

**Illinois Chamber of Commerce
Recommended Net Worth Tax Policy Position**

December 7, 2007

Policy Position: The Illinois Chamber believes that net worth taxes violate principles of fair taxation and that the imposition of a net worth tax in Illinois would negatively impact job creation and business prosperity. The Illinois Chamber is opposed to any such tax that violates principles of fair taxation. A net worth tax should not be considered a viable source of revenue for purposes of funding education, healthcare, pensions, infrastructure or other state programs.

Although variations exist between the few states that currently have "net worth" taxes, in general, a net worth tax is imposed on the actual value of a business taxpayer's tangible and intangible property as of a certain date each year, and can include capital stock, paid-in surplus and earned surplus. Net worth taxes have been largely abandoned by other states as a significant source of revenue. Those that currently exist are minimal in nature and typically imposed as a franchise tax upon registration to do business.

Like gross receipts taxes, net worth taxes are not based on ability to pay, but are owed whether or not a business is profitable. As a result, marginal and start-up businesses would be more negatively impacted than profitable businesses. Significant tax liability could be incurred whether or not a business is operating at a profit. As a result, economic development of new businesses in Illinois would be more difficult and sustainability of existing less-profitable businesses would be in question.

A net worth tax imposed in addition to the Illinois corporate income tax, the Illinois Franchise Tax (a form of net worth tax that the Illinois Chamber advocates repealing), and the multitude of existing Illinois excise taxes would further increase an already high cost of doing business in Illinois and lead to higher costs for products produced in Illinois--making them more costly for consumers and less competitive in a global economy.

Capital intensive businesses would be penalized by a net worth tax. For example, for in-state manufacturing and real estate intensive businesses, including farming, a net worth tax would operate as a second state real and personal property tax, both of which are already heavily burdened by local taxing jurisdictions through the county real estate and the local personal property tax replacement taxes paid by business. Payment of a net worth tax would be required whether or not a taxpayer has available revenues and tax liability would take precedence over capital investment. The tax itself could act as an incentive to move tangible (and intangible) properties out of Illinois to other state locations where businesses are taxed based on ability to pay.

Continued reliance on the business community as the source of funding for all new and expanded state services and programs has a substantial negative impact on economic development and the continued viability of existing Illinois businesses. An additional tax in the form of a net worth tax is not a viable solution to the State's revenue needs.

The Illinois Chamber is opposed to the imposition of a net worth tax in Illinois.