

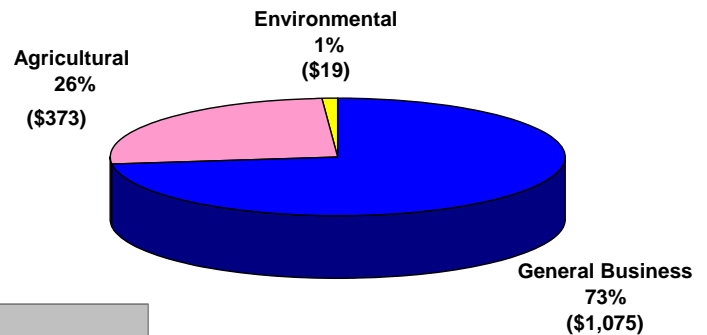
Issue Brief

Corporate Tax Expenditures

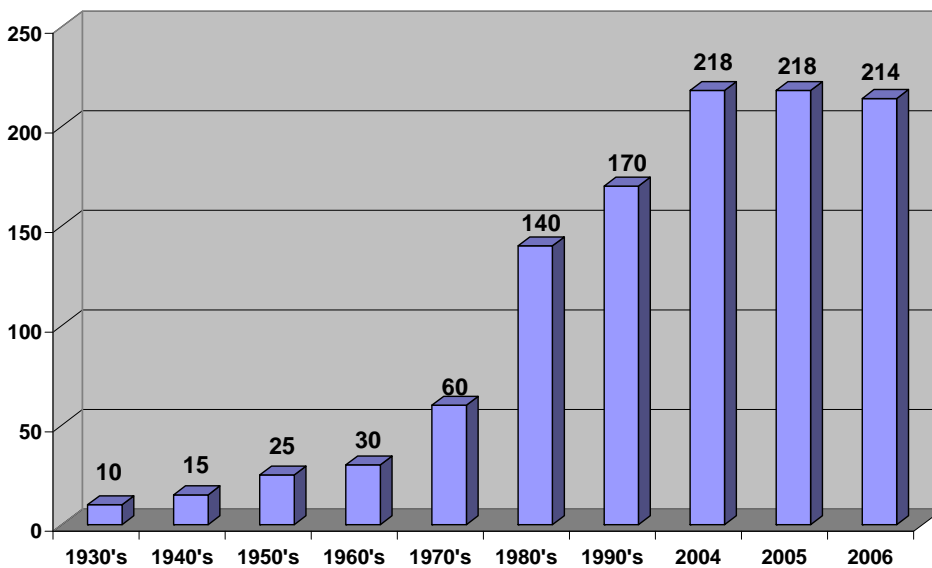
State and local government often provide special tax cuts to corporations to promote economic development. These tax breaks are called tax expenditures because they are basically a government spending program. For example, the only difference between a tax expenditure and the Department of Human Services budget is the government does not appropriate money to the corporation, the corporation simply pays less tax, thus the government receives less tax revenue. Essentially, a tax expenditure is a special tax incentive for business that reduces the amount of taxes the corporation pays to state or local government. Corporate tax expenditures in Illinois add up to over \$1.5 billion annually.

Tax expenditures have been used since the 1930's to strengthen the Illinois business environment and pro-

**Business Tax Expenditures
FY 2006 by Category**
\$ in millions



Number of Tax Expenditures in Effect: 1930-2004
Source: Illinois State Comptroller



mote economic development in the state. It was during the 1980's that these tax breaks began to rapidly grow. During that decade, 73 of the existing tax expenditures were enacted, of which 31 were directly related to economic development. Today, there are a total of 214 tax expenditures, 166 are associated with taxes and 48 with licenses or fees.¹

Some examples of these incentives are the reduction of the cost for business

purchases (including equipment, training and research,) the exemption from the sales tax of the purchase of machinery and equipment used in manufacturing and assembling, tax exemptions and credits from the electricity excise tax and sales taxes available to business in enterprise zones and sales of motor fuel for use other than in motor vehicles.² For a complete list of all corporate tax expenditures from Fiscal Years 2001 – 2004 please visit www.ctbaonline.org/corporateaccountability

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1. Illinois State Comptroller Tax Expenditure Report FY 2006
2. Enterprise zones are specific job depressed areas.