



Community Bankers Association of Illinois  
**NEWS FROM THE FRONT**

## ***NEWS FROM THE FRONT- 5/13/2019***

Legislators return to Springfield on Tuesday with only three weeks remaining in the 2019 spring legislative session. Many major issues are still up in the air, including the FY20 budget. The General Assembly is scheduled to adjourn May 31.

### **Graduated Income Tax Passes Senate**

Governor Pritzker's graduated income tax plan cleared another hurdle this week passing the full Senate on a partisan roll call by a vote of 40-19. [SJRC1](#) (Harmon) proposes to revise 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 constitutional amendment now heads to the House for consideration. The approval process of the resolution requires a 3/5ths vote by both chambers of the Illinois General Assembly and voter approval in the November 2020 election by either 60% of the voters voting on the question or 50% of voters voting in the election. In addition to passing the graduated income tax constitutional amendment, Illinois Senate Democrats advanced a package of proposals to implement a graduated income tax, freeze property taxes and repeal the estate tax. The package of bills must be approved together, along with the graduated income tax constitutional amendment, or the bills die. If approved, the bills take effect January 1, 2021. This package does not represent a negotiated agreement with the Governor and the House.

**Graduated Income Tax Rates;** [SB687](#) (Hutchinson) Proposes new graduated income tax rates for individuals and corporations (see below). The bill represents changes to the rates Governor Pritzker proposed in March. According to the sponsor, this bill

addresses criticism of the “marriage penalty” in the Pritzker plan by creating different rates for married and single filers. Under this plan, the top rate would be 7.99% (7.95% in Pritzker’s plan) and apply to the entire income of single filers earning more than \$750,000 annually or joint filers earning more than \$1 million. These rates are estimated to generate \$3.3 billion.

Individual Rate	Joint Filers	Single Filers
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+ (includes all income)	750,000+ (includes all income)

**Corporate Tax Rate;** The corporate tax rate would increase from 7% currently to 7.99% (7.95% in Pritzker’s plan) generating a projected \$350 million. With the addition of the Personal Property Replacement Tax, a second income tax on corporate earnings ranging from 1.5-2.5%, the top effective corporate tax rate would be 10.49%. In addition, 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 measure passed the Senate 36-22 and heads to the House.

**Estate Tax:** [SB689](#) (John Cullerton) Repeals the estate tax. Repealing this tax would result in about \$300 million loss in revenue. Passed the Senate 33-24 and heads to the House.

**Property Tax Freeze:** [SB690](#) (Manar) Freezes school property taxes in years that the state fully funds the new school aid formula (\$350 million additional) and categorical spending (\$300 million additional). The state has not fully funded categorical programs in almost a decade. The freeze is an annual freeze, reevaluated each year. The bill would take effect beginning with the Fiscal Year 2022 budget cycle. The freeze only applies to school property taxes. Passed the Senate 36-18-0.

## Recreational Marijuana Legislation Unveiled

Governor Pritzker and legislative negotiators unveiled a draft proposal [SB7](#) (Steans) to legalize recreational marijuana in Illinois. Under the plan, Illinois residents could possess up to 30 grams of marijuana (15 grams for non-residents). Adults can grow up to five plants if certain conditions are met. Products will be taxed on a scale based upon the amount of THC. Cultivators will be taxed 7% on their gross receipts. Permits current large-scale commercial growers who serve the medical cannabis community as well as small “craft” growers. Establishes a \$20 million low interest loan program through the Department of Commerce and Economic Opportunity for qualified applicants to help defray the start-up costs. Establishes licenses for “social equity

applicants”. The bill places limitations on ownership to prevent the ownership consolidation. Misdemeanor and class 4 felony marijuana convictions would be expunged. The amendment is assigned to the Senate Executive Committee. A hearing on the proposal is not scheduled. The Governor’s office noted this is not the final product and that negotiations will continue.

### **FY 2019/20 Budget Negotiations Continue**

Governor JB Pritzker received good news from his Department of Revenue this week with tax collections for April much higher than expected and higher than anticipated revenue projections through the next fiscal year. With \$1.5 billion in unexpected April revenues, the governor backed off his plan to extend the payment schedule for the state’s pension systems by another seven years and will apply the \$1.5 billion to closing the projected \$1.6 billion FY19 budget hole.

House Republican Leader Durkin is calling for the governor to also ditch his push for tax and fee increases with the state’s improved financial outlook. The House GOP caucus is willing to help pass an assessment on managed care organizations to access more federal funding for Medicaid and pass legalization of sports betting to bolster the state budget, but believe that a balanced state budget does not need more taxes through plastic bags or tobacco products. The House Republicans also remain opposed to the graduated income tax proposal.

The governor’s office continues to request state agencies to cut 4 percent in appropriations for the remainder of FY19 and all of FY20, plus 5 percent cuts in contract costs. House Majority Leader Greg Harris noted that the appropriations committee chairs are looking for 6 percent across the board cuts for the next fiscal year. The state continues to have a \$6-8 billion backlog of pending bills.

Senate President John Cullerton stated this week that he supports a \$1 per pack increase on cigarettes, which would increase the statewide tax to \$2.98 per pack. Other tobacco products would be taxed at 64 percent of wholesale price. The governor’s office said he supports the proposal, as well.

### **Data Breach Notice Bill Passes Committee**

SB 1624 (Glowiak/Andrade) amends the Personal Protection Information Act and would require financial institutions, as data collectors, to report a data breach (that affects 500 or more people) to the Illinois Attorney General’s office. Under this proposed legislation, the notification must be made in the “most expedient time possible and without unreasonable delay but in no event later than when the data collector provides notice to consumers.” CBAI and the Illinois Credit Union League

strongly opposed the bill and testified against it in the House Cybersecurity, Data Analytics, & IT Committee. It ultimately passed the committee on a vote of 10-2, with most of the members stating that they still have concerns with the bill and would like the sponsor to work with the opponents.

As originally introduced in the Senate, the requirement to report fell on where the data breach occurred. However, the bill was amended in the Senate to exempt retailers from the notification requirement, even if that is where the breach occurred and places the reporting requirement solely on the financial institution. For example, if a large retailer has a data breach- it would not have to report to the AG's office. Instead the hundreds of banks who had customers' data breached would have to do the reporting. CBAI has concerns about the lack of parity this creates.

### **Paid Sick Time Passes Senate**

[SB471](#) (Lightford) requires employers with more than one employee to provide paid sick time to full and part-time employees. CBAI opposes the legislation, not because we oppose the concept of paid sick time but because sick time policies should be decided by individual employers and tailored to their specific business, not mandated by the state in a one size fits all approach. The bill passed the Senate 34-15 and moves to the House for consideration.

### **CBAI Members Meet with Chicago Treasurer-Elect**

Community bankers from across the City of Chicago met with Chicago Treasurer-Elect Melissa Conyears-Ervin as part of her transition planning ahead being officially sworn into the post on May 20. Conyears-Ervin previously served in the Illinois House of Representatives when she often worked on issues with the CBAI governmental relations team. The meeting was hosted by Group 1 Director Pat McShane at American Metro Bank's Chinatown location. At the top of the agenda was a discussion about the role community banks play in the vitality of Chicago neighborhoods. We discussed municipal investment with community banks, serving the unbanked and underbanked population and increasing investments in revitalizing neighborhoods. We also discussed the pitfalls of a city owned bank and are pleased that Conyears-Ervin has little interest in the concept, preferring instead to work with existing community banks in the City.

We appreciate the Treasurer-Elect asking to meet with community bankers as she sets priorities for her administration. An early item of focus for CBAI will be reviewing the City's RFP for municipal deposits to provide suggestions for streamlining the 70 page document to make it easier for community banks to complete the application. We

look forward to continuing a productive relationship with Conyears-Ervin in years to come.

### **Notes From Springfield**

State Representative Melissa Conyears-Ervin resigned her legislative seat prior to be sworn in as Chicago's City Treasurer. Her replacement has not been named.

State Representative Jerry Costello II has resigned his seat after Governor JB Pritzker appointed him to head the Law Enforcement Division of the Department of Natural Resources. Costello had served in the House since 2011. Nathan Reitz has been sworn in as his replacement. Reitz (D-Steelville) is the son of former State Representative Dan Reitz.

State Representative Mike Zalewski (D) put forward two new amendments this week legalizing sports betting, but neither will represent the final version. Nine states now have legalized sports betting, two more have passed laws allowing it, and another 33 states are considering it, including Illinois.

### **ON THE FEDERAL SIDE**

#### **CBAI Urges the FDIC to Modify Restrictive Deposit Rate Caps Restrictions**

On April 23, 2019, the Community Bankers Association of Illinois (CBAI) commented on the Federal Deposit Insurance Corporation's (FDIC) Advanced Notice of Proposed Rulemaking on Deposit Rate Caps in the brokered-deposit regulations. CBAI stated that the Deposit Rate Caps do not reflect either the realities of competitive funding or investing opportunities faced by community banks. CBAI is particularly concerned about how the National Rates are being inappropriately calculated for Rate Caps purposes, and how even "well capitalized" banks are being adversely impacted by the application of the Rate Caps in the analysis of liquidity during safety and soundness examinations. CBAI believes the Deposit Rate Caps are also aggravating an already significant competitive imbalance against community banks. CBAI urged the FDIC to reexamine and modify the brokered deposit restrictions to avoid the harmful consequences of these regulations on community banks. [Read CBAI Comment Letter.](#)

#### **CBAI's 37th Annual Call on Washington**

##### ***We Made Our Presence Known and Our Voices Heard!***

Community bankers descended on Washington D.C. urging additional meaningful regulatory relief during the Community Bankers Association of Illinois' 37<sup>th</sup> Annual Call on Washington, which was held April 28 – May 1, 2019. Again this year, CBAI's Call

on Washington was held in conjunction with the Independent Community Bankers of America's (ICBA) Capital Summit. More than 1,000 community bankers from across the country brought their message to the nation's capital and told their community bank story to illustrate the need for additional regulatory relief. *We made our presence known and our voices heard!* [Read More](#)



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