

ILLINOIS TAX DATA AND STATE COMPARISONS

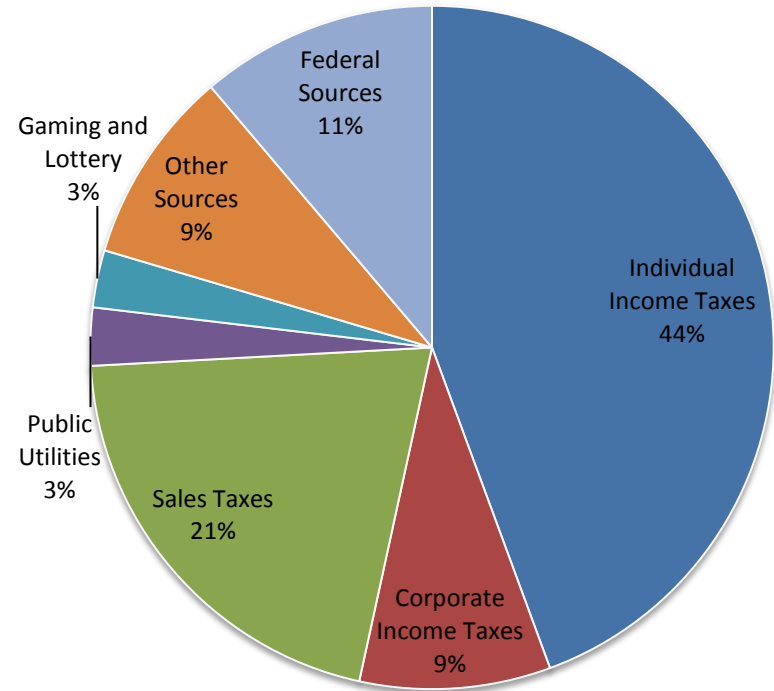
ILLINOIS DEPARTMENT OF REVENUE

February 5th, 2014

Revenue By Source

Source	FY 2014 Estimate	Percent of Total
Individual Income Taxes	\$16,301	44.4%
Corporate Income Taxes	\$3,317	9.0%
Sales Taxes	\$7,610	20.7%
Public Utilities	\$1,006	2.7%
Gaming and Lottery	\$996	2.7%
Other Sources	\$3,382	9.2%
Federal Sources	\$4,113	11.2%
Total	\$36,725	

FY 2014 Estimate



Types of Business in Illinois

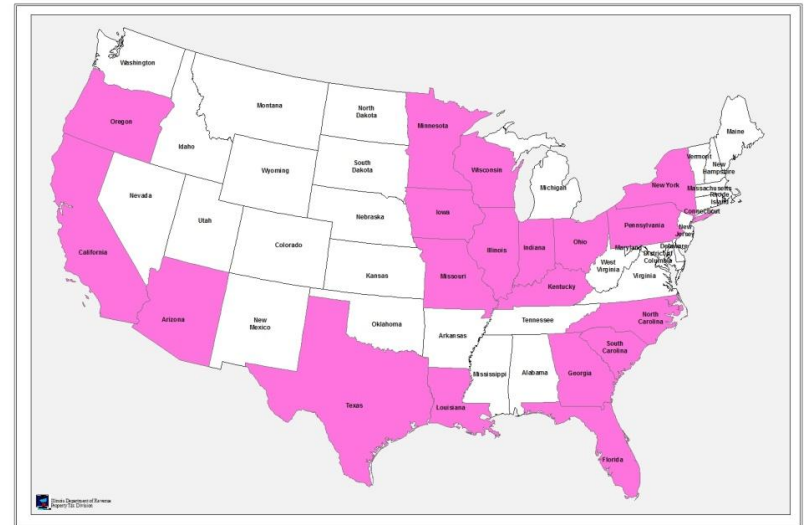
- Every business that earns or receives income in Illinois must file a business income tax return

Number of Filers by Entity Type				
<u>Tax Year</u>	<u>C-Corporations</u>	<u>S-Corporations</u>	<u>Partnerships</u>	<u>Total</u>
2011	109,235	242,428	115,487	467,150
2010	109,525	236,436	112,702	458,663
2009	112,918	235,992	110,716	459,626

Percent of Filers by Entity Type				
<u>Tax Year</u>	<u>C-Corporations</u>	<u>S-Corporations</u>	<u>Partnerships</u>	<u>Total</u>
2011	23.4%	51.9%	24.7%	100.0%
2010	23.9%	51.5%	24.6%	100.0%
2009	24.6%	51.3%	24.1%	100.0%

Comparison States

Border States	Manufacturing States	Sunbelt and Other States
Indiana	Indiana	Arizona
Iowa	Iowa	Florida
Missouri	Louisiana	South Carolina
Wisconsin	Minnesota	California
Kentucky	North Carolina	Georgia
	Ohio	Pennsylvania
	Oregon	New York
	Texas	
	Wisconsin	



Individual Income Taxes

Of the 19 states surveyed:

- 3 have a flat rate: Illinois, Indiana, and Pennsylvania
- 14 have graduated rates
- 2 have no individual income tax: Florida and Texas
(Florida has an intangible tax on investments)

STATE INDIVIDUAL INCOME TAX COMPARISON

Tax Rate as of January 1, 2013

STATES	Federal Adjusted Gross Income as Starting Point to Calculate State Taxable income	TAX RATE RANGE (in percents)			Number of Brackets	INCOME BRACKETS FOR SINGLE				Note
		Low		High		Lowest			Highest	
		ARIZONA	adjusted gross income	2.6	-	4.5	5.0	0 - 10,000	(b)	
CALIFORNIA (a)	adjusted gross income	1.0		12.3 (f)	9.0	0 - 7,582	(b)	-	\$508,500 or above	(b)
FLORIDA	No State Income Tax									
GEORGIA	adjusted gross income	1.0	-	6.0	6.0	0 - 750	(h)	-	above \$7,000	(h)
ILLINOIS	adjusted gross income	5.0			1.0	----Flat rate----				
INDIANA	adjusted gross income	3.4			1.0	----Flat rate----				
IOWA (a)	adjusted gross income	0.4	-	9.0	9.0	0 - 1,494		-	above \$67,230	
KENTUCKY	adjusted gross income	2.0	-	6.0	6.0	0 - 3,000		-	above \$75,000	
LOUISIANA	adjusted gross income	2.0	-	6.0	3.0	0 - 12,500	(b)	-	above \$50,000	(b)
MINNESOTA (a)	taxable income	5.4	-	9.9	4.0	0 - 24,270	(l)	-	\$150,000 or above	(l)
MISSOURI	adjusted gross income	1.5	-	6.0	10.0	0 - 1,000		-	\$900 ¹ or above	
NEW YORK	adjusted gross income	4.0	-	8.8	8.0	0 - 8,200	(b)	-	above \$1,029,250	(b)
NORTH CAROLINA	taxable income	6.0	-	7.8	3.0	0 - 12,750	(p)	-	\$60,000 or above	(p)
OHIO (a)	adjusted gross income	0.5		5.4	9.0	0 - 5,200		-	\$208,500 or above	
OREGON (a)	taxable income	5.0	-	9.9	4.0	0 - 3,250	(b)	-	\$125,000 or above	(b)
PENNSYLVANIA	taxable income (as defined by state)	3.1			1.0	----Flat rate----				
SOUTH CAROLINA (a)	taxable income	0.0	-	7.0	6.0	0 - 2,850		-	\$14,250 or above	
TEXAS	No State Income Tax									
WISCONSIN (a)	adjusted gross income	4.6	-	7.8	5.0	0 - 10,750	(v)	-	\$236,600 or above	(v)

Sources: Federation of Tax Administrators, Tax Foundation, CCH State Tax Handbook, Thomson Reuters/Tax & Accounting, Retirement Living Information Center, Inc., National Conference of State Legislatures, <http://www.taxcreditsforworkingfamilies.org/>, Individual state tax and revenue departments,

(a) 17 states have statutory provision for automatically adjusting to the rate of inflation the dollar values of the income tax brackets, standard deductions, and/or personal exemptions.

(b) For joint returns, taxes are twice the tax on half the couple's income.

(f) California imposes an additional 1% tax on taxable income over \$1 million, making the maximum rate 13.3% over \$1 million.

(h) The Georgia income brackets reported are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$1,000, to \$10,000.

(l) The income brackets reported for Minnesota are for single individuals. For married couples filing jointly, the same tax rates apply to income brackets ranging from \$35,480, to \$140,961.

(p) The income brackets reported for North Carolina are for single individuals. For married taxpayers filing jointly, the same tax rates apply to income brackets ranging from \$21,250, to \$100,000.

(v) The Wisconsin income brackets reported are for single individuals. For married taxpayers filing jointly, the same tax rates apply income brackets ranging from \$14,330, to \$315,460.

In addition, some of the states permit local income taxes (may be designated wage taxes, income taxes, payroll taxes, local services taxes, and occupational privilege taxes):

In Tax Year 2011:

- In California, San Francisco 1.50% (imposed on employer)
- In Kentucky, 75 counties and 143 municipalities (largest -2.5%)
- In Ohio, 593 of Ohio's 932 municipalities and 181 of Ohio's 611 school districts
Examples: Columbus 2.5%, Youngstown 2.75%
- In New York:
 - New York City 2.907% - 3.876%
 - New York City Metropolitan Transportation Authority (MTA) 0.34% (imposed on employers)
 - New York-New Jersey Waterfront (employers of port personnel) 2.00% (imposed on employers)
 - Yonkers 15% of net state tax
- In Missouri, Kansas City and St. Louis had 1% income tax rates.
- In Oregon, two transit districts imposed an income tax on employers (0.0067% and 0.6918%)
- In Pennsylvania, 2,492 of Pennsylvania's 2,562 municipalities and 469 of Pennsylvania's 500 school districts impose a local income tax or local services tax.
Examples: Philadelphia 3.928%; Pittsburgh 3.00% plus \$52 per year

Source: Tax Foundation

VARIOUS DEDUCTIONS

	Standard deduction	Itemized deductions	capital gains
ARIZONA	Single-4,833; married-9,665	Allowed, specific deductions for medical expenses, casualty and theft losses, charitable gifts, student expenses, interest, long-term care, state taxes, and college tuition expenses	
CALIFORNIA	single-3,841; married-7,682	Allowed, but with adjustments for state and foreign income taxes, federal estate taxes, interest, and other items.	
FLORIDA			
GEORGIA	single-2,300; married-3,000	Allowed but with adjustments for state taxes and expenses connected with exempt income.	
ILLINOIS		Not allowed	
INDIANA		Not allowed	
IOWA	Single-1,900; married-4,670	Allowed, but with adjustments for state taxes, charitable mileage, and other items. Can deduct federal income tax.	
KENTUCKY	single-2,290; married-2,290	Allowed, but with adjustments for state taxes, charitable contributions, and other items.	
LOUISIANA		Filer can deduct that portion of federal itemized deductions exceeding the federal standard deduction amount. Can deduct federal income tax.	
MINNESOTA	single-5,950; married-11,900	Allowed, but with adjustments for state tax.	
MISSOURI	single-6,100; married-12,200	Allowed, but with adjustments for state taxes and cultural contributions. Limited deduction for federal income taxes. Deduction for other specified federal taxes.	
NEW YORK	single-7,700; married-15,400	Allowed, but with adjustments for state taxes, foreign income taxes, interest, and other items. Taxpayers can itemize for N.Y. purposes only if they itemize on their federal returns.	
NORTH CAROLINA	single-3,000; married-6,000	Allowed, but with adjustments for state taxes	
OHIO	single-2,205; married-4,055	Not allowed. Allowed adjustments for some items.	
OREGON		Allowed, but with adjustments for state tax, medical expenses, and other items. Limited deduction allowed for federal income tax.	
PENNSYLVANIA	n/a	Not allowed. Unreimbursed employee business expenses and employee educational expenses can be deducted.	
SOUTH CAROLINA	single-6,100; married-6,100	Allowed, but with adjustments for state tax and other items.	Individuals are allowed a deduction from South Carolina taxable income equal to 44% of the net capital gain recognized in South Carolina.
TEXAS			
WISCONSIN	single-9,930; married-17,880***	Credit allowed based on 5% of difference between allowable federal itemized deductions and Wisconsin standard deduction.	In 2013 a deduction for 30% of the net capital gain from assets held more than one year is allowable when computing Wisconsin taxable income (60% of net capital gain on farm assets). Another difference results in 2013 because of the \$500 limit on the Wisconsin deduction for capital losses.

***The standard deduction phases out by 12% at \$14,069 for single and 19.778% at \$17,880 for married filing joint. The standard deduction phases out to zero at \$97,069 for single, \$110,493 for

Individual Income Tax Credits

- **Credits** directly reduce the taxpayers liability since a taxpayer applies them after multiplying taxable income by the applicable tax rate. The surveyed states offer a wide range of credits.

Examples of various income tax credits

For Tax Year 2011			
Arizona tax credits	Indiana tax credits	Louisiana tax credits	Missouri tax credits
• Clean election fund tax credit	• College donation	• Bulletproof vest	• Affordable housing assistance
• Contributions to charities that assist the working poor	• Community revitalization enhancement district	• Child care	• Children in crisis
• Contributions to private school tuition organizations	• Contributions made to college choice 529 education savings plan	• Contributions of technological equipment to educational institutions	• Family development account
• Donation of school site	• County credit for the elderly or permanently disabled	• Conversion of vehicle to alternative fuel	• Food pantry
• Donations to the Military Family Relief Fund	• Earned income tax credit	• Disabilities	• Health care access
• Family income tax credit	• Historic building rehabilitation and residential historic rehabilitation	• Earned income tax credit	• Historic preservation
• Fees paid and certain contributions to public schools	• Income taxes paid to other states and localities	• Education	• Income taxes paid to other states
• Income taxes paid to other states/countries	• Individual development account	• Family responsibility programs	• Maternity home
• Increased excise taxes	• Lake County residential income tax	• Historic residential/historic structures	• Pregnancy resource
• Investment in qualified small businesses	• Maternity home	• Household expense for physically and mentally incapable persons	• Property tax
• Property tax/rent	• Neighborhood assistance	• Hunting & fishing license fees for the military	• Public safety officer surviving spouse
• Solar energy devices	• Scholarship program	• Income taxes paid to other states	• Residential dwelling accessibility
	• Unified tax credit for elderly	• Law enforcement education	• Self-employed health insurance
	• Venture capital investment	• LA citizens property insurance assessments	• Shared care for the elderly
		• Organ donation	• Shelter for victims of domestic violence
		• Partial federal credits (elderly, foreign tax, investment tax, residential energy, and jobs)	• Special needs adoption
		• Small town doctor/dentist	• Youth opportunities
		• School readiness	
		• Wind and solar energy systems	
Source: Individual Income Tax Provisions in the States; Wisconsin Legislative Fiscal Bureau -January, 2013			

The amount of a credit may differ per taxpayer depending on household income and may be refundable.

	EITC; refundable?	Child tax credit	Child and dependent care tax credit
ARIZONA			
CALIFORNIA		<p>"Dependent Exemption Credit" or "Dependent Tax Credit"</p> <p>For 2012, the maximum credit is \$309 per dependent. The credit is reduced for higher-income taxpayers.</p> <p>Not refundable.</p>	<p>Tax Credit for Child and Dependent Care Expenses</p> <p>The state credit varies based on the income of the filer.</p> <p>Filers earning less than \$40,000 may claim 50 percent of the federal credit.</p> <p>Filers earning between \$40,001 and \$70,000 may claim 43 percent of the federal credit.</p> <p>Filers earning between \$70,001 and \$100,000 may claim 34 percent of the federal credit.</p> <p>All other filers earning more than \$100,000 are ineligible for the state credit.</p> <p>not refundable</p>
FLORIDA			
GEORGIA	Georgia has a low-income tax credit for individuals with an income below \$20,000.		30 percent of the federal child and dependent tax credit up to \$315 for one child and \$630 for two more more children. Note refundable
ILLINOIS	10 percent of federal EITC; yes		
INDIANA	9 percent of federal EITC; yes		
IOWA	14 percent of federal EITC; yes		<p>The formula for the Iowa Child and Dependent Credit is calculated as a percentage of the provided federal Child and Dependent Care Credit. The percentage varies based on the income of the filer.</p> <p>Income (Percentage of Federal Credit)</p> <p><\$10,000 (75%)</p> <p>\$10,000-\$19,999 (65%)</p> <p>\$20,000-\$24,999 (55%)</p> <p>\$25,000-\$34,999 (50%)</p> <p>\$35,000-\$39,999 (40%)</p> <p>\$40,000-\$44,999 (30%)</p> <p>≥\$45,000 (Zero)</p> <p>Refundable</p>
KENTUCKY			<p>Filers may claim a credit equal to 20 percent of their federal credit, not to exceed the filer's tax liability, up to \$210 for one child and \$420 for two or more children. Not refundable. Kentucky also has a Family Size Tax Credit is based on modified gross income (MGI) and the size of the family.</p>
LOUISIANA	3.5 percent of federal EITC; yes		<p>Filers receive a percentage of the federal credit, with the specific percentage calculated based on the filer's income.</p> <p>Income Percentage of the federal credit</p> <p>≤\$25,000 50 percent</p> <p>\$25,001-\$35,000 30 percent</p> <p>\$35,001-\$60,000 10 percent</p> <p>>\$60,000 10 percent, not to exceed 25 dollars</p> <p>Refundable: Yes for filers with income below \$25,000. No for all others. Louisiana has two additional credits. One for care of a child under age six at a child care facility rated two stars or higher by the state quality rating system. The credit is also refundable for filers with income below \$25,000; the maximum for one child is \$1,050, for two or more children \$2,100. The second credit is for dependents "physically or mentally incapable of self-care." It is not refundable; the maximum credit for one child is \$1,050, for two or more children \$2,100.</p>
MINNESOTA	Based on a formula in state statute, the Minnesota Working Family Credit for tax filers with children can range from 25 percent to 45 percent of the federal credit. Taxpayers with no children can receive a 25 percent credit. Maximum credit \$973 if one qualifying child; \$1,879 for two or more qualifying children		<p>100 percent of federal credit, not to exceed certain limitations:</p> <p>-Filers with income up to \$18,040 are limited to \$720 for one qualifying child.</p> <p>-Filers with income up to \$18,040 and two or more qualifying children may claim up to \$1,440.</p> <p>-Filers with income over \$18,040, the credit is reduced by \$18 for every \$350 of income for filers with one qualifying child and \$36 for every \$350 of income for filers with two or more qualifying children.</p> <p>Refundable</p>
MISSOURI			

NEW YORK	30 percent of federal EITC; In addition to the state credit, New York City offers its own EITC which is calculated as 5 percent of the federal credit.	33 percent of the filer's federal child credit or \$100 per qualifying child. Filers with income above \$75,000 (\$110,000 for couples) must use the percentage formula. Refundable	Filers with New York AGI below \$25,000 (including negative income) may claim up to 110 percent of the federal child and dependent care credit. Filers earning NY AGI \$25,001-\$39,999 may claim between 109 and 100 percent of the federal credit. Filers earning NY AGI \$50,001-\$64,999 may claim 100 percent of the federal credit. Filers earning NY AGI \$65,000 or more may claim 20 percent of the federal credit. Refundable for in-state residents.
NORTH CAROLINA	4.5% of federal EITC for 2013; 0 percent thereafter; yes	Residents who are entitled to claim the federal Child Tax Credit may claim a "Credit for Children" of \$100 on the State return if their adjusted gross income is less than: -\$100,000 for married filing jointly -\$80,000 for head of household -\$60,000 for single -\$50,000 for married filing separately They may claim a credit of \$125 if their adjusted gross income is less than: -\$40,000 for married filing jointly -\$32,000 for head of household -\$20,000 for single or married filing separately	
OHIO	5% of federal EITC; limited to 50 % of liability for Ohio Taxable Income above \$20,000		Filers must have income below \$40,000. Any expenses that qualify for the federal credit also qualify for the Ohio credit. For filers earning less than \$20,000, the credit is equal to 100 percent of qualifying expenses. For filers earning between \$20,000 and \$40,000, the credit equals 25 percent of qualifying expenses.
OREGON	6% of federal EITC; yes		Filers are eligible for the Child and Dependent Care Credit if they are eligible for the federal credit, except that the household income must be under \$45,000. Filers may claim a percentage of the federal credit for expenses allowed for the federal credit on their Oregon tax return. The percentage varies based on the filer's income. Incomes above \$45,000 are ineligible. Income (Percentage of the federal credit) ≤ \$5,000 (30%) \$5,001-\$10,000 (15%) \$10,001-\$15,000 (8%) \$15,001-\$25,000 (6%) \$25,001-\$35,000 (5%) \$35,001-\$45,000 (4%) The state also has a Working Family Child Care Credit if filers have at least \$8,400 of earned income. The credit also varies depending on household size and income: Refundable
PENNSYLVANIA			
SOUTH CAROLINA			7 percent of eligible expenses; not refundable
TEXAS			
WISCONSIN	Number of qualifying children EITC rate (% of federal) 1 4% 2 11% 3 or more 34% The state does not offer a credit to individuals without children.		

Fiscal Year 2012 IIT Tax Expenditure Report

\$ thousands

Expenditure*:	FY12
Federally taxed retirement and social security subtractions	\$1,962,688
Standard exemption: taxpayers and dependents	\$1,035,906
Tax credit for residential real property taxes	\$554,929
Earned income tax credit	\$105,802
Education expense credit	\$79,605
Military pay subtraction	\$47,663
Additional exemptions: blind and elderly	\$32,111
Other tax credits and subtractions	\$97,161
Total impact	\$3,915,865

* Based on Tax Year 2011 IL-1040 return data.

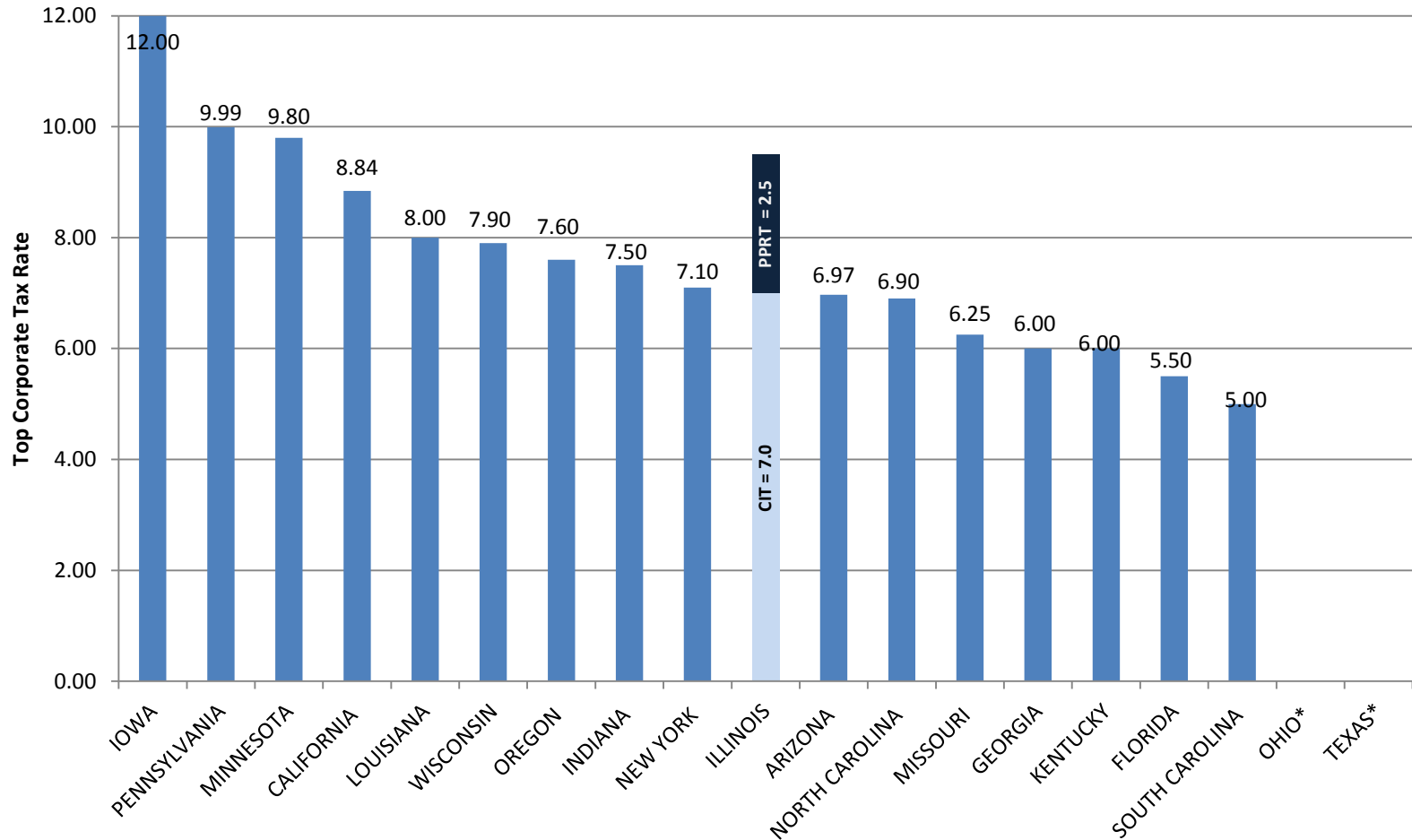
ILLINOIS DEPARTMENT OF REVENUE

**CORPORATE INCOME TAXES AND PERSONAL
PROPERTY TAXES**

Rate Structure

- 15 States have multiple rates
- Illinois has a flat rate structure, like 29 other states and D.C.

How Illinois' Top Rate Compares to Other States



*Ohio and Texas have business taxes which are not directly comparable to corporate income taxes

Personal Property Taxes

- Constitution of 1970 eliminated personal property tax in Illinois.
- Personal Property Replacement Tax – 2.5% rate on C-Corp Net Income, 1.5% on S-Corps, Partnerships, and Trusts
- Two other (smaller) replacement taxes are levied on public utilities

Personal Property Taxes, continued

- Illinois is one of 9 states without a personal property tax (PPT)
- Among our neighbors only Iowa doesn't have a PPT
- Other states generate significant amounts of revenue from the PPT
- Missouri state and local governments get 6.8% of own-source revenue from PPT, Indiana 1.8%
- SOURCE: Tax Foundation, "States Moving Away from Personal Property Taxes". October 2012
<http://taxfoundation.org/sites/taxfoundation.org/files/docs/bp63.pdf>

PERSONAL PROPERTY TAX

• Arizona	Yes	• New York	Yes
• California	Yes	• Minnesota	Yes
• Georgia	Yes	• Missouri	Yes
• Florida	Yes	• North Carolina	Yes
• Illinois	No	• Ohio	Yes
• Indiana	Yes	• Oregon	Yes
• Iowa	No	• Pennsylvania	Yes
• Kentucky	Yes	• South Carolina	Yes
• Louisiana	Yes	• Texas	Yes
		• Wisconsin	Yes

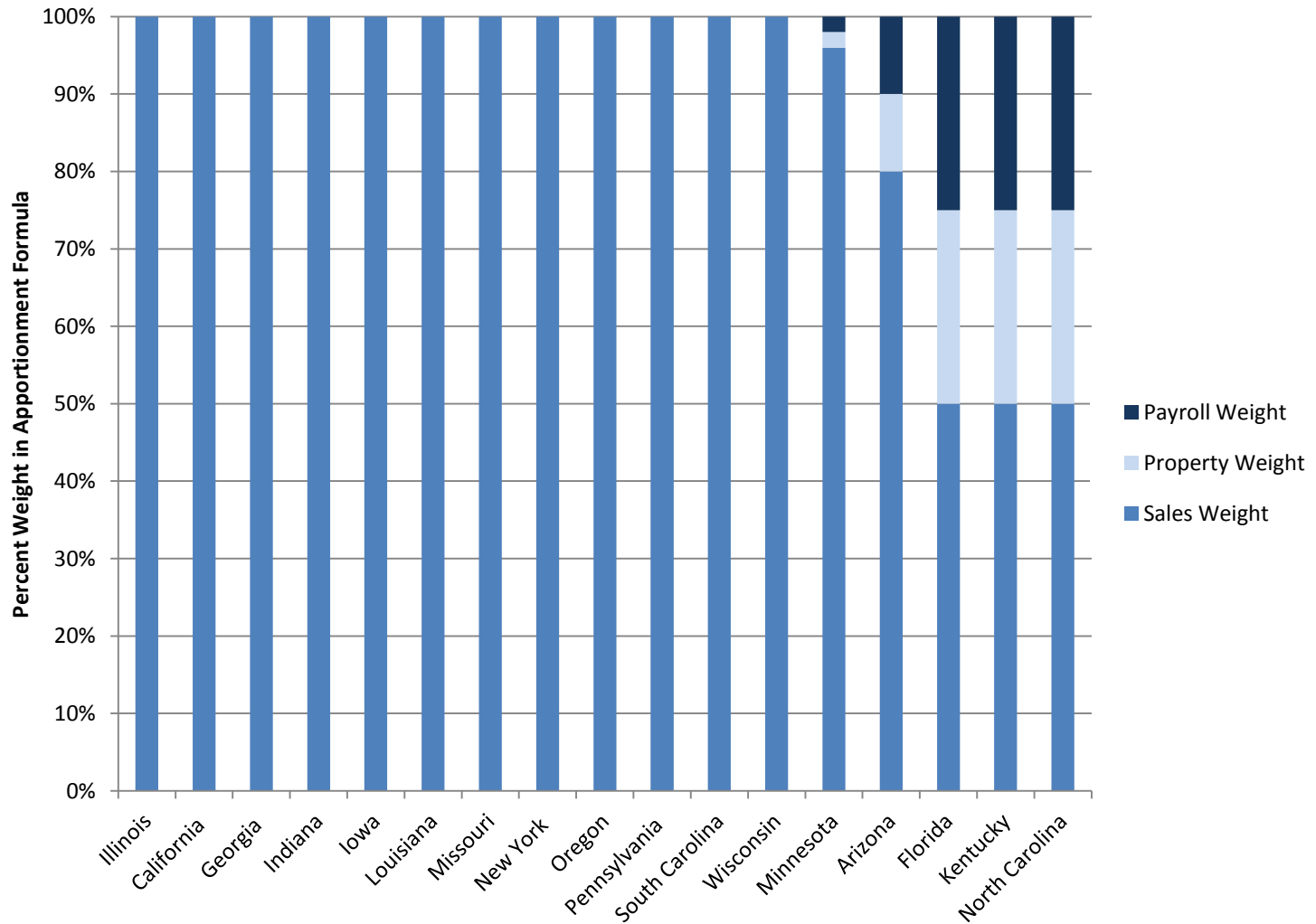
Apportionment Factor

- Income earned by multi-state companies must be apportioned for tax purposes
- Illinois generally uses Illinois sales divided by total US sales to apportion income (single sales factor)

Apportionment in Other States

- 21 States use single sales factor apportionment
- 9 states use 33% sales, 33% property, 33% payroll
- Others are in between or do not have a corporate income tax

Apportionment Formulas in Other States



*Ohio and Texas have business taxes which are not directly comparable to corporate income taxes and are excluded from this chart

Note about Single Sales Factor Apportionment in Illinois

- If Company A makes widgets in Illinois and sells 75 percent to Illinois customers and 25 percent to Indiana customers, then 75 percent of Company A's base income is apportioned to Illinois.
- If Company A moves to Indiana and continues to sell 75 percent of their widgets to Illinois customers and 25 percent to Indiana customers, then 75 percent of Company A's base income is still apportioned to Illinois.

Alternative Business Tax Structures

State	Tax Name	Tax Rate	How Income is Sourced
Ohio	Commercial Activity Tax	0.26%	Goods: Where property is received Services: Where most of the benefit was received
Washington	Business and Occupation Tax	0.1% for certain manufacturers to 1.5% for most services	Goods: Where property is received Services: 50% payroll / 50% “service income” factor
New Hampshire	Business Enterprise Tax	0.75%	Goods: Where property is received Services: Where cost of performance is greatest
Texas	Gross Margin Tax	0.5% for retail/wholesale, 1.0% for others	Gross Receipts apportioned based on Gross Receipts in Texas / Gross Receipts in US

Major Corporate Income Tax Expenditures

Expenditure*	Amount (\$ millions)
EDGE Credit	\$45.1
R&D Credit	\$30.7
Film Credit	\$18.8
Enterprise Zone Credit	\$17.9
Affordable Housing Credit	\$8.5

*Preliminary Department of Revenue tax expenditure data. Estimates based on tax returns from Tax Year 2011. For a detailed explanation of these and other credits refer to the Tax Expenditure Report included in the support documentation provided to the committee.

ILLINOIS DEPARTMENT OF REVENUE

CORPORATE FRANCHISE TAX

Illinois Corporate Franchise Tax

- Liability is based on a corporation's paid-in capital (the total amount paid to the corporation by initial buyers of shares):
 - 1. Initial franchise tax: 0.15% of paid-in capital.
 - 2. Additional franchise tax: 0.15% of any increases in paid-in capital during the year.
 - 3. Annual franchise tax: 0.1% of paid-in capital each year.
- Annual tax payment is capped at \$2 million per taxpayer.

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Fiscal Year	Receipts (millions)
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2013	\$208.0
2012	\$194.6
2011	\$210.1
2010	\$211.5
2009	\$204.6
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ILLINOIS DEPARTMENT OF REVENUE

RETAILERS OCCUPATION TAX (SALES TAX)

Retailers Occupation Tax

- **Three Major Components**
 1. State share of State Sales tax – 5%
 2. Local Share of State Sales Tax – 1 1/4 % rate
 3. Various Local Add-Ons Authorized by Home Rule Authority or State Laws.

Tax Base

- Illinois does not tax services under the state sales tax, although some services are taxed pursuant to other state statutes or by local governments .
- Consumer spending has been shifting towards services and away from goods for years.
- Illinois does not tax digital goods, unlike many other states.

Sales Taxation of Goods

State	State tax rate	Food for off-premises consumption	Prescription drugs	Non-prescription drugs	Motor fuels	Digital goods (excl. software and games)
Arizona	5.60%	No	No	Yes	No	Yes
California	7.50%	No	No	Yes	Yes	No
Florida	6.00%	No	No	No	Yes	No
Georgia	4.00%	Yes, but locals only	No	Yes	Yes	No
Illinois	6.25%	Yes, 1.0% to locals	Yes, 1.0% to locals	Yes, 1.0% to locals	Yes	No
Indiana	7.00%	No	No	Yes	Yes	Yes
Iowa	6.00%	No	No	Yes	No	No
Kentucky	6.00%	No	No	Yes	No	Yes
Louisiana	4.00%	No	No	Yes	No	Yes
Minnesota	6.875%	No	No	No	No	No
Missouri	4.225%	Yes, 1.225%	No	Yes	No	Yes
New York	4.00%	No	No	No	No	No
North Carolina	4.75%	No	No	Yes	No	Yes
Ohio	5.75%	No	No	Yes	No	Yes
Oregon	No state sales tax	N/A	N/A	N/A	N/A	N/A
Pennsylvania	6.00%	No	No	No	No	No
South Carolina	6.00%	No	No	Yes	No	No
Texas	6.25%	No	No	No	No	No
Wisconsin	5.00%	No	No	Yes	No	Yes

Tax Treatment of Service Sectors

Border States

Service Sectors	IL	IA	IN	KY	MO	WI
Agricultural Services	0	2	1	0	0	3
Industrial and mining services	0	0	0	0	0	1
Construction	0	3	0	0	0	0
Utilities	12	13	7	11	8	11
Transportation	0	1	0	0	1	2
Storage	0	3	1	0	0	1
Finance, Information, Real Estate	0	2	0	0	0	0
Personal services	1	15	4	2	1	11
Business services	1	18	3	4	2	8
Computer services	1	1	2	0	2	3
Automotive services	0	5	0	0	0	5
Admissions and amusements	0	14	3	6	10	14
Professional services	0	0	0	0	0	0
Leases	1	3	2	1	2	3
Fabrication, repair and installation	1	13	1	4	0	14
Miscellaneous	0	1	0	0	0	0
Taxable Categories	17	94	24	28	26	76

Source: Federation of Tax Administrators Service Taxation Survey

Note: The FTA survey includes all taxes levied on service provision, not just sales taxes.

Tax Treatment of Service Sectors

Manufacturing States

Service Sectors	IL	IA	IN	LA	MN	NC	OH	OR	TX	WI
Agricultural Services	0	2	1	0	2	0	1	0	2	3
Industrial and mining services	0	0	0	1	1	0	0	0	2	1
Construction	0	3	0	0	0	0	0	0	3	0
Utilities	12	13	7	10	15	10	8	0	12	11
Transportation	0	1	0	0	0	0	2	0	3	2
Storage	0	3	1	2	1	0	4	0	2	1
Financial, Information, Real Estate	0	2	0	0	0	0	0	0	2	0
Personal services	1	15	4	8	7	4	12	0	10	11
Business services	1	18	3	5	12	5	14	0	14	8
Computer services	1	1	2	3	2	0	5	0	8	3
Automotive services	0	5	0	3	5	0	4	0	1	5
Admissions and amusements	0	14	3	9	13	9	3	0	12	14
Professional services	0	0	0	0	0	0	0	0	1	0
Leases	1	3	2	1	2	1	3	0	1	3
Fabrication, repair and installation	1	13	1	13	6	1	12	0	10	14
Miscellaneous	0	1	0	0	0	0	0	0	0	0
Taxable Categories	17	94	24	55	66	30	68	0	83	76

Source: Federation of Tax Administrators Service Taxation Survey

Note: The FTA survey includes all taxes levied on service provision, not just sales taxes.

Tax Treatment of Service Sectors

"Sunbelt" and Other States

Service Sectors	IL	FL	AZ	SC	CA	GA	NY	PA
Agricultural Services	0	0	1	0	0	0	3	2
Industrial and mining services	0	0	2	0	1	0	0	0
Construction	0	0	4	0	0	0	0	0
Utilities	12	7	12	4	2	10	4	9
Transportation	0	1	5	0	0	3	2	1
Storage	0	6	6	0	0	0	4	0
Financial, Information, Real Estate	0	0	0	0	0	0	0	0
Personal services	1	4	2	6	2	4	4	5
Business services	1	9	7	7	7	5	13	16
Computer services	1	0	0	4	2	2	1	1
Automotive services	0	4	1	0	1	0	5	4
Admissions and amusements	0	14	9	10	1	8	6	1
Professional services	0	0	0	0	0	0	0	0
Leases	1	2	3	2	2	3	1	1
Fabrication, repair and installation	1	16	2	1	3	1	14	15
Miscellaneous	0	0	1	1	0	0	0	0
Taxable Categories	17	63	55	35	21	36	57	55

Source: Federation of Tax Administrators Service Taxation Survey

Note: The FTA survey includes all taxes levied on service provision, not just sales taxes.

Local Option Retailer Occupation Taxes (ROT)

- IDOR collects ten different local option ROTs.
 - Home Rule
 - Non-Home Rule
 - Metro-East Transit District
 - Regional Transit Authority
 - DuPage Water Commission
 - County Public Safety
 - County School Facility
 - Business District Development
 - Metro-East Park and Recreation
 - County Flood Prevention
- Local ROT tax rates have been increasing.
 - FY 1996 weighted average local option rate 1.10%
 - FY 2013 weighted average local option rate 1.92%

Top 10 Illinois Sales & Use Tax Expenditures

Name	FY12 Amount - State 5% Tax Rate (millions)
Food, Drugs, and Med App. Rate Reduction	\$1,635
Sales to Exempt Organizations	\$405
Traded-In Property	\$315
Farm Chemicals (includes feed, seed, and fertilizer)	\$259
Manufacturing Machinery and Equipment Exemption	\$183
Gasohol 20% Exemption	\$142
Biodiesel 20% and 100% Exemptions	\$127
Retailers' Discount	\$121
Rolling Stock Exemption	\$74
Farm Machinery and Equipment Exemption	\$57

Retailers' Discount

- 27 states allow retailers to keep a portion of the sales tax they collect to cover their cost of collection.
- Many states cap the amount that can be kept or lower the rate as collections increase.
- Illinois has the most generous retailers' discount: a flat rate of 1.75% of tax collected.
- Retailers kept \$183 million in state and local sales tax in FY 2013.

ILLINOIS DEPARTMENT OF REVENUE

PROPERTY TAXES

Property Tax

- Property Assessed at 33.33% of Fair Cash Value (AV) EXCEPT IN Cook County
- Classification of property allowed in counties over 200k population – (one class of property cannot be assessed 2 ½ times that of another class)
 - Cook county – Since 2008
 - 10% Vacant, Residential, Apartment
 - 25% Commercial Industrial
- Department of Revenue has the authority to equalize assessed value to 33.33% - (EAV)
- State Assessed Property
 - Pollution Control Facilities
 - Low Sulfur Dioxide Coal Fueled Devices
 - Railroads
 - Regional Water Treatment Facilities
- Special Assessed property
 - Examples - Farm, Wind Turbines, and Sports Stadiums
- Exempt property
 - Examples – Churches, Government owned properties
- Homestead Exemptions

Property Tax: State Rankings

	State and Local Property Tax Collections Per Capita, Fiscal Year 2010		Property Tax Share of State and Local Tax Revenue		Property Taxes as Percent of Home Value	
	Amount	Rank	Percent	Rank	Percent	Rank
Arizona	\$1,147	30	37.3%	17	0.77%	34
Florida	\$1,507	15	42.9%	7	1.08%	20
Illinois	\$1,827	10	43.6%	6	1.91%	2
Indiana	\$1,182	29	32.8%	27	0.88%	29
Iowa	\$1,367	23	34.8%	24	1.36%	14
Kentucky	\$684	46	21.5%	41	0.76%	36
Louisiana	\$748	43	20.9%	46	0.48%	48
Minnesota	\$1,412	20	30.7%	31	1.09%	19
Missouri	\$960	37	30.2%	33	1.00%	23
North Carolina	\$902	38	26.2%	40	0.80%	32
Ohio	\$1,130	32	30.0%	36	1.52%	9
Oregon	\$1,292	26	37.6%	16	0.97%	26
South Carolina	\$1,022	36	35.8%	22	0.54%	45
Texas	\$1,562	14	45.2%	5	1.74%	5
Wisconsin	\$1,698	12	39.5%	13	1.74%	4