

## October 12, 2007

### **IMA Testifies in Opposition to Ludicrous Parking Lot Tax Scheme for Mass Transit**

At a legislative hearing on Tuesday in Chicago, the Illinois Manufacturers' Association and Illinois Retail Merchants Association were the only two major business organizations that spoke in opposition to the Governor's plan to impose a new tax on parking spaces in northeastern Illinois. IMA Vice President Jim Nelson noted that the new tax, imposed at a rate of \$5 per month or \$60 annually, would cost an average manufacturer with 200 parking spaces for employees and customers \$12,000 per year. The tax, as proposed, would apply to all commercial parking spaces – free or paid – located in Cook and the collar counties (DuPage, Kane, Lake, McHenry, Will).

The hearing before the House Mass Transit Committee focused on potential funding solutions for the Regional Transportation Association (RTA) and Chicago Transit Authority (CTA) which face a budget shortfall of nearly \$200 million. During the hearing, Chairwoman Julie Hamos (D-Chicago) noted that the parking lot tax is not a viable long-term solution and would likely not generate enough funding to resolve the problem. Hamos and Sen. John Cullerton (D-Chicago) continue working on alternative legislation that would impose a new 0.25 percent sales tax increase in the six-county region served by the RTA and create a new real estate transfer tax in Chicago. The measure previously failed to pass the House of Representatives.

With no resolution at the State Capitol this week, the RTA and CTA have issued warnings that there will be severe actions taken during the first week of November including a \$1 fare hike, employee layoffs, and service cuts including elimination of 39

bus routes in order to balance the budget. PACE, the suburban bus service, announced the elimination of shuttle and feeder routes as well. CTA Chairman Ron Huberman indicated that budget cuts in 2008 will include the elimination of an additional 43 bus routes, closure of 3 garages, and 1,800 workers will be laid off. Combined with possible cuts in November, the CTA would have eliminated roughly 20 percent of all service including more than 50 percent of all bus routes.

House Speaker Michael Madigan (D-Chicago) is reportedly planning to call lawmakers back to Springfield in two weeks to vote again on a mass transit bailout bill. Mass transit in the Chicagoland area is critical in helping employees and customers get to their jobs or businesses. However, every step needs to be taken to ensure that the transit budget is sound and efficient before taxes are raised on the business community.

### **General Assembly Overrides Governor on Cook County Property Taxes**

Members of the Illinois House and Senate delivered a stinging rebuke to Governor Blagojevich by overriding his amendatory veto that rewrote legislation (HB 664) and sought to shift hundreds of millions of dollars in property taxes onto the business community. Under the original legislation passed by the General Assembly, the so-called "7 percent solution" capped property tax assessments on residential homeowners for three years and phased it out. At the end of three years, the shift from residential taxpayers to commercial taxpayers would end and employers in Cook County would no longer face an unfair tax shift caused by political motivation.

However, the Governor chose to amendatorily veto the legislation by increasing the residential homeowners' exemption and making it permanent. The Governor's actions, which likely violated the Constitution because they exceed the authority to alter legislation, would have further devastated the business community and resulted in an exodus of job out of Cook County.

While the IMA opposed the original three-year extension of the 7 percent solution, we appreciate the strong leadership of Speaker Madigan and lawmakers in both parties who insisted on phasing out the program over the next three years.

### **Senate Democrats Refuse to Honor Budget Agreement**

Acting in concert with the Governor, Senate President Emil Jones (D-Chicago) refused to honor an agreement among the four legislative leaders to uphold the original budget passed overwhelmingly by lawmakers two months ago. After passage, Governor Blagojevich used his veto pen to cut \$463 million from the budget in order to divert it for his personal campaign implement universal health care. The cuts were purely political and aimed at members of the House Democrat and Senate Republican caucuses.

Despite an agreement to abide by the budget agreement and restore any cuts, Senate President Emil Jones unilaterally refused to allow the entire Senate to vote to override the Governor's actions. While the House voted 104-4 to restore the cuts, the Senate ultimately chose to restore only several million dollars.

The IMA applauds the majority of legislators in the House who chose to restore funds for the Employer Training Investment Program (ETIP) and other critical education and job training programs.

### **Federal Government Sues Illinois Over Employment Verification Bill**

Calling it a "direct assault on the federal law," Homeland Security Director Michael Chertoff and the United States government filed suit against Illinois last week to bar a new state law from taking effect.

Sponsored by Sen. Iris Martinez (D-Chicago) and Rep. Cynthia Soto (D-Chicago), the legislation (HB 1744) sought to ban employers from using a voluntary worker verification program (Basic Pilot or E-Verify) that is used to check workers' eligibility through databases at Homeland Security and the Social Security Administration.

The Illinois law that is set to take effect on January 1, 2008, prohibits employers from using the system until its databases can settle 99% of problematic records within three days. Current law requires E-Verify to respond to employers within 10 days. Chertoff, saying that inputting data and figuring out mistakes takes time, called the three-day standard "for all intents impossible to meet."

The case, United State of America vs. the State of Illinois appears to be a major battle over the crackdown of workers in the country illegally and the companies that hire them. Because immigration falls exclusively under federal jurisdiction, this case seems to send a message to states to stay away from the issue. Illinois reportedly has the fourth-largest illegal immigrant population in the United States.

The IMA and our legal counsel will continue to monitor and provide information to member companies as the case progresses.

### **2008 State Business Tax Climate Ranking Released**

Noting that the modern market is characterized by mobile capital and labor, a [new state business tax climate report](#) issued by the Tax Foundation ranks the tax climate of every state and highlights that many companies will locate where they have the greatest competitive advantage, particularly in the tax structure. Further, states with the best tax systems will be most competitive in attracting new businesses and be the most effective in generating economic and employment growth.

In Illinois, Governor Rod Blagojevich continues to harm the business community by constantly inciting class warfare and attempting to burden businesses with billions of dollars in new taxes. His efforts to

impose a gross receipts tax, payroll tax, parking tax, and eliminate the Research & Development credit and Manufacturers Purchase Credit are a direct shot at employers. During his tenure in office, more than 55,000 manufacturing jobs have been lost and more are at risk every day due to his poor economic policies.

### **“Disturbing” Employment Report in Illinois**

A new report from the state’s bipartisan Commission on Government Forecasting and Accountability calls Illinois’ employment situation “disturbing.” Citing a [new report](#) from the U.S. Department of Labor, the Commission noted that nice states registered a “significant” unemployment rate increase over the previous year. Illinois registered the single largest unemployment rate increase that jumped from 4.4 percent in August 2006 to 5.4 percent last month.

“Particularly disturbing is the sharp deterioration in Illinois’ unemployment situation in recent months,” according to the state’s bipartisan Commission on Government Forecasting and Accountability. “After recording a lower unemployment rate than that of the nation during the second half of 2006, Illinois’ unemployment rate has jumped up and now well exceeds the national rate.”

Despite claims from the Governor that the Illinois economy is thriving, this report clearly shows that the Illinois’ unemployment is growing which is not a good sign. Tax and regulatory proposals by the Governor only continue to threaten the state’s financial health in the future.

### **IMA Annual Luncheon**

Chicago Mayor Richard M. Daley’s keynote address will highlight the [IMA’s annual luncheon](#) in Chicago on December 7. As the IMA prepares to celebrate its 115<sup>th</sup> anniversary, the seven founding members of the Association will be honored and recognized for their contributions to Illinois rich and historic manufacturing legacy. Mark your calendars and plan to attend this fun event!