

GOVERNOR'S HIGHLIGHTS:

First-term Democratic **Governor J.B. Pritzker** successfully navigated his massive agenda through the Democratically controlled General Assembly. The General Assembly ended the spring session approving an increase to the minimum wage, enacting a budget, approving a multi-billion capital plan, legalizing sports betting and recreational marijuana, expanding gaming and approving changes to the state's income tax structure. Negotiations continued down to the wire, sending the General Assembly into overtime session.

GRADUATED INCOME TAX: The Illinois House voted along party lines to replace Illinois' flat income tax with a **graduated income tax**. [SJCA1](#) (**Harmon/Martwick**) proposes to change the state's Constitution as follows: "The General Assembly shall provide by law for the rate or rates of any tax on or measured by income imposed by the state. In any such tax imposed upon corporations the highest rate shall not exceed the highest rate imposed on individuals by more than a ratio of 8 to 5". The amendment will be placed on the November 2020 ballot for voter approval. Voters must then approve the measure by either 60% of those voting on the question or 50% of those voting in the election. Previously approved by the Senate.

The House approved new **graduated income tax rates** for individuals and corporations, [SB687](#) (**Hutchinson/Zalewski**). Previously approved by the Senate. Unlike the earlier Pritzker plan, this bill addresses the "marriage penalty" by creating different rates for married and single filers. The individual rates are estimated to generate \$3.3 billion while the changes in the corporate tax rate are projected to generate \$350 million. Under the bill, individuals would receive a \$100 income tax credit per child up to \$80,000 in earnings for single filers and \$100,000 in earnings for joint filers. The proposal also includes **\$100 million** increase in **LGDF** funding.

GRADUATED INCOME TAX RATE PROPOSAL		
PROPOSED INDIVIDUAL RATE	JOINT FILERS INCOME RANGE	SINGLE FILERS INCOME RANGE
4.75%	\$0-10,000	\$0-10,000
4.85%	\$10,001-100,000	\$10,001-100,000
4.95%	\$100,001-250,000	\$100,001-250,000
7.75%	\$250,001-500,000	\$250,001-350,000
7.85%	\$500,001-1,000,000	\$350,001-750,000
7.99%	1,000,000+	750,000+
PROPOSED CORPORATE RATE		
Current Rate	Proposed Rate	
7.0%	7.99%	<i>Applies to all corporate income</i>

The House did not consider legislation to **freeze property taxes** for schools and **repeal the estate tax**. Both measures previously passed the Senate. Instead, the General Assembly passed [SB1932](#) (**Manar/Carroll**) which creates **The Property Tax Relief Task Force** which is charged with using a racial and economic equity lens to identify the causes of increasingly burdensome property taxes across

Illinois, review best practices in public policy strategies that create short- and long-term property tax relief for homeowners, and make recommendations to assist in the development of short- and long-term administrative, electoral, and legislative changes to create short- and long-term property tax relief for homeowners. The Task Force appointments will be made by the Governor and legislative leaders. They also passed [SB39](#) (**Mulroe/Didech**) to create the **Illinois Property Tax Relief Fund**. Provides that moneys in the Illinois Property Tax Relief Fund shall be used to pay rebates to residential property taxpayers in the State. Critics of the bill argue there is no money to put into this account.

FY 20 BUDGET AND CAPITAL PROGRAM: The **Fiscal Year 20 budget** and the **Rebuild Illinois** Capital program, and revenue streams to support both, were passed on several separate pieces of legislation.

- [SB 262](#) (**Culleton/Harris**) contains the FY19 supplemental and the FY20 state budget operating appropriations. The General Assembly approved a \$107 billion All Funds (**\$40.6 billion GRF** and \$66.5 billion in other state/federal funds) Fiscal Year 2020 budget. The bill includes \$975 million for lapse period spending and continues the 5% LGDF diversion.
- [SB 689](#) (**Hutchinson/Harris**) is the revenue bill that supports spending for the FY20 operating budget. It **decouples** from the federal foreign-derived intangible income deduction, creates an **online marketplace** sales tax program, creates a **tax amnesty** program, and provides for an **MCO assessment**. The bill also contains business reforms and incentives:
 - Creates the **Blue-Collar Jobs Act** – designed to attract large scale construction projects;
 - Creates a **Data Center Tax Incentive** – which will enhance the state’s ability to locate data centers in Illinois by providing tax incentives;
 - Reinstates the **Manufacturer’s Purchase Credit** – to encourage further investments in manufacturing in Illinois;
 - Eliminates the Illinois **Franchise Tax**;
 - Eliminates the cap on the **Retailer’s Discount**.
- [HB 142](#) (West/Manar) creates the **\$45 Billion Rebuild Illinois** Capital Program, which contains \$22.577 billion in G.O. and Build Illinois Bond authorization to support a \$45 billion capital program and pay-as-you-go portions of the appropriations bill. It also includes \$1.2 in bond authorization to pay down the backlog of bills.
- [HB 62](#) (Harris/Culleton) contains the **vertical capital** spending plan. **\$20.6 billion in bonding**, leverages **\$10 billion in federal funding**, remaining is **pay-as-you go**. Funds will be distributed as follows: \$3.5 billion for education projects; \$4.3 billion for state facilities, including deferred maintenance; \$1.2 billion for environment and conservation projects; \$420 million for broad band; \$465 million for healthcare and human services, and \$1.9 billion for economic and community development.
- [SB 690](#) (Link/Zalewski) contains the enacting legislation to create the necessary revenue streams to support **vertical capital**. Revenue will be generated from a \$1 increase in the **cigarette tax**, a new **parking tax**, caps to the **motor vehicle trade-in** sales tax credit, and enforcing the **online sales tax**. The bill also creates **gaming expansion** (additional casinos, racing positions, and VGT

terminals) and **legalizes sports betting**. The revenue generated from the gaming expansions will also be used to support vertical capital.

- [SB 1814](#) (Steans/Harris) enacts the **statutory changes** necessary to **implement the FY 20 budget**. The legislation extends the time frame on interfund borrowing, establishes refund rates for corporate and individual income tax rates, provides rate increases for mental health and substance abuse providers, makes prompt pay interest changes, and restores the 6% TRS credit, among other things.
- [SB 1939](#) (McGuire/Hoffman) Revenue for **horizontal projects** – roads, bridges, transit and trains. Represents **\$13 B in transportation revenue** over the life of the program. Funds will be generated from: doubling the motor **fuel tax** and linking it to CPI; increasing vehicle and electric vehicle **registration fees**; increasing **title fees**; increasing **truck registrations** and adding a 5-cent increase for **diesel fuel**.

101ST GENERAL ASSEMBLY:

RECREATIONAL CANNABIS: After more than two years of negotiations and town hall meetings across Illinois, the Illinois General Assembly approved controversial legislation to legalize **recreational marijuana**. Bipartisan negotiations during the past month led to changes in the previous version regarding **expungement** and **home grow** that appeased enough members to vote for the bill. Sponsors hailed this legislation as “the largest most equity-centered bill with the most criminal justice reform in the world right now”.

Specifically, the bill allows persons 21 years of age or older to possess, use, and purchase limited amounts of cannabis for personal use **starting Jan. 1, 2020**. Allows medical cannabis card holders only to **home grow** up to 5 cannabis plants. Provides for the regulation and licensing of various entities and occupations engaged in **cultivation, dispensing, processing, transportation**, and other activities regarding cannabis for adult use. Provides for **expungement** of minor cannabis violations under certain circumstances. Imposes a 2-year ban from the effective date on state lawmakers, regulatory employees, or their direct family members from holding a financial interest in state-licensed cannabis companies. Creates a **Restore, Reinvest, and Renew Program** and a Restore, Reinvest, and Renew Program Board and authorizes a low-interest loan program for **social equity** applicants, investment in communities that have suffered because of drug policies, and the promotion of cannabis business ownership by individuals who have resided in areas of high poverty and high enforcement of cannabis-related laws. Contains provisions regarding health and safety, packaging, advertising, local ordinances, providing financial services to a cannabis-related legitimate business. Creates a Cannabis Cultivation Privilege Tax and a Cannabis Purchaser Excise Tax. Authorizes the imposition of a County Cannabis Retailers' Occupation Tax and a Municipal Cannabis Retailers' Occupation Tax. Provides for allocation of revenues as follows:

- 35% to GRF;
- 25% for Recover, Reinvest, and Renew Program;
- 20% for community substance abuse programs and mental health services;

- 10% for the bill backlog;
- 8% for law enforcement funds for prevention and training to be distributed through the Local Government Distributive Fund (LGDF) formula; and
- 2% for public education and safety campaigns.

STALLED LEGISLATION: Two days before the end of Session, Senator Hastings abruptly tabled [HB1633 \(Hoffman/Hastings\)](#) which creates the offense of criminal damage to a **critical infrastructure facility** which is a joint effort of the Illinois Manufactures Association and the AFL-CIO. The bill is now dead. The sponsor said he tabled the bill “to allow for continued summer negotiations”.

Legislation to “**Fix the FOID**” stalled in the **Senate**. The House narrowly passed controversial legislation to “Fix the FOID”, [SB1966](#) (Morrison/Willis) but the motion to concur was subsequently held in the Senate Judiciary committee. The bill makes several changes to the existing FOID process and is a result of the Aurora shooting. While the bill was negotiated with law enforcement, significant opposition from gun rights advocates remains. The bill requires a point-of-sale background check for all gun sales, including those by an unlicensed seller. It requires applicants for FOID Cards to submit fingerprints as part of their application. Reduces the FOID Card duration from 10 years to five years. And requires action by the State Police to remove guns once a FOID Card is revoked.

These bills head to the Governor.

- [HB2023](#) (**Morgan/Hutchinson**) Makes several changes to the **medical cannabis** program including making it permanent, currently a pilot program, and adding qualifying diseases.
- [SB1890](#) (**Murphy/Slaughter**) Cracks down on **human trafficking** in Illinois by training hotel employees and law enforcement to recognize human trafficking, extending civil and criminal statutes of limitations and penalizing companies that benefit and profit from human trafficking.
- [SB9](#) (**Bennett/Ammons**) Creates the **Coal Ash Pollution Prevention Act** to establish parameters regarding how coal ash will be treated in Illinois. Senator Bennett committed to a trailer bill to address issues that were not addressed in this bill.
- [SB1591](#) (**Gillespie/Walker**) Provides that the **research and development credit** apply for taxable years ending prior to January 1, 2027 (currently, January 1, 2022). Creates an income tax credit for qualified education expenses incurred by an employer on behalf of a qualifying apprentice, subject to certain limitations.
- [HB2276](#) (**Carroll/Morrison**) Prohibits **smoking** in a car with a child under the age of 18.
- [SB 75](#) (**Bush/Williams**) Omnibus bipartisan anti-**sexual harassment** and **ethics** bill.
- [SB 25](#) (**Bush/Cassidy**) Reproductive Health Act.
- [SB 1300](#) (Aquino/Martwick) Omnibus **pension** bill making 11 changes to the pension systems.

Republican State Senator Dale Righter announced he will not be seeking reelection in November 2020. He intends to serve the remainder of his term.

COMING UP:

The 2019 spring legislative session stands adjourned. Lawmakers will return for the **Fall Veto Session October 28th**. Veto Session Dates: **Oct. 28 – 30** and **Nov. 12-14**.

The General Assembly has 30 days to send legislation to the Governor and the Governor has 60 days to act or the legislation or it becomes law.