



Legislative Report

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A Return to Normal

FOR ALL THE UPHEAVAL, paradigm shifts, and vast changes Illinois (and the rest of the world for that matter) have undergone in the past twelve months, a return to normalcy has finally come. It isn't just the lack of face coverings, or the reopening of movie and concert venues, in Illinois that return to normal also means something more. It means that the General Assembly waited until the final hours to unveil the state budget and then proceeded to wait until the last few moments to pass a budget, voted along party lines, before adjourning. Nothing screams normal more than some good ol' fashion Illinois budgeting.

The House managed to pass the budget with a vote of 72-44 with around five minutes to spare before midnight on May 31st and adjourned shortly after just missing their scheduled May 31st adjournment date. The Senate was unable to pass the budget until after 2:00 a.m. on June 1st by a vote of 37-21.

SB 2800 (Sen. Don Harmon 39-D / Rep. 'Chris' Welch 7-D) contains the majority of the slightly more than \$42 billion appropriations for the state. As mentioned in a previous report, the budget was helped by an unexpected, higher than forecast tax revenue that rebounded faster than anticipated following the global shutdown. This helped avoid what was projected to be a deficit of close to \$2 billion early this year. Higher returns also means that the state was able to fully fund the evidence-based school funding model adding around \$350 million into school funding and includes over \$7 billion for human services. The budget also includes repaying the federal government \$2 billion that was loaned to Illinois last year, finishing repaying the \$3.2 billion Illinois borrowed.

Another piece of good news regarding the State's finances was the announcement made by the comptroller that Illinois has paid down much of its back log of unpaid bills. This has enabled the comptroller's office to put Illinois on a 30-day cycle to process and pay vendors and others the state owes money. It has been a while since Illinois was last in the position to do so, not since before 2001 in fact, and while this is a good step in the right direction for the state, Illinois still has a long road ahead to fiscal stability.

SB 2017 (Sen. Don Harmon 39-D / Rep. Greg Harris 13-D), the Budget Implementation Bill (BIMP) passed

along the same party lines as the budget appropriation bill, mentioned above. Back in February, among the various proposals the Governor suggested closing corporate tax loopholes which would create an additional \$900 million for the budget. The BIMP does contain some of the loophole closures but not all the proposed changes. The four changes are anticipated to result in around \$650 million however, some of these changes will not continue to impact the budget in subsequent fiscal years and therefore are only a one-time infusion for the state.

First, the bill decouples Illinois from federal depreciation. For property on which the 100 percent bonus depreciation deduction was taken for federal income tax purposes in a taxable year, a taxpayer is allowed only the depreciation deduction that would have been allowed to it had it made an election out of the bonus depreciation deduction regime.

Second, the bill decouples Illinois from the federal corporate deductions for global intangible low-taxed income (GILTI) included in the gross income of a corporation's U.S. shareholders and for certain foreign-sourced dividends (for taxable years ending on or after June 30, 2021). Illinois will now treat GILTI and foreign-source dividends in a manner closer to its treatment of domestic dividends.

Third, the bill caps corporate net operating loss deductions at \$100,000 annually for taxable years ending on or after December 31, 2021, and prior to December 31, 2024.

Fourth, the bill extends the Illinois tax credit for affordable housing donations, the Illinois angel investment credit, certain River Edge Redevelopment Zone tax credits, and the Live Theater Production Tax Credit Act credits through at least the end of 2026.

The BIMP also continues the sweeping of the Personal Property Replacement Tax fund. Nearly \$350 million will be diverted away from townships and other local governments to supplement the state's budget. That number is up from the \$311 million that was swept during fiscal year 2021.

