



NEWS FROM THE FRONT- 6/3/2019

The 2019 spring legislative session of the 101st Illinois General Assembly wrapped up late Sunday afternoon after two days of overtime following the scheduled May 31 adjournment. While it took an extra weekend to wrap up business, Governor JB Pritzker and Democrat majorities in both the House and Senate were successful in advancing a very aggressive legislative agenda this year. In what turned out to be one of the most productive sessions in recent memory the General Assembly passed a budget, a progressive income tax constitutional amendment along with proposed rates, legalized recreational cannabis, a major gaming expansion including sports betting, an expansion of abortion rights, Medicaid spending package and two separate capital bills.

All of this will be paid for with increases in taxes and fees (outlined below). That said, the individual and corporate tax rates remain unchanged this year and a series of small tax breaks for business were included in the final package including a phase out of the corporate franchise tax and reinstatement of the manufacturers purchase credit.

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](#) (Cullerton/Harris) contains the FY19 supplemental and the FY20 state budget operating appropriations. The General Assembly approved a \$107 billion All Funds (\$40.6 billion General Revenue Fund 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% Local Government Distributive Fund 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 a managed care organization 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 General Obligation 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/Cullerton) 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% Teachers Retirement System credit, among other things.
- [SB 1939](#) (McGuire/Hoffman) Revenue for horizontal projects – roads, bridges, transit and trains. Represents \$13 billion 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.

Graduated Income Tax and Proposed Rates

The Illinois House voted along party lines to replace Illinois' flat income tax with a graduated income tax. [SJRC1](#) (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 Local Government Distributive Fund 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.

Recreational Cannabis

[HB 1438 - Cannabis Regulation and Tax Act](#); After more than two years of negotiations and town hall meetings across Illinois, the Illinois General Assembly approved controversial legislation to legalize recreational marijuana. Sponsors hailed this legislation as “the largest most equity-centered bill with the most criminal justice reform in the world right now”. While CBAI takes no position on the legalization of cannabis, we did work with the sponsors to ensure that the legislation includes a safe harbor provision for financial institutions, data sharing provisions and strong protections for workplace drug policies.

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. 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. A third of taxes collected under the program will go to general state spending while the rest will be divided among several categories including law enforcement and drug counseling.

CBAI Supported Legislation that Passed Both Chambers

[HB 2856](#) - Electronic Lien and Title; Twenty years ago, CBAI successfully advocated for a measure giving the Secretary of State's Office the authority to implement a system for filing liens and titles (ELT) electronically. Unfortunately, for twenty years, other priorities have hampered the Secretary of State's Office from implementing a program. This legislation mandates that a system of ELT be in place by July 1, 2021, thus moving it up to the top of the Secretary of State's priority projects list. This legislation is a collaborative effort between CBAI, the Secretary of State's Office, Auto Dealers Association, Illinois Credit Union League and Illinois Bankers Association to enact the program. The coalition will continue to work closely over the next two years to work out the details of the program and address implementation issues. We appreciate the leadership of Secretary of State Jesse White for making ELT a priority for his office.

[SB 1332](#) - Bank On Initiative; The Illinois Comptroller's Office reached out to CBAI earlier this year to discuss their interest in addressing concerns over the un-banked and under-banked populations in Illinois. Their goal is to promote the benefits of the mainstream banking industry over less consumer-friendly alternatives like payday lenders and check cashing services. The Comptroller's Office proposed the creation of a statewide Bank On program. Bank On is an initiative that has been enacted in several large cities, including Chicago, where banks voluntarily apply for Bank On certification. The program promotes banking products that include low account fees and low minimum balances. From there the Illinois Comptroller would undertake an effort to promote Bank On certified banks to populations that would benefit from their services. CBAI initially had concerns over the potential governance and standards of the program but we believe they are addressed by ensuring that financial institutions are adequately represented in the leadership of the program. CBAI will hold a seat on the governing board as will ICUL and IBA who also signed on to support the measure.

[HB 2699](#) - Mortgage Act Update; This is an initiative of CBAI in response to inquiries to the Legal Link program. The legislation makes changes to further clarify the Illinois Mortgage Act. The first change streamlines the mortgage release process by clarifying the ability to delegate the authority to request a mortgage release letter. It also clarifies that a "month" as defined in the law means a standard 30 days and not the specific number of days in a specific month.

[HB 1471](#) - Illinois Trust Code; This legislation seeks to update and streamline the Illinois Trust Code. It is not an effort to make substantial changes. Rather, it seeks to clarify existing language that has accumulated over many decades and update it in a form that streamlines its ease of use.

CBAI Supported Legislation that Did Not Pass

[HB 3234](#) - Eliminate State Income Tax on Small Business and Agricultural Loans; This is a CBAI initiative modeled on federal legislation introduced by U.S. Senator Tammy Duckworth that would eliminate income taxes on industrial or agricultural loans under \$5

million dollars made for purchases and projects used within the state of Illinois. It is intended to bring tax parity with Credit Unions and Farm Credit Services while improving access to loans for small business and farmers. During negotiation with the Speakers office we were informed that the House Democratic Caucus would not allow consideration of any legislative measure that lessened the current tax burden on financial institutions. While we are disappointed with that decision and outcome of the legislation this year, we will continue to advocate for the measure in future legislative sessions.

[HB 2676](#) - Revised Uniform Unclaimed Property Act Update; This is the continuing effort of a coalition of associations representing financial institutions including CBAI, Illinois Credit Union League and Illinois Bankers Association to address consumer protection concerns that arose as a result of the enactment of the new unclaimed property law (RUUPA) in 2017. This measure was negotiated with, and agreed to, by the Illinois Treasurer's Office and previously passed the Senate unanimously. A provision of the bill would extend the presumptive abandonment period on CDs from three years to five years. That change is projected to protect \$20 million a year in CDs from escheatment to the state. While this money would be remitted to the unclaimed property program and not the state general revenue fund and not be available for state spending, the Speaker's office still views it as a revenue reduction to the state and would not allow the measure to be heard in the House this session.

[SB 2023](#) - Cannabis Safe Harbor; CBAI worked with the Illinois Treasurer's Office on this measure to bring safe harbor from state prosecution to financial institutions who provide banking services to the legal cannabis industry. Ultimately the safe harbor provisions of this law were included in the recreations cannabis legalization bill that passed the General Assembly, so this legislation was no longer necessary. This bill was eventually amended to include expansions to the state medical marijuana program.

[HB 3125](#) - Financial Literacy; This measure would require schools to include a unit of financial literacy education for students in grade 6-8. CBAI appreciate the efforts of Rep. Justin Slaughter to advance the cause of financial literacy and will continue to work with him on efforts to promote educational efforts.

CBAI Opposed Legislation

Considering the makeup of the General Assembly and the overall climate in Springfield this session, we had a fairly successful session protecting the overall interests of the community banking profession. With the help of many coalition partners across many professional trade associations were able to once again stop legislation creating a state owned bank ([HB 19](#)), the imposition of a tax on financial transactions ([HB 23](#)), a measure to forfeit titles on "abandoned" properties ([HB 189](#)), a pre-emption on rent control ([HB 255](#)), a 1% tax on health insurance premiums ([HB 272](#)), municipal pension consolidation (HB 1567 -HB 1572), paid sick leave mandate ([HB 2343](#)), passive income tax surcharge ([HB 2566](#)), additional cybersecurity requirements for financial institutions ([HB 2829](#)), nursing home subpoena of financial records ([HB 3042](#)), mandatory paid sick leave ([SB 471](#)), residential expansion of the Property Tax Clean Energy Program ([SB 1379](#)) and a measure allowing the Illinois Housing Development Agency to use foreclosure filing fees to directly challenge foreclosure proceedings.

Other legislation of concern to the community banking profession did pass but we were successful in negotiating changes and lessening the impact of the measures including:

HB 88 - Post Judgement Interest Rates; This legislation limits the ability to collect debts after a successful court judgement. As introduced, it would create a debtor's bill of rights, limit the post judgment interest rate to 2%, limit wage garnishments, lowered the homestead/real property exemption amount, lowered the vehicle/tools of the trade exemption and limits revivals of judgements. After negotiations the bill was amended to only limit the interest rate on consumer debts under \$25,000 to 5% and allows for a revival of judgement within 10 years of the original judgement.

SB 556 - Equitable Restrooms; As introduces this legislation would have required all single occupancy, public restrooms to be labeled as "all gender" or "gender neutral". As amended, it simply requires a single occupancy public restroom to be labeled as a "restroom" without indication of gender.

HB 1581 - Credit Card Marketing Task Force; As originally introduced last year this legislation would have eliminated the Credit Card Marketing Act of 2009 and prevented any financial institution marketing at public universities in the state of Illinois. After negotiations we were able to convince the sponsors to amend the measure, so it simply creates a task force to study issues surrounding credit card marketing on college campuses.

HB 2067 - BPA Receipts; As originally introduced the bill would have prohibited the use of recycled paper in all business and banking records as a result of the presence of BPA in post-consumer recycled paper. BPA was once used in thermal imaging paper used to produce receipts. Manufacturers and distributors of thermal imaging paper tell us it was phased out years ago and currently no manufacturer uses BPA in production. The bill as passed simply prohibits the use of BPA thermal paper produced after 2020, banks are free to use any remaining stock that was purchased before then. Recycled paper containing BPA is exempted from the prohibition.

HB 2167 - Post Issuance Fees on Rebate Cards; This measure would prohibit the issuer of rebate cards (a visa gift card given as an incentive for making a purchase for example) from issuing dormancy fees. Instead, unused balances would have to be turned over to the Treasurer's Office as unclaimed property. We successfully negotiated an amendment preserving the ability to charge other post-issuance fees including swipe fees and processing fees.

SB 138 - Short Sale Resale; This legislation would make it easier for a third party to intervene in a foreclosure to purchase the property in a short sale and re-sell it to the original party. We negotiated language that preserves the right of the bank to decline the transaction if they so wish.

SB 1624 - Data Breach Reporting; This legislation requires the owner of data (banks) involved in a data breach to report the breach to the Illinois Attorney General's Office. Reporting is only required in data breaches involving 500 or more Illinois resident. There is not a deadline for reporting a breach, but the legislation says that it should be done in a timely manner, as quickly as possible and not later than notification is made to the consumer effected by the breach. This is problematic because it requires the bank to report a breach that happened at a third-party location that the bank had no direct involvement in or knowledge of. During floor debate in the House the sponsor did give legislative intent that the bank would only be expected to report the data of the breach after it was first reported to them by the party where the breach occurred.

[HB 3360 - Foreclosure Filing Fees](#); During the foreclosure crisis the Illinois General

Assembly enacted legislation imposing fees on foreclosures with the monies going to advocacy groups to assist in recovery efforts. The language was intended to address the crisis at the moment and included a sunset date. That sunset came up three years ago and was renewed. It is up again this year and we opposed its outright renewal. We had successfully negotiated language to gradually phase the fee out, but housing advocates reneged on their support for that amendment and tried to advance the sunset extension as is. We were successful in stopping that legislation in the Senate. Unfortunately, the extension was then inserted into the budget bill and passed. The foreclosure filing fees were never intended to be permanent, but housing advocates have come to rely on them as a funding source, even as the effect of the foreclosure crisis subsides.

Advocacy Efforts Continue Away from Springfield

With the conclusion of the spring legislative session, members of the Illinois General Assembly return their focus to work within their districts. The CBAI governmental relations team will also expand our attention beyond the Capitol with a focus on building strong relationships with legislative leaders around the state. That will include legislative roundtables, visits with community bankers and Community BancPac support and participation of legislative fundraisers. If you have an interest in hosting a visit, attending an event or have suggestions for legislators please reach out to us, we would love to hear from you. We look forward to meeting personally with many of you over the summer to discuss our legislative efforts over the past 5 months and our continuing efforts in the future.

That said, our legislative efforts in Washington D.C. continue and we will keep you posted on the latest developments at both the state and federal level.

Notes From Springfield

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 on the legislation or it becomes law.

On the Federal Side

Celebrating the One Year Anniversary of S. 2155

On the one-year anniversary of the signing of the S. 2155 regulatory relief bill, CBAI joins with the ICBA in calling on the regulators to finish the job for community banks.

[Read ICBA Op-ed](#)

[Learn more about S. 2155](#)

[Read CBAI's Federal Policy Priorities](#)

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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