

# Chamber All-In Coalition

2022 Spring Session Proposal Deep Dive



# 2022 Spring Session

## Beginning of Session and Bill Introduction

- Omicron pushes remote committee through at least February
- January 5<sup>th</sup> – First day of Session
- January 7<sup>th</sup> – Senate LRB drafting deadline
- January 14<sup>th</sup> – House LRB drafting deadline
- January 21<sup>st</sup> – Senate bill filing deadline – January 21<sup>st</sup>
- January 28<sup>th</sup> – House bill filing deadline – January 28<sup>th</sup>

## Noteworthy Session Dates

- February 2<sup>nd</sup> – Governor’s Budget / State of the State Address
- February 10<sup>th</sup> – Senate Committee deadline
- February 18<sup>th</sup> – House Committee deadline
- February 25<sup>th</sup> – Senate Third Reading deadline
- March 4<sup>th</sup> – House Third Reading Deadline
- March 25<sup>th</sup> – Senate HBs and House SBs out of Committee
- April 1<sup>st</sup> – Senate HBs and House SBs on Third Reading
- April 8<sup>th</sup> – Session adjournment
- Middle of May – Likely enact the FY23 budget

# Unemployment Insurance Trust Fund Deficit

## The Problem



Every employer is on the hook for significantly higher taxes if deficit not fixed

\$4.5 billion UI Trust Fund deficit due to increased payments because of the pandemic and at least \$1 billion in fraud within the system

To continue paying benefits, Illinois took on Title 12 loans from the USDOL

Illinois needs to appropriate as much of the \$3.5 billion remaining ARPA funds as possible, but new USDOL rule on ARPA funds for UI Trust Funds is problematic

Employer Federal UI taxes skyrocket if interest on UI debt is not paid by September 30<sup>th</sup> 2022

Employer State UI taxes skyrocket if debt owed to USDOL not addressed by November 10<sup>th</sup> 2022. Benefits for unemployed workers also plummet

As of January 13, 2022, Illinois has already accrued \$28.1 million interest on the Title 12 debt

# Unemployment Insurance Trust Fund Deficit

## Background

- UI payroll taxes, primarily paid by employers on the wages paid to employees, fund the Illinois UI Trust Fund
- Typically, a state wants to maintain a \$1 billion UI reserve in order to pay higher amounts of benefits during recessionary periods
- Employer tax rate is paid on only the first \$12,960 in wages paid to a worker
  - Based on companies' layoff experience, industry, years in operation and UI trust fund balance
  - Minimum tax – 0.200%
  - Maximum tax – 7.625%
- FUTA
  - Employers also pay a 6% federal UI tax (“FUTA”) on an employee’s first \$7,000 in wages.
  - In normal times, employers receive a FUTA credit reducing the effective FUTA tax rate to 0.6%.

# Unemployment Insurance Trust Fund Deficit

## Other States' Actions and Illinois' Options

**Options:** Utilize some combination of ARPA funds, and bonding and the remaining balance is split between business taxes increases and worker benefit reductions.

### **Messaging:**

- Utilize as much of the ARPA funds as possible
- Businesses continue to struggle and cannot assume a significant tax on each employee
- Businesses should not have to pay more taxes because of the State's mismanagement of fraud in the system

- 38 States have used ARPA funds to close their UI deficits
- 10 states currently have outstanding Title 12 UI debt owed to the Feds

# Minimum Wage Small Business Tax Credit



- P.A. 101-1 (SB 1) increased minimum wage from \$8.25 in 2019 to \$15 by January 1, 2025 and created a small business minimum wage tax credit
- Tax credit offsets cost of increased minimum wage for small businesses
- Tax credit against each qualifying employee's withholding tax
- To qualify:
  - Business has less than 50 employees
  - Average wage paid per employee making \$55k in 2020 exceeds the average wage paid per employee making \$55k in 2019
  - Employees who worked less than 90 days are not eligible for the wage comparison
  - Full-time equivalent employee – 520 hours per quarter (13 weeks in a reporting period x 40 hours per week)
- Claimed on employers' quarterly Illinois Withholding Income Tax returns

# Minimum Wage Small Business Tax Credit

## Credit Amount

**Tax credit allowed on the difference between the new minimum wage and what each employee was paid previously:**

- 25% in 2020
- 21% in 2021
- 17% in 2022
- 13% in 2023
- 9% in 2024
- 5% in 2025
  - Ends on 12/31/26 for employers with more than 5 employees
  - Ends on 12/31/27 for employers with less than 5 employees

## Legislative Proposal:

Increases the small business tax credit to its original 25% for the next three calendar years.

- 25% in 2020
- 21% in 2021
- 25% in 2022
- 25% in 2023
- 25% in 2024
- 5% in 2025

# Extend the EDGE Tax Credit

The EDGE Program sunsets on June 30<sup>th</sup>, 2022

Established in 1999 and modified in subsequent amendments, Illinois' EDGE program provides annual corporate tax credits to qualifying businesses which support job creation, capital investment and improve the standard of living for all Illinois residents.

## Credit Amount – 10-Year Agreements & “But For”

- 50% for new jobs
- 75% for new jobs in an underserved area
- Up to 25% for retained jobs
- 10% of eligible training costs
- **OR** 100% for new employees

## 100 or Fewer World-Wide Employees

- **Job Creation: The Lesser of**
  - 5% of world-wide employment, or
  - 50 new full-time jobs
- **Investment- \$0 \***

## More than 100 World-Wide Employees

- **Job Creation: The Lesser of**
  - 10% of world-wide employment, or
  - 50 new full-time jobs
- **Investment: \$2,500,000**

# Extend the EDGE Tax Credit

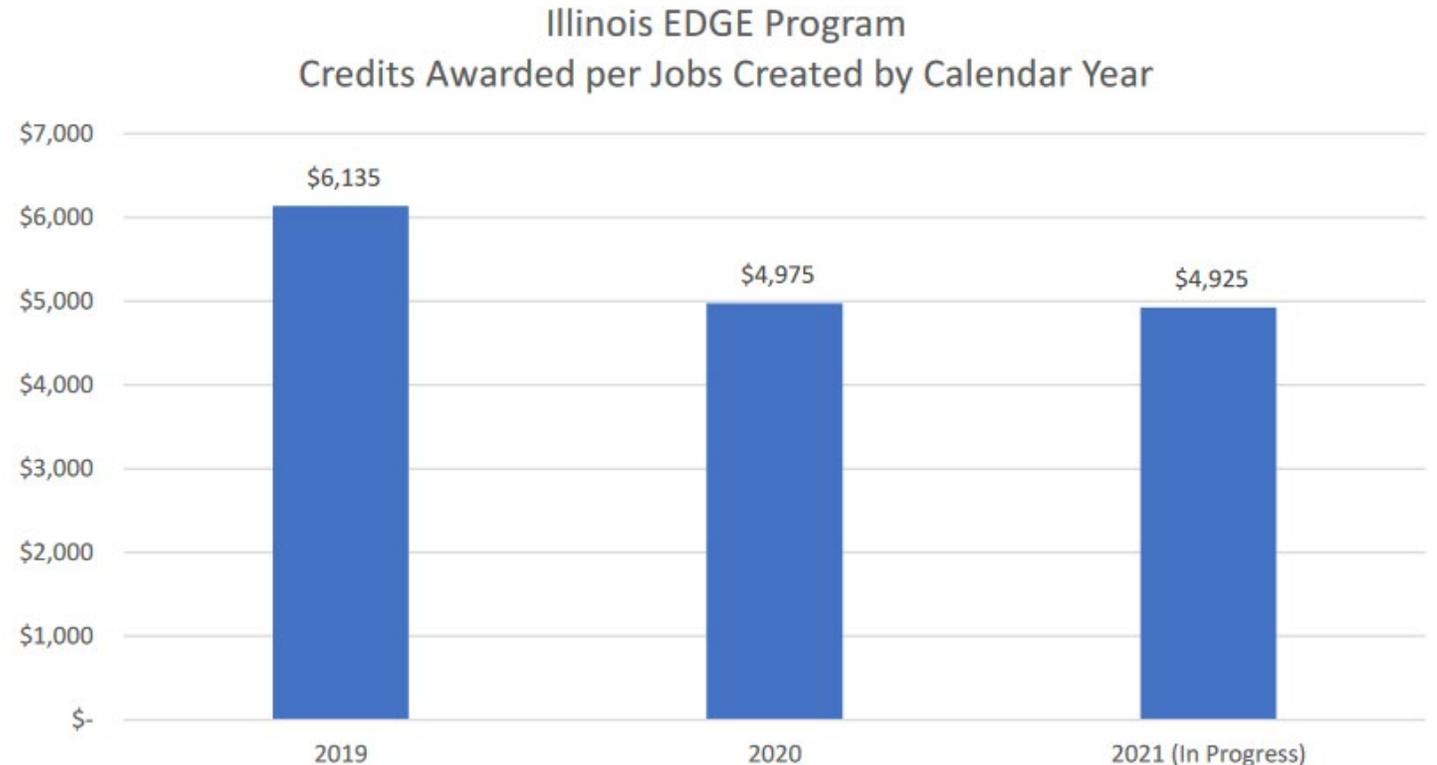
CALENDAR YEAR	Reported Jobs Created	Reported Jobs Retained	Reported Payroll Amount
2019	34,753	37,883	\$7,491,622,535.68
2020	36,959	20,717	\$5,264,085,964.84
2021 (In Progress)	32,776	18,980	\$5,056,074,425.61

# Extend the EDGE Tax Credit

Every state in the country has a similar economic development tool.

## Messaging:

- Coming out of the pandemic, we need every tool possible to drive our economic recovery
- While imperfect, we cannot unilaterally disarm while every other state is luring IL businesses
- We need a 10-year extension of EDGE to provide certainty and predictability
- We have ideas for reform such as transferability, increased retention credits, and enhanced benefits for community development projects



# Enact COVID-19 Employer Protections

- With the rise of Omicron, employers are even more exposed to frivolous lawsuits of employees and customers “contracting” COVID at an employer’s place of business.
- Employers should not be held legally liable so long as the employer can demonstrate compliance with CDC, state and local health guidelines at that time AND the employer did not engage in gross negligence or malice.
- HB 1830 (Durkin) and SB 2140 (McConchie) provide for liability protections for employers from COVID-19 civil action, unless gross negligence or malice occurs.
  - Both bills also provide health care providers liability protection in the event of an adverse situation at the health care location due to COVID-19
  - Both bills also provide liability protections for businesses that produce or manufacture cleaning supplies, PPE, etc. in response to COVID-19
- As of May 1, 2021
  - 28 states have enacted business or general liability protections
  - 27 states have enacted health or medical liability protections
  - 11 states have enacted PPE liability protections

# Path Forward



## Legislative Path Forward:

- **UI Trust Fund** – Agreed bill process ongoing will culminate in a bill near the end of Session.
  - *Call to action:* Apply as much pressure as possible to use ARPA funds to close the deficit
- **Small Business Minimum Wage Tax Credit** – Legislation being drafted in Springfield and will be introduced by January 28<sup>th</sup>
  - *Call to action:* Once introduced, we need to lobby State Reps and Senators to support small businesses
- **EDGE Tax Credit Extension** – Legislation being drafted in Springfield and will be introduced by January 28
  - *Call to action:* Likely that a negotiated bill is dropped at EOS. Need to lobby legislators on the importance of the program throughout Session
- **COVID-19 Liability Protections** – Support HB 1830 and SB 2140,
  - *Call to action:* Ask for a hearing and for the bills to be called