**Reject Legislation That Unfairly Targets Multi-National Businesses Conducting Operations in Illinois**

<u>OPPOSE</u> HB 2085 (Harris) and SB 1115 (Steans)

House Bill 2085 and Senate Bill 1115 attempt to fix a problem that doesn't exist. They are based on faulty assumptions, promote flawed policies, will not result in the additional revenue collections claimed by the proponents, and most importantly will not create jobs in Illinois.

HB 2085 and SB 1115 would radically change Illinois' Income Tax Act by adding unnecessary complexity without a substantial increase in state revenues—but would likely result in reduced international investment into the State. This legislation is triggered by a mistaken belief there is massive income shifting from businesses operating in Illinois to so-called "tax haven" countries. However, in 2004 and 2008, the General Assembly already passed legislation that addressed income shifting (*e.g.*, Illinois already has an add-back provision to address some perceived abuses of income shifting). These companion bills are attempts to fix what was already addressed by the General Assembly over 10 years ago.

In addition to attempting to address issues with perceived "tax haven" countries, which prior Illinois legislation and the federal tax reform legislation mitigated at a national level in 2017, these bills would:

- Change the Illinois Income Tax Act to reinstate a flawed way of apportioning the income of multinational businesses on a "world-wide combination" basis (or penalize business for failing to use world-wide combination) that was properly replaced with "waters-edge" legislation by Illinois and other states over 30 years ago;
- Reinstitute the problem with "world-wide combination" that was thoroughly analyzed and accepted as a problem by a U.S. Treasury Department working group that consisted of representatives from the federal government, states, and businesses—resulting, similar to other states—with Illinois, in 1984, adopting "water's-edge" method of apportioning income that remains in place to this day.

Business Opposes this bill for the following reasons:

- These bills are seriously flawed, they would impose unnecessary burdens on businesses conducting activity in the State, and would not raise anywhere near the amount of revenue that the proponents hope to raise (and could reduce revenue by decreased investment to Illinois businesses).
- If enacted, the bills would likely hinder job growth in Illinois.
- Illinois faces an unnecessary risk of retaliation by some of our nation's closest trading partners.
- Illinois would be an outlier.
- Illinois would create a barrier to foreign direct investment as the legislation would misalign with the principles of bilateral tax treaties and create extraterritorial double taxation for international companies that invest in Illinois.

## <u>OPPONENTS INCLUDE:</u>

Illinois Chamber of Commerce
Illinois Manufacturers' Association
Chemical Industry Council of Illinois
Illinois Petroleum Council

Cable Television Association of Illinois
Taxpayers Federation of Illinois
Council on State Taxation (COST)
Organization for International Investment

We respectfully urge a **NO** vote.