



Community Bankers Association of Illinois
Department of Governmental Relations

NEWS FROM THE FRONT- 3/11/2019

Governor Announces Proposed Graduated Income Tax Rates

Governor JB Pritzker released his plan to change the state's tax structure from a flat to a graduated income tax. A copy of the Governor's presentation, including proposed rates, is [here](#). The Governor projects the change in tax structure will generate \$3.4 billion, and includes a new \$100/child tax credit and a \$100 million increase in the property tax credit. Illinois' corporate income tax would increase from 7 percent to 7.95 percent (not including the additional personal property replacement tax) under Gov. Pritzker's plan.

Governor's Proposed Rate	Income
4.75%	\$0 - \$10,000
4.90%	\$10,001 - \$100,000
4.95%	\$100,001 - \$250,000
7.75%	\$250,001 - \$500,000
7.85%	\$500,001 - \$1,000,000
7.95%	Over \$1,000,000

Governor Pritzker argues the graduated income tax is the path forward for Illinois' fiscal stability and challenged opponents, when negotiating the proposal, to share their specific "plan to address a \$3.2 billion-dollar budget deficit, pay down \$15 billion of debt from unpaid bills, and protect working families."

CBAI will once again partner with a large coalition of business trade associations to address concerns with the proposed tax hike. The coalition is being led by our partners at the Illinois Manufacturers' Association who shared following analysis of the tax proposal with us.

Governor JB Pritzker's graduated income tax proposal will increase the corporate income tax by 13.5 percent while spiking the tax rate for many small businesses by 60.6 percent. This "jobs tax" will generate \$3.4 billion according to the Governor's estimation. If enacted, Illinois will have the 3rd highest corporate tax rate (10.45 percent) in the United States, trailing only Iowa (12 percent) and New Jersey (11.5 percent). However, Iowa's top rate is scheduled to drop to 9.8 percent in 2021. Under the new proposal, corporate tax rates will be 10.45 percent (7.95 percent plus the 2.5 percent corporate personal property replacement tax) while many small

businesses will pay a rate of 9.45 percent (7.95 percent plus 1.5 percent corporate personal property replacement tax). Illinois' top individual tax rate would be the 8th highest nationally. More than 75 percent of Illinois businesses file taxes under the individual income tax rate such as Subchapter S corporations, partnerships, and LLCs.

Once income reaches \$1 million, the entire income is taxed at the 7.95 percent. Employers with more than \$1 million will see the entire amount taxed at the maximum rate plus the Personal Property Replacement Tax. For example; Business A (Subchapter S) that has \$2 million in income will see the tax bill increase from \$129,000 to \$189,000. Business B (C Corporation) with \$5 million in income will see the tax bill jump from \$475,000 to \$522,500. Business C (Subchapter S) with \$300,000 in income will have its income tax bill increase from \$14,850 to \$16,185, an increase of 9 percent.

In an attempt to address the skyrocketing cost of property taxes, the Governor is proposing to increase the current property tax credit from 5 percent to 6 percent. However, this credit is only available to taxpayers with incomes of \$500,000 or less (married filing jointly) or \$250,000 (single). In total, the Governor is offering only \$100 million in property tax relief in exchange for \$3.4 billion in higher income taxes. Additionally, the Governor is proposing to add a new \$100 per child tax credit that will only be available for joint filers (\$100,000 or less) and single filers (\$80,000 or less). However, the small credit starts phasing out at \$60,000 and \$40,000 respectively.

A graduated income tax would only go into effect after a constitutional amendment was placed on the ballot during the 2020 general election and approved by voters. The Illinois constitution currently requires the state to use a flat income tax structure. A constitutional amendment allowing a graduated tax without specifying rates would open the door to allow the General Assembly to revise tax rates at will. CBAI will continue to engage with our coalition partners in the greater business community to address income tax proposals.

CBAI Mortgage Act Update Passes out of Committee Unanimously

[SB 1657 \(Murphy\)](#) and [HB 2699 \(Walker\)](#) are identical bills that were filed in both chambers. The bills amend the Mortgage Act to allow a consumer to appoint an authorized requester of a mortgage release on behalf of the consumer. Both bills also adopt a uniform measure of 30 days in lieu of the current term "month." SB 1657 passed out of the Senate Financial Institutions Committee unanimously, and HB 2699 also passed unanimously out of the House Financial Institutions Committee. CBAI thanks both of the sponsors, Senator Laura Murphy and Representative Mark Walker for leadership on this important issue.

Market Conduct Reforms to the Illinois Title Insurance Act

CBAI has been in discussions with the Illinois Land Title Association (ILTA) about the group's efforts to reform the Illinois Title Insurance Act. This is in response to a legislative hearing last year where the title industry was taken to task about rate transparency and market conduct issues. We expect legislation to be filed in coming weeks but in the meantime ILTA has asked

for our input on their proposal. Please [click here](#) to read an executive summary and draft legislative language. Key points of the proposal include:

- Fee Transparency; itemizing fees and charges to the consumer
- Voluntary Rate Regulation; industry would collaboratively develop rates in two zones, suburban Chicago and the rest of the state, that would ultimately be approved by IDFP
- Agent Licensing through IDFP; the department would also be able to directly request records from an agent instead of having to work through their agency
- Market Conduct Changes; prohibit improper sharing of business, implement an 80/20 sharing of premiums, end the practice of funneling business to specific companies and limiting business inducements

One major area of concern for community bankers is language in the draft that would more clearly define banks as producers of title business. This would potentially create greater exposure to penalties and greater regulation under the act. **Please take a minute to review the proposal and let us know of any issues or concerns you may have as quickly as possible.** We still have an opportunity to negotiate changes to the proposal before it is filed as a bill.

Uniform Trust Code

Illinois is a step closer to joining 31 states who have adopted a version of the Uniform Law Commission's Uniform Trust Code. The changes are included in [HB 1471](#) Sponsored by Rep. Ann Williams which was approved on a 12-0 vote of the House Judiciary-Civil Committee. The measure now moves to the House floor for consideration. According to proponents of the legislation, the goal is to provide precise, comprehensive and easily assessable guidance on trust law and trust law questions. Please [click here](#) for the point by point comparison provided by proponents outlining how the proposed language compares to the current law.

Legislation of Interest

[HB 2768 \(West\)](#) amends the Consumer Fraud and Deceptive Business Practices Act to require a business that extends credit to consumers in the conduct of its business to provide to consumers a document that explains to the consumer the interest rate applied to the transaction, the manner of calculating the interest rate, and the payments required under the terms of the credit extended. Provides that a violation constitutes an unlawful practice within the meaning of the Act. CBAI opposes this bill as it has been introduced but has offered the sponsor language to exempt financial institutions. Banks are already heavily regulated and required to make these notifications under existing state and federal laws.

[HB 2829 \(Stava-Murray\)](#) would create the Financial Institution Cybersecurity Act. The bill states that persons and entities operating under the authority of the Secretary of Financial and Professional Regulation under the Illinois Banking Act, the Illinois Insurance Code, the Savings Bank Act, the Illinois Credit Union Act, the Corporate Fiduciary Act, and the Residential Mortgage License Act of 1987 must maintain a cybersecurity program to protect the confidentiality of their information systems.

[HB 2872 \(Villanueva\)](#) would require publicly held domestic or foreign corporations whose principal executive office is located in Illinois to have a minimum of one female director on its board of directors by December 31, 2020. Provides for an increase in the number of female directors beginning in 2022. While CBAI believes increasing female representation is laudable, CBAI has concerns with legislation about these kinds of mandates on community banks.

[SB 222 \(Castro\)](#) and [HB 2156 \(Mah\)](#) both amend the Consumer Fraud and Deceptive Business Practices Act and prohibit dormancy fees or other post-issuance fees on rebate cards given to consumers. This bill passed the General Assembly last year but was vetoed by former Governor Rauner. CBAI continues to oppose this bill. CBAI strongly opposes the concept of fee restraints on card products. The infrastructure necessary to support card processing functions and maintenance of card accounts that hold balances is a complex and costly requirement. Fee prohibitions would significantly impact the ability of card issuers to offer the service necessary to maintain this book of business. Cards have long been a convenient and reliable method for consumers to transact business, and it is important to retain the ability to maintain a secure payment system. Additionally, federal law (Regulation E) provides consumers protections from excessive post issuance fees.

Notes from Springfield

Bond Sale Schedule; Governor Pritzker will meet this week with rating agencies to discuss his pension and budget proposals. Illinois' bond sale schedule per the Governor's introduced FY 2020 budget is as follows:

- April 2019 – \$300 million in General Obligation Pension Acceleration Bonds
- June 2019 – \$1.5 billion in General Obligation Backlog Borrowing
- August 2019 - \$600 million in General Obligation capital bonds and \$700 million General Obligation pension acceleration bonds
- January 2020 - \$500 million General Obligation capital bonds
- March 2020 - \$2 billion pension funding bonds. These bonds will either be General Obligation bonds or a new individual income tax bond requiring legislative approval.

Revenue Forecast; The Commission on Government Forecasting and Accountability told Illinois lawmakers this week that they expect a \$184 million revenue shortfall for the current fiscal year (FY 19). The Commission also warned that Illinois is likely to see an economic slowdown in 2020 which could further impact Illinois' financial condition. GOGFA's revised estimates include \$38.3 billion in revenue for FY 19 down slightly from the original predication of \$38.5 billion in revenue. State income tax collections are projected to end the year \$450 million higher than expected, and sales taxes are doing slightly better than expected. The state never sold the James R. Thompson Center which was projected to generate \$300 million, and the state didn't borrow money from special state funds which was authorized in the budget.

For next year, COGFA is predicting increases in both income and sales taxes, although the amount of growth isn't expected to be as strong as it has been. However, some other taxes, like inheritance and insurance taxes, are expected to drop slightly. Without introduction of specific

legislation, COGFA is unable to analyze or predict revenue estimates for portions of the Governor's revenue proposals for FY 20 like sports wagering and recreational marijuana sales.

Cannabis Legalization; Representative Marty Moylan, along with 34 cosponsors, filed a resolution this week ([HR157](#)) urging lawmakers to slow process of legalizing recreational marijuana in Illinois so that lawmakers, stakeholders, and experts alike have the chance to consider the societal impact of legalization and examine all the data from other states that have passed similar legislation. The resolution is pending in the House Rules Committee. Governor Pritzker is pushing for legalization and is projecting to use \$70 million in new revenue from licensing to fund the FY 20 budget. Opponents rallied against legalization this week at the capitol.

New State Representative Sworn In; Barbara Hernandez has been sworn in as the new State Representative for the 83rd district representing the Aurora area. Rep. Hernandez also serves as a member of the Kane County Board. She will fill the remainder of the term of Rep. Linda Chapa LaVia who resigned after being appointed by Governor Pritzker to serve as Director of the Illinois Department of Veterans Affairs.

Notes from Washington D.C.

Cannabis Banking Safe Harbor Legislation Introduced; The Secure and Fair Enforcement (SAFE) Banking Act of 2019 ([H.R. 1595](#)) has been formally introduced with broad bi-partisan support and 108 co-sponsors already signed onto the legislation. Illinois co-sponsors include Representatives Davis, Foster, Garcia, Krishnamoorthi and Schakowsky. CBAI has no position on whether cannabis should be legal or not in Illinois. The CBAI Board of Directors has directed the governmental relations team to advocate for safe harbor provisions in both state and federal law allowing banks to voluntarily offer services to the industry if cannabis becomes a legal product.

CBAI Senior VP of Federal Governmental Relations David Schroeder spent last week in D.C. meeting with members of the Illinois Congressional Delegation and key regulators advocating for a broad range of issues benefiting the community banking profession including regulatory relief, faster payments and CRA reform.

REGISTER NOW!

[Capital Conference](#)

Wednesday, April 10, 2019

Wyndham City Centre, Springfield Illinois

REGISTER NOW!

[Call on Washington](#)

April 28 – May 1, 2019
Grand Hyatt Washington

For more information, or if you have any questions or comments, please contact [Jerry Peck](#) or [Megan Peck](#) at 800/736-2224.