

April 15, 2021

Honorable Emanuel “Chris” Welch
Speaker of the House
300 State House
Springfield IL 62706

Honorable Don Harmon
Senate President
327 State House
Springfield IL 62706

Honorable Jim Durkin
House Republican Leader
316 State House
Springfield IL 62706

Honorable Dan McConchie
Senate Republican Leader
309 State House
Springfield IL 62706

Dear Speaker Welch, President Harmon, Leader Durkin, and Leader McConchie:

On behalf of the Illinois Manufacturers’ Association and the state’s manufacturing sector, we write in opposition to proposals seeking to raise taxes on our state’s manufacturers and job creators by nearly one billion dollars.

Manufacturing is a critical cog in Illinois’ economy and we need policies that encourage capital investment and job creation. Today, our state’s manufacturing sector employs 556,000 women and men on factory floors in jobs that pay an average of more than \$88,000 in wages and benefits. Ninety-two percent of manufacturing employees have access to employer-provided health care. Manufacturing contributes the single largest share of the Gross State Product and creates the largest economic and jobs multiplier.

Over the last year, Illinois manufacturers have led the way forward during the worst economic and health crisis in generations. Manufacturers created life-saving vaccines and therapies, produced critical PPE for our health care workers and first responders, stocked our grocery stores with safe and nutritious food, built our infrastructure, ensured strong communication systems, powered our homes and businesses, and provided for our nation’s defense. More than 1,000 manufacturers joined the IMA and iBIO as part of Illinois’ Essential Equipment Task Force in a wartime-like effort to battle the global pandemic.

We have strong concerns about several of proposals seeking to eliminate tax incentives designed to help attract and grow the manufacturing sector especially in the midst of Illinois’ attempt to rebuild and recover from the pandemic.

The manufacturing sector opposes efforts to eliminate the following incentives:

Manufacturers Purchase Credit (Manufacturing Machinery & Equipment): This new incentive signed into law in 2019 was part of an agreement with the state's manufacturers and members of the General Assembly that brought Illinois into line with the majority of states. It exempts the purchase of consumables used or consumed in the manufacturing process such as fuel, oil, coolants, solvents, and lubricants.

Accelerated Depreciation: Many manufacturers and other businesses invested in equipment during 2020 to help battle the pandemic such as machinery to produce PPE or sanitize facilities. Many companies bought new manufacturing equipment using the accelerated depreciation rules in place at the time to grow and expand their footprint in Illinois. Eliminating accelerated depreciation will reduce capital investment in Illinois and encourage companies to expand outside of Illinois.

Net Operating Loss Deduction: The NOL is designed to help assist those companies that have experienced financial losses which often includes start-up companies or those impacted by the global pandemic. Limiting the NOL deduction will impact cash flow for struggling businesses.

Corporate Franchise Tax: Originally created in 1872 as a tax on the "privilege of operating" in Illinois, this antiquated tax was in the process of being eliminated due to a 2019 tax law. Reinstating the corporate franchise tax will add costs for 317,000 businesses that are primarily small and mid-sized companies.

Tax Foreign Dividends: Imposing this tax law change will create cascading layers of corporate taxation when more than one entity is involved in a single productive activity. Additionally, it seeks to include GILTI income in tax calculations.

In the closing weeks of the 2021 spring legislative session, we encourage you to oppose these tax hikes on our state's manufacturers and job creators. The IMA and our members stand ready to work with you on policies that will help expand our state's manufacturing sector.

Thank you.



Mark Denzler
President & CEO

Cc: Members of the General Assembly