

# Job Creation Package

*Total Cost: \$492.0 million*

1. Reinstates the Net Operating Loss deduction, extends the corporate carry forwards from 12 years to 20 years, and allows a two year carryback.
2. Re-enacts and makes permanent the Illinois Research & Development tax credit beginning in 2011 and adds ethanol and biodiesel research as qualified R & D activities.
3. Extends the life of existing Enterprise Zones by up to 20 years.
4. Reduces the cost of setting up an LLC in Illinois.
5. Increases the estate tax exemption to \$5 million.

**Reinstate the Net Operating Loss deduction, extend the corporate carry forwards from 12 years to 20 years, and allow a 2 year carryback.**

- Included in the January 2011 legislation that increased the income tax rate, SB 2505, was a provision to remove the ability for companies to use net operating losses as a tax deduction for four years (2011, 2012, 2013, and 2014).
- The Net Operating Loss deduction and corporate carry forwards have proven to be important and essential tools during recessionary times for struggling businesses and start-businesses that traditionally lose money in the early years.
- In addition to this restoration, we call for extending the corporate carryforwards from 12 years to 20 years, and allowing a 2-year carryback.
  - **The total cost of this proposal is estimated to be \$379.0 million by the Commission on Government Forecasting and Accountability.**

**Re-enact the Illinois Research & Development tax credit for 2011, make it a permanent tax credit, and add ethanol and biodiesel research as qualified R & D activities.**

- Without a doubt, research and development is a critical component to a robust economy and our future economic productivity.
- The House Republican Caucus has always supported targeted research and development income tax credits to create a positive incentive for this type of investment activity.
- In Illinois, the phased-out income tax credit was 6.5% of all qualifying expenditures for new research activities carried out within Illinois. We call for reinstating this 6.5% credit, making it permanent, and adding agriculture-related energy research and development to the list of activities that qualify for the credit.
  - **The total cost of this proposal is estimated to be \$25.0 million by the Commission on Government Forecasting and Accountability.**

**Extend the life of existing Enterprise Zones by up to 20 years.**

- The Illinois Enterprise Zone Program is a proven economic development partnership between the State of Illinois and local units of government and has a documented history of making the difference for projects seeking to locate in Illinois.
- The incentives allowed under the Enterprise Zone Program have enabled both existing companies and new ventures alike to make decisions regarding job creation, job retention, and capital investment resulting in a stronger Illinois economy.
- The Illinois Enterprise Zone Program is of particular importance in today's highly competitive world of economic development. Recent negative impacts to Illinois resulting from a national and global economic crisis make it even more important to preserve and extend this program.
- Enterprise Zones throughout Illinois, especially Downstate Illinois, will be expiring in the next few years. This legislation will allow communities, by consensus of their local governments and their Enterprise Zone employers, to extend the life of their Enterprise Zones. This will create a business climate within these zones that will allow for continued employer growth and reinvestment.
  - **Since Enterprise Zones currently exist in Illinois, there is no additional fiscal impact associated with this proposal.**

**Reduce the Cost of Setting up an LLC in Illinois**

- Illinois should decrease the administrative fees associated with filing for and incorporating as a limited liability corporation (LLC) from \$750 (currently) to \$100.
- Every State imposes an administrative cost for setting up the “Articles of Organization” to create an LLC. The cost of setting up an LLC varies between \$50 (in Michigan, Missouri, and Iowa) to \$750 (in Illinois).
  - Other Midwest state costs are as follows: Ohio- \$125; Wisconsin- \$130; Indiana \$85.
- Onerous startup costs can be the difference between small businesses not having enough capital to start up in Illinois or thriving within the State.
  - **Reducing the setup costs of a LLC will have a minimal fiscal impact.**

<b>Increase the estate tax exemption to \$5 million.</b>
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- Illinois should increase the personal exemption enjoyed by executors who pay the Illinois estate tax to the federal level of \$5 million (currently the state exemption is set at \$2 million).
- The estate tax falls heavily upon family farms and their owners and heirs. The current price of Illinois farmland means that Illinois farmers who try to bequeath their land to their children, following the traditional pathway through which a farm is moved from parent to child, must pay a heavy “death tax” that is so heavy that the next generation must either mortgage the land or leave the farm.
- Non-farm small businesses are also affected. Family businesses can be destroyed when the estate tax forces surviving family members to sell land, buildings, or equipment to generate enough money to pay the tax.
- A higher exemption would give family farms and small businesses a better chance to remain in operation when transferring from one generation to the next.
- Senator Mark Kirk (R-Ill.) is pushing similar legislation in his “2011 Small Business Bill of Rights Proposals.” The proposal suggests either lowering the estate tax or abolishing the tax altogether.
  - **The total cost of this proposal is estimated to be \$88 million by the Commission on Government Forecasting and Accountability.**