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Illinois Must Ignore CME's Tax Tantrum: Statement from Institute on Taxation and Economic Policy

Washington, DC – How much is enough? On top of the close to $500 million in corporate tax breaks Illinois doles out each year, Governor Pat Quinn now finds himself confronted by a growing crowd of CEO's demanding even more. In the wake of tax-break lobbying efforts by Motorola, Sears and Caterpillar, the latest corporation seeking preferential tax treatment is CME, owner of the Chicago Mercantile Exchange and the Chicago Board of Trade. These companies claim that the temporary corporate tax rate hike enacted by Illinois lawmakers earlier this year might force them to pull up stakes and leave if the Governor doesn't bend the tax code to accommodate their specific industry. This tactic is widely viewed as an empty threat, but the Governor has said his door is open.

Matt Gardner, author of Balancing Act: Tax Reform Options for Illinois and Executive Director of the Institute on Taxation and Economic Policy, issued the following statement in response to the controversy:

"The real problem with the Illinois corporate income tax rules isn't the rates, it's the way the state has lavished industry-specific and even company-specific tax breaks and loopholes over the years.

"CME recognizes the inequities created by these corporate tax giveaways, but ironically, the solution put forward by CME and other highly profitable corporations is to create even more holes in the corporate tax code, further shifting the burden of the corporate tax to those companies not blessed with high-paid lobbying teams. For example, over the last three years, CME paid an effective state income tax rate of 7.7 percent, while Deere & Company has been paying only 2.2 percent, and Wells Fargo a mere 0.7 percent.

"Capitulating to big businesses' aggressive lobbying is what got Illinois in this mess in the first place. The "single sales factor" tax break that lawmakers enacted a decade ago was designed to please manufacturing companies. This single tax break now costs the state close to $100 million a year—and shifts the cost of funding public services away from manufacturers and onto every other Illinois business – with no demonstrable impact on the size of Illinois' manufacturing sector. Combined with nearly $400 million in other corporate tax giveaways annually, the single sales factor increases the pressure on state lawmakers to hike tax rates in order to preserve a minimal level of growth in the corporate tax. Repealing the single sales factor is the first thing the governor and legislature can do to make the Illinois corporate tax system more equitable; creating more exceptions for corporations now lining up to renew their expiring deals will create even more instability in the state's revenues.

“Taxes are part of the cost of doing business, and corporations get a big bang for those bucks: educated workers, reliable energy sources, roads and tracks that get them to work and their product to market, the list goes on. If CME and other corporations want a stable, predictable economic environment, they should be asking for fewer loopholes, not more.”

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Founded in 1980, the Institute on Taxation and Economic Policy (ITEP) is a non-profit, non-partisan research organization, based in Washington, DC, that focuses on federal and state tax policy. ITEP's mission is to inform policymakers and the public of the effects of current and proposed tax policies on tax fairness, government budgets, and sound economic policy. ITEP’s full body of research is available at www.itepnet.org.