. 221. Manufacturing job destination tax credit. For tax
16 years beginning on or after January 1, 2012, a taxpayer who has
17 been awarded a tax credit under the Manufacturing Job
18 Destination Tax Credit Act is entitled to a credit against the
19 taxes imposed under subsections (a) and (b) of Section 201 of
20 this Act in an amount determined by the Department under the
21 Manufacturing Job Destination Tax Credit Act. If the taxpayer
22 is a partnership or Subchapter S corporation, the credit is
23 allowed to the partners or shareholders in accordance with the
24 determination of income and distributive share of income under

1 Sections 702 and 704 and Subchapter S of the Internal Revenue
2 Code. The Department must prescribe rules to enforce and
3 administer the provisions of this Section. This Section is
4 exempt from the provisions of Section 250 of this Act.

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

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