



NEWS FROM THE FRONT- 5/28/2019

Only four days remain of the 2019 spring legislative session, but many big issues remain unresolved. Legislative work continues on a budget, capital bill, gambling expansion and recreational marijuana legalization ahead of the scheduled adjournment on Friday, May 31.

Graduated Income Tax Headed to 2020 Ballot

Following a three hour and 20 minute debate on Memorial Day afternoon the Illinois House voted [73-44](#) to send [Senate Joint Constitutional Amendment 1](#) to the Illinois voters. On May 1, the State Senate voted [40-19](#) to approve the measure. Illinois voters will have the opportunity to register their support or opposition during the November 2020 general election.

The Illinois constitution currently requires income taxes to be imposed at a single flat rate. SJRCA #1 does not include specific graduated tax rates. It would allow lawmakers to set rates and target specific ranges of taxpayers at their own discretion.

In order to successfully amend the [Illinois Constitution](#), 60% of those voting on the question must vote "yes" or 50% +1 of the voters voting in the election must vote "yes" on the question. Because not every voter will vote on the question, the real threshold will be 60% of those voting on the question.

CBAI has joined other trade associations representing small employers including the Farm Bureau, manufacturers and retailers in opposing the measure. The state should not consider income tax increases without first addressing cost drivers like pensions, healthcare and government spending.

Expect a long and expensive fight over the next 18 months to influence voters on the measure. Governor JB Pritzker has already indicated that he intends to spend millions of his personal fortune in support. Business and taxpayer groups will lead the charge in opposition.

Governor Unveils Proposed Capital Plan

Governor JB Pritzker released his 6-year \$41.1 billion capital plan branded "Rebuild Illinois". The plan includes \$17.807 billion in bonding, \$7.035 billion in pay as you go, \$10.032 billion federal funds, and \$6.642 billion local/private share. Rebuild Illinois invests in transportation infrastructure, k-12 and higher education, statewide broadband deployment, state facilities, affordable housing, hospital and healthcare projects and economic and community development. Governor Pritzker said the plan is open for negotiation. View the plan [here](#).

The Governor is proposing several new tax increases to pay for the plan.

- **Motor Fuel Tax (\$560 million):** Increases MFT by 19 cents/gallon effective July 1, 2019.
- **Vehicle Registration Fees (\$490 million):** Increase fees using a tiered approach based on vehicle age.
- **Electric Vehicle Registration Fees (\$4 million):** Increases the electric vehicle registration fee to \$250/year.
- **Real Estate Transfer Tax – Non-Resident Transactions Only (\$34 million)** Increases this tax to \$1 per \$500 for non-residential transactions only.
- **Ride Share Tax (\$214 million):** Introduces a per-ride fee of \$1 statewide.
- **Liquor Gallonage Tax:** Increases the rate per gallon by 4.6 cents for beer and cider, 66 cents for wine and \$4.05 for distilled liquor.
- **Cable, Satellite and Streaming Tax (\$150 million):** Introduces a 7 % tax on these services.
- **Parking Garage Tax (\$60 million):** Introduces a 6% tax on daily and hourly garage parking and a 9% tax on monthly and annual garage parking.
- **Traded-In Property Exemption:** Introduces a \$10,000 cap per trade-in transaction.
- **Video Gaming Terminal Tax: (\$90 million)** The structure of this proposal is to be determined.

CBAI Initiative Passes Both Chambers, Heads to Governor

CBAI introduced [HB 2699](#) (Walker/Murphy) earlier this year to amend the Mortgage Act to allow a consumer to appoint an authorized requester of a mortgage release on behalf of the consumer. The bill also adopts a uniform measure of 30 days instead of the current term “month.” This bill passed both chambers unanimously and will be sent to the Governor. CBAI would like to thank Representative Mark Walker and Senator Laura Murphy for their sponsorship and efforts on the passage of this bill.

Data Breach Notice Bill Passes Both Chambers

[SB 1624](#) (Glowiak/Andrade) amends the Personal Information Protection Act and requires financial institutions, as financial 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, testified against it in the House Cybersecurity, Data Analytics, & IT Committee and actively worked against the bill on the floor.

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 bank who had customers’ data that was breached would have to do the reporting. The bill passed 79-32-1 and will be sent to the Governor. CBAI has concerns about the lack of parity and administrative burden this would create and will continue to voice our opposition to the Governor.

Recycled Paper Ban Amended in Senate

We previously told you about [HB 2076](#), an initiative of the Illinois Sierra Club, to ban the use of thermal imaging receipt paper made using the chemical BPA. The bill was so ineptly drafted that it went much further and banned the use of all paper that contained

trace amounts of BPA. Almost all recycled paper contains trace amounts of BPA, so in effect the legislations would effectively impose a ban on the use of recycled paper in all business and banking records. CBAI pointed this out in testimony before the House Environment Committee but the legislation advanced anyway and was approved by the full House on a vote of 76-31-1.

Thankfully, common sense prevailed in the Senate where the bill's sponsor, Sen. Ann Gillespie (D, Arlington Heights), worked with CBAI, the Illinois Retail Merchants Association, Illinois Manufacturers' Association, Illinois Chemical Industry Council and the American Forest and Paper Association to craft an amendment narrowly tailoring the focus of the bill. Under the new provisions of the legislation the ban on receipt paper containing BPA would only impact new paper manufactured after January 1, 2020. Banks could continue to use any legacy paper they have in stock without fear of penalty. The amendment also excludes recycled paper from the prohibition. The corrected legislation passed the Senate 51-0 and the House Environment Committee voted 27-0 to concur on the amendment. HB 2076 awaits a full concurrence vote in the House before being sent to the Governor. CBAI appreciates the cooperation of Sen. Gillespie and our partners in the business community in making substantial improvements to this legislation.

Bank On Initiative Passes Both Chambers

CBAI is working with Illinois Comptroller Susana Mendoza to bring a statewide version of the Bank On program to Illinois ([SB 1332](#)). The program will target the un-banked and underbanked populations and encourage them to use traditional banking services in place of more costly check cashing services and payday lenders. Bank On is a voluntary program. The Comptroller will work to steer customers to banks who carry the Bank On designation.

The City of Chicago currently has a Bank On program as do several other large cities around the nation. This is the first time a state-wide program will be attempted. While CBAI does have some concerns with the way the program has operated in other areas, we've worked with the Comptroller to ensure that bankers hold seats on the Bank On Board and will participate in designing and maintaining the standards of the program. One seat on the board is specifically designated for a community banker selected by CBAI.

Notes From Springfield

Omar Williams has been appointed as the newest member of the Illinois House of Representatives. He fills the 10th District seat vacated by Melissa Conyears-Ervin following her election as Chicago City Clerk. Williams is the son of Chicago Alderman Walter Burnett.

Deborah Hagan's appointment to Secretary of the Illinois Department of Financial and Professional Regulation passed out of the Senate Executive Appointments Committee 12-0 and will go to the floor for final confirmation.

ON THE FEDERAL SIDE

CBAI Urges Federal Reserve to Support Community Banks in Amending Regulation D

In a comment letter dated May 13, 2019, the Community Bankers Association (CBAI) urged the Board of Governors of the Federal Reserve System to promulgate an amendment to Regulation D that supports the use and interest payment levels on required and excess reserve balances from traditional financial institutions (e.g., community banks). All institutions which are eligible to invest and earn interest on Reserve Balances must be subject to the same roust regulation and supervision as community banks; and no "eligible institution" should be permitted to benefit from an unfair competitive

advantage, further the concentration banking assets, or potentially destabilize the financial system – which could damage the traditional community banking business model, our financial system, the economy and American taxpayers. [Read Comment Letter.](#)

CBAI Urges the CFPB to Broadly Exempt Community Banks From Its Rulemaking

In a comment letter dated May 15, 2019, regarding the CFPB’s most recent Payday Lending rulemaking, CBAI highlighted the Association’s and members community banker involvement in the original, long, unnecessary and distressing Payday Lending rulemaking process which culminated in the Bureau’s 2017 Final Payday Lending Rule. The reason for our concern and effort to aggressively respond to this rulemaking was that the proposed regulations, while designed to curb the excesses of payday lenders, inappropriately included and would have harmed community banks.

Despite the Bureau’s statement that it recognized the importance of community banks in small-dollar consumer lending, and that it had addressed the concerns of community banks, they should have never been included the Payday Lending rulemaking process. Additionally, the Final Payday Lending Rule fell short of what was required to encourage community bankers to begin, continue or expand small-dollar consumer lending. CBAI again urged the Bureau in to expand the use of its statutory authority to broadly exempt community banks so they may better serve their customers and communities in a fair and responsible manner. [Read Comment Letter.](#)

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

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