



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB5494

by Rep. Dwight Kay

SYNOPSIS AS INTRODUCED:

New Act
35 ILCS 5/224 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.

LRB098 17103 HLH 52190 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. 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. Therefore, it is in the best interest
9 of the State of Illinois to make Illinois the preferred
10 destination for manufacturing and to strengthen the existing
11 industrial base in Illinois, thereby promoting job growth, an
12 expedited economic recovery, and long-term revenue growth for
13 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 by the accredited manufacturer for
11 services on or after January 1, 2013;

12 (4) incurred for the production stages of the
13 manufacturing process;

14 (5) limited to the first \$25,000 of wages paid to or
15 incurred for each employee of the manufacturing company;

16 (6) exclusive of the salary or wages paid to or
17 incurred for the 2 highest paid employees of the
18 manufacturing company;

19 (7) directly attributable to the accredited
20 manufacturer;

21 (8) paid in the tax year for which the applicant is
22 claiming the credit or no later than 60 days after the end
23 of the tax year; and

24 (9) paid for services rendered in Illinois.

25 Section 20. Tax credit awards. Subject to the conditions

1 set forth in this Act, an accredited manufacturer is entitled
2 to a credit of 25% of all qualifying Illinois labor
3 expenditures approved by the Department.

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

10 (1) The taxpayer is engaged primarily in the business
11 of manufacturing goods.

12 (2) The taxpayer intends to employ workers in the State
13 of Illinois.

14 (3) The taxpayer provides health insurance to its
15 employees.

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

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

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

22 Section 30. Issuance of manufacturing job destination tax
23 credit certification.

24 (a) In order to qualify for a tax credit under this Act, an

1 accredited manufacturer must file, on forms prescribed by the
2 Department, all information necessary to calculate the tax
3 credit.

4 (b) Upon satisfactory review of the application, the
5 Department shall issue a manufacturing job destination tax
6 credit certificate stating the amount of the tax credit.

7 Section 35. Amount and duration of the credit. The amount
8 of the credit awarded under this Act is based on the amount of
9 qualifying Illinois labor expenditures approved by the
10 Department in any tax year beginning on or after January 1,
11 2013 for the applicant.

12 Section 40. Evaluation of tax credit program. The
13 Department shall evaluate the tax credit program. The
14 evaluation must include an assessment of the effectiveness of
15 the program in creating and retaining jobs in Illinois and of
16 the revenue impact of the program and may include a review of
17 the practices and experiences of other states or nations with
18 similar programs. Upon completion of this evaluation, the
19 Department shall determine the overall success of the program
20 and may make a recommendation to extend, modify, or not extend
21 the program based on this evaluation.

22 Section 45. Program terms and conditions. Any documentary
23 materials or data made available to or received by any agent or

1 employee of the Department are confidential and are not public
2 records to the extent that the materials or data consist of
3 commercial or financial information regarding the
4 manufacturing operation of the applicant for or recipient of
5 any tax credit under this Act.

6 Section 50. Appeals. If the Department denies a taxpayer
7 certification under Section 25 of this Act, the denial must be
8 in writing and must state the reasons for the denial. The
9 taxpayer shall have 60 days after the first denial to correct
10 any deficiency that was the reason for the initial denial of
11 certification.

12 If the Department again denies the certification, the
13 taxpayer may appeal the second denial within 60 days after that
14 denial and request a hearing. At the hearing, if the taxpayer
15 shows, by preponderance of evidence, that he or she has
16 complied with the requirements of this Section, then the
17 taxpayer shall be certified as an accredited manufacturer.

18 If the taxpayer disagrees with the Department about the
19 amount of the tax credit available for any tax year, the
20 taxpayer may appeal the certification and request a hearing. If
21 the taxpayer shows, by a preponderance of evidence, that he or
22 she is entitled to a larger amount, the Department shall
23 approve the larger amount. However, in no instance may the
24 Department determine a lesser amount.

25 The provisions of the Administrative Review Law, and the

1 rules adopted pursuant thereto, apply to and govern all
2 proceedings for the judicial review of this Act.

3 Section 90. The Illinois Income Tax Act is amended by
4 adding Section 224 as follows:

5 (35 ILCS 5/224 new)

6 Sec. 224. Manufacturing job destination tax credit. For tax
7 years beginning on or after January 1, 2014, a taxpayer who has
8 been awarded a tax credit under the Manufacturing Job
9 Destination Tax Credit Act is entitled to a credit against the
10 taxes imposed under subsections (a) and (b) of Section 201 of
11 this Act in an amount determined by the Department under the
12 Manufacturing Job Destination Tax Credit Act. If the taxpayer
13 is a partnership or Subchapter S corporation, the credit is
14 allowed to the partners or shareholders in accordance with the
15 determination of income and distributive share of income under
16 Sections 702 and 704 and Subchapter S of the Internal Revenue
17 Code. The Department must prescribe rules to enforce and
18 administer the provisions of this Section. This Section is
19 exempt from the provisions of Section 250 of this Act.

20 Section 99. Effective date. This Act takes effect upon
21 becoming law.