

ILLINOIS

DANIEL W. HYNES
COMPTROLLER

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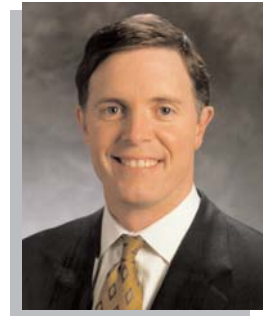
TAX EXPENDITURE REPORT

FISCAL YEAR ENDED JUNE 30, 2005

Comptroller Daniel W. Hynes is the Chief Fiscal Officer for the State of Illinois, managing its financial accounts, processing approximately 15 million transactions a year, and performing a watchdog role to assure that all payments meet the requirements of the law. The Comptroller's Office also provides timely and accurate fiscal information and analysis to the Governor, the Illinois General Assembly, and Local Government Officials so they can make informed budget decisions. In addition, the Office oversees the state's private cemetery and funeral home industry.



COVER PHOTO: State Armory Building
Springfield, Illinois
Courtesy of Heather Bradley, Photographer,
Communications Department, Illinois Secretary of State



DANIEL W. HYNES

October, 2006

A Message to Illinois Taxpayers

One of the functions of this Office is to collect tax expenditure information from state agencies. This report is a compilation of the information collected for fiscal year 2005. Tax expenditures are tax breaks, such as exemptions, credits, or abatements, given to individuals, corporations, or other organizations. In fiscal year 2005, an estimated \$6.6 billion in forgone revenues resulted from 218 tax and fee breaks reported by state agencies.

Tax expenditures are enacted for a number of reasons. Illinois tax expenditures have been used to implement tax fairness (e.g., food and prescription drug exemption from sales taxes), education policy (e.g., tuition tax credits), and economic development (e.g., tax exemptions for Enterprise Zone businesses).

The special study contained in this edition of the *Tax Expenditure Report* supplements the listing of state income tax expenditures with a look at tax expenditures that affect the federal income tax. In federal fiscal year 2004, the sixteen federal tax expenditures with a revenue impact of at least \$10 billion combined for an estimated total revenue loss of \$588 billion. These expenditures ranged from the exclusion of employer contributions for medical insurance premiums (\$102 billion to encourage employee health insurance) and the deductibility of mortgage interest on owner-occupied homes (\$61.5 billion to encourage home ownership instead of renting) to the exclusion of Social Security benefits for retired workers (\$19.2 billion).

New tax expenditures included in this report are identified and described. Additional analyses list the twelve largest tax expenditures, examine growth trends for the four largest tax expenditures, compare the value of tax expenditures with receipts from major revenue sources, and distinguish between tax expenditures that primarily benefit individuals and tax expenditures that primarily benefit businesses.

If you have any comments or suggestion regarding this report, or any other report of this Office, please contact us at (217)782-6000, (312)814-2451, or www.ioc.state.il.us.

Sincerely,

Daniel W. Hynes
Comptroller

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What is a Tax Expenditure?

A tax expenditure is any exemption, exclusion, deduction, allowance, credit, preferential tax rate, abatement, or other device that reduces the amount of tax revenue that would otherwise accrue to the state. Tax expenditures are used to provide a means of benefiting selected groups or providing an incentive for the performance of desired activities. Numerous expenditures have been implemented over the years benefiting individuals and business.

The total impact of tax expenditures in Illinois (as reported by state agencies) was estimated at \$6.6 billion in fiscal year 2005, with the major portion derived from income and sales tax expenditures.

Tax expenditures have been used since the early 1930's; however, it was the decade of the 1980's that saw an explosive growth in their use. During that decade, 68 of the existing tax expenditures were enacted. Of these, at least 31 were related to economic development efforts.

For fiscal year 2005, agencies identified 218 tax expenditures; 169 were associated with taxes and 49 with licenses or fees.

WHAT'S NEW IN FISCAL YEAR 2005?

Tax Expenditures up 8.3%

Reported tax expenditures of \$6.572 billion in fiscal year 2005 were up \$504 million or 8.3% from reported tax expenditures of \$6.067 billion in fiscal year 2004. Tax expenditures from the sales tax of \$3.665 billion were up \$286 million or 8.5% from fiscal year 2004 tax expenditures of \$3.379 billion. Sales tax receipts increased 4.2% during the fiscal year. The primary factor affecting the sales tax expenditures was the \$123

million or 35.9% increase in the Department of Revenue's estimate of the cost of the traded-in property exemption. The percentage cost increases for the two largest tax expenditures were more modest. The cost of the food, drugs, and medical appliances rate reduction was up \$78 million or 6.4% from \$1.223 billion to

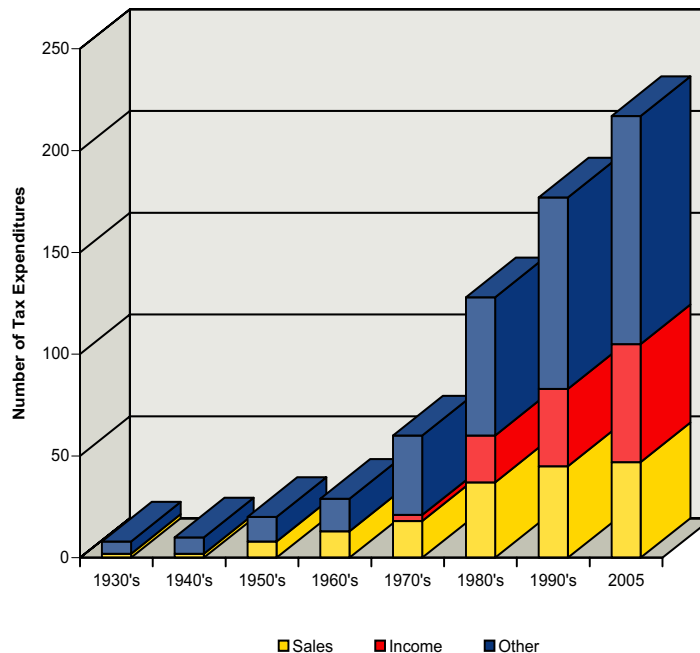
\$1.300 billion and the estimated cost of sales to exempt organizations increased 4.0% from \$930 million to \$967 million.

Tax expenditures from the individual income tax of \$2.206 billion were up \$129 million or 6.2% from fiscal year 2004 expenditures of \$2.078 billion, slightly less than the

7.7% increase in individual income tax revenues. The bulk of the increase was attributable to the retirement and social security subtraction (up \$71 million to \$828 million) and the property tax credit (up \$30 million to \$414 million).

Tax expenditures from the corporate income tax were down \$33 million or 14.3% to \$200 million in fiscal year 2005 following a \$62 million or 36.0% increase to \$234 million in fiscal year 2004. Corporate income tax receipts increased \$122 million or 8.6% during fiscal year 2005. The largest corporate income tax expenditure, the Illinois net operating loss deduction, remained unchanged at \$163 million. Most of the decline in reported tax expenditures resulted from corporate tax expenditures that have been eliminated. These include the life and health insurance guarantee association offset, the replacement taxes paid credit, the research and development credit (which was eliminated effective December 30, 2003 and reinstated effective for tax

**Number of Tax Expenditures in Effect
1930 - 2005**



years ending on or after December 31, 2004), the standard exemption for corporate taxpayers, and the training expense credit. The combined cost of these eliminated tax expenditures was \$37 million in fiscal year 2004. In addition, three tax credits, the enterprise zone investment credit, the dependent care assistance credit, and the coal research and coal utilization investment credits had a cost of \$10 million in fiscal year 2004 and were not included in this report.

The cost of tax expenditures in fiscal year 2005 was also inflated by the exemptions to the reinstated hospital provider assessment. This assessment generated \$637 million in receipts in fiscal year 2005 from hospitals. Assessment monies, which are combined with federal matching funds, are used for the Medicaid program. An additional \$131 million in assessments would have been received if exempt hospitals had been subject to the assessment.

Estate and Generation Skipping Transfer Tax

The Illinois estate tax is imposed on a decedent's estate before distribution to the heirs. Until 2003, this tax did not have tax expenditures as it was simply set equal to the "state tax credit" allowed by the Internal Revenue Code (IRC) against any estate's federal tax liability. Amendments to the IRC in 2001 to phase out the federal estate tax eliminated the state tax credit by 2005. In order to maintain an Illinois estate tax, Illinois decoupled from the federal tax. Tax liability was restored to the level that would have been charged if the phase out had not taken place with one exception: the exemption from the estate tax which formerly had been \$1 million was increased to \$1.5 million in 2004 and to \$2 million in 2006.

The federal estate tax exempts all property given directly to a decedent's surviving spouse as well as state estate taxes, funeral expenses, executors' commissions, attorneys' fees, debts and mortgages, and charitable deductions. These exemptions will continue as the Illinois tax is computed as the amount of the credit for

state estate taxes as of the 2001 IRC. For estates larger than the exempt amount, the Illinois tax is computed through a complicated set of calculations based on the level of the former federal credit. For extremely large estates (over \$10.1 million), the marginal rate is 16.0%.

With the calculation of the Illinois estate tax now being independent of the current federal tax, the Illinois estate and generation skipping transfer tax has a tax expenditure. This is the \$1.5 million fixed exemption for each estate in calendar years 2004 and 2005 which rises to \$2.0 million in calendar year 2006. No dollar amount is included in the report because returns are not filed for the large majority of estates that are too small to owe the estate tax. One thing that is clear from estate tax data is that with the size of this exemption, only a small number of estates will be subject to the Illinois estate tax. During calendar year 2003, only 3,341 federal estate tax returns were filed in Illinois. The gross value of these estates was \$8.7 billion with allowable federal deductions of \$3.7 billion.

Hospital Provider Exemption

Also new to the fiscal year 2005 *Tax Expenditure Report* is the hospital provider exemption to the hospital provider assessment. The hospital provider assessment was reimposed for fiscal year 2005 at an amount equal to \$84.19 per each of the hospital's occupied bed days. As a group, hospitals benefit from the assessment since the assessment collections allow for increased Medicaid payments supplemented with federal matching funds. Continuation of this assessment is dependent upon federal approval of future assessment plans.

A variety of hospital providers are exempt from the assessment. These include providers who are state agencies and state universities, counties or other units of local government, providers whose hospitals do not charge for their services, licensed psychiatric and rehabilitation hospitals, and hospitals with an average inpatient stay of more than 25 days. In fiscal year 2005, the assessment raised \$637 million. The value of the tax expenditure to the 53 hospitals that were exempt was \$131 million.

A Review of Federal Tax Expenditures

Each budget year, the cost of federal tax expenditures applied to the income tax is estimated in a report prepared by the U.S. Department of the Treasury that is attached to the federal budget. A legislative set of cost estimates is also prepared by the Joint Committee on Taxation. Recently the federal Government Accountability Office (GAO) released a study entitled, *Tax Expenditures Represent a Substantial Federal Commitment and Need to be Reexamined* (September 2005), that analyzed the impact of tax expenditures on the federal income tax base. This special report summarizes the findings of the GAO study with additional analysis of how federal tax expenditures relate to Illinois tax revenues.

Tax expenditures, including exemptions, deductions, credits, exclusions, abatement, preferential tax rates, and tax deferrals, have regularly been used as a major tool of federal policy. The result is apparent in the complexity of the federal income tax code and the many personal and business decisions, from deciding to offer employee health insurance to determining the profitability of capital investments, which are influenced by the structure of the tax code. Federal tax expenditures can also have a large impact on Illinois tax revenues as the computation of two of Illinois' largest taxes, the personal and corporate income taxes, start from income and profits as calculated on federal tax returns.

The federal studies consider tax expenditures as tax preferences applied against relatively simple and broad-based baseline personal and corporate tax structures where income can include non-monetary benefits as well as cash payments. The Treasury study requires a tax expenditure to apply to a narrow class of transactions and taxpayers

and be a clear exception to a general provision of the tax code. Using this definition, the cost of federal tax expenditures is enormous.

For federal fiscal year 2004, the sixteen federal tax expenditures with a revenue impact of at least \$10 billion resulted in a total federal revenue loss of \$588 billion. According to a recent tax reform presentation (President's Advisory Panel on Federal Tax Reform, July 2005); the elimination of all federal tax expenditures, as well as the alternative minimum tax, could raise the same amount of revenues with tax rates reduced to two-thirds of their current level.

Tax expenditures have a significant impact on the structure of economic transactions in the United States. Tax expenditures provide incentives for the provision of health insurance to employees by employers, the choice of homeownership versus renting, and increased retirement savings.

Estimated Federal Revenue Loss, Largest Federal Tax Expenditures - Income Tax, Federal Fiscal Year 2004

(Billions of Dollars)

Tax Expenditure	Revenue Loss	Beneficiary
Exclusion of employer contributions for medical insurance premiums and medical care	\$ 102.3	Individual
Deductibility of mortgage interest on owner-occupied homes	61.5	Individual
Net exclusion of pension contributions and earnings: 401(k) plans	47.7	Individual
Net exclusion of pension contributions and earnings: employers plans	47.0	Individual
Deductibility of nonbusiness state and local taxes other than owner-occupied homes	45.3	Individual
Accelerated depreciation of machinery and equipment	44.7	Corporate and Individual
Capital gains exclusion on home sales	29.7	Individual
Deductibility of charitable contributions, other than education and health	27.4	Corporate and Individual
Exclusion of interest on public purpose state and local bonds	26.2	Corporate and Individual
Capital gains (except agriculture, timber, iron ore, and coal)	25.2	Individual
Exclusion of net imputed rental income on owner-occupied homes	24.6	Individual
Step-up basis of capital gains at death	24.2	Individual
Child credit	22.4	Individual
Exclusion of interest on life insurance savings	20.8	Corporate and Individual
Deductibility of state and local property tax on owner-occupied homes	19.9	Individual
Exclusion of Social Security benefits: retired workers	19.2	Individual
Total	\$ 587.9	

Source: U.S. Department of the Treasury.

The largest tax expenditure is the exclusion of employer contributions for medical insurance premiums and medical care (\$102 billion). Although there is no direct cash payment to the employee with this benefit, recipients receive services that must be purchased by individuals who do not have an employer who provides medical benefits. The impact of this tax expenditure has been to encourage a system where many families receive their health benefits through employer plans that take advantage of this tax preference.

Similarly, the tax structure provides incentives to home owners through the mortgage interest deduction on owner-occupied houses (\$61.5 billion), the capital gains exclusion on home sales (\$29.7 billion), and the exclusion of net imputed rental income on owner-occupied houses (\$24.6 billion). The deductibility of state and local property tax on owner-occupied homes costs an additional \$19.9 billion. Through this tax expenditure, the federal government actually benefits Illinois local governments by subsidizing a portion of residential property tax payments. The result of these home ownership tax expenditures is a greater percentage of homeowners in the population than would be the case if these tax preferences did not exist.

The tax code provides some additional benefits to state and local governments. The exclusion of interest on public purpose state and local bonds reduces the interest rates on tax exempt municipal securities which lower the costs of issuing this debt. This reduces the cost of infrastructure investments funded through much general purpose local government debt. The deductibility of certain nonbusiness state and local taxes other than owner-occupied homes reduces the tax burden of these taxes on state and local taxpayers.

Retirement savings are encouraged through the net exclusions of pension contributions and earnings both for 401(k) plans (\$47.7 billion) and for employers' plans (\$47.0 billion). Other retirement exclusions include the exclusion of Social Security benefits for retired workers (\$19.2 billion) and the net exclusion of pension contributions and earnings for Keogh Plans (\$8.8 billion) and for individual retirement accounts (\$7.5 billion). The exclusion of interest on life insurance savings also provides an economic incentive for increased saving. These tax expenditures tilt the econ-

omy toward a higher rate of retirement savings, both directly through 401(k) plans and implicitly through employers' pension plans, due to the retirement savings tax preferences.

A major objective of a large sub-set of Illinois' tax expenditures is lowering business costs and making Illinois a more attractive location for new and increased investments. The only major federal tax expenditure that is directly designed to be a business incentive is the accelerated depreciation of machinery and equipment (\$44.7 billion). There are also many less costly and more narrowly focused federal tax expenditures that appear to be designed to encourage favored types of business activity such as the credit for increasing research activities and a variety of tax preferences for the energy, non-fuel mineral, timber, and agricultural industries. State economic development incentives have expanded in part due to active competition among the states to provide more attractive investment packages than their neighbors. Although the loss of jobs to lower cost countries has become an issue of increasing concern, there does not appear to be a significant effort to use tax incentive policy to improve the U.S. position in the competition for jobs and investment around the world.

A group of major tax expenditures has a social welfare purpose, encouraging charitable contributions and reducing the tax burden on low income and disadvantaged citizens. The charitable contributions deduction (\$27.4 billion plus \$3.7 billion in educational charitable deductions and \$3.1 billion in health related charitable deductions) provides a tax savings to contributors to causes that serve the public good. The income adjusted child credit (\$22.4 billion) provides tax relief to lower and middle income parents. The Treasury estimate for this credit is limited to its effect on tax receipts. Through refunds, this credit had an additional \$8.9 billion impact on spending. The Treasury estimate for the Earned Income Tax Credit is \$4.9 billion which again only measures the impact of this credit on tax receipts. This refundable credit also had a \$33.1 billion impact on federal outlays.

The remaining two costly federal tax expenditures deal with the taxation of long-term investments. Since the gains from long-term investments are only taxed when

the investments are realized, there is a tax incentive to refrain from selling investments. Unlocking these frozen assets is one of the rationales for the special treatment of capital gains (\$25.2 billion). The basis for inherited assets is stepped-up to the value at death (with an estimated tax loss of \$24.2 billion) which eliminates the complex research necessary to compute the original value of long-held inherited assets. These assets have also been subject to the estate tax. Both of these tax expenditures reduce the taxes on capital gains when compared to other types of income with most of the benefits going to taxpayers in the highest income brackets who receive the largest portion of capital gains income.

Impact on the Illinois Tax Base

The specific method through which the federal tax preference is granted determines whether it also applies to the Illinois tax base. For the personal income tax, tax expenditures offered as deductions before computing adjusted gross income reduce the Illinois tax base, while federal tax expenditures offered as tax credits or as itemized deductions after the computation of adjusted gross income remain in the Illinois base. For the corporate income tax, which really is a tax on corporate profits, federal tax expenditures that decrease reported revenues or increase reported costs reduce profits and the Illinois tax base. Federal credits taken on taxes computed from corporate profits have no impact on the Illinois corporate income tax base.

In several cases the Illinois tax code has been amended to add specific federal tax expenditures back into the Illinois income tax base. Two prominent cases where the Illinois code has been amended to offset federal tax expenditures are bonus depreciation and capital gains deductions, both of which are added back to the Illinois tax base. In the case of the exclusion of interest on pub-

lic purpose state and local bonds, most interest on municipal bonds is added back to the state tax base, but interest on federal bonds is deducted from the Illinois income tax base.

Several of the federal tax expenditures with the largest revenue loss that also apply to the Illinois tax base are tax expenditures where the benefit is not paid as cash. These include the exclusion of employer contributions for medical insurance and medical care and the exclusion of the imputed rental income on owner-occupied homes. Although gifts and some other forms of non-cash income are subject to the Illinois income tax, it is unlikely that these non-cash benefits would be made taxable.

Several of the listed federal tax expenditures apply to retirement savings and income. These include the exclusion of pension contributions and earnings, the exclusion of interest on life insurance savings, and the partial exclusion of social security benefits for retired workers. Illinois already provides more extensive tax relief on retirement income than the federal tax code since one of the largest Illinois tax expenditures is an exemption of the various forms of retirement income that are not exempt from federal taxation.

This analysis has shown that each of the existing costly federal tax expenditures has a clear cut purpose and has a large group of beneficiaries. This makes it difficult to eliminate existing tax expenditures in order to increase tax revenues. Some tax analysts have suggested that the easiest way to reform the complicated existing tax structure is to totally rebuild the tax code. If the federal government opted to replace the current income tax code with a much simpler substitute, Illinois would likely see increased income tax revenues from the expanded tax base.

A REVIEW OF FISCAL YEAR 2005

TAX EXPENDITURES

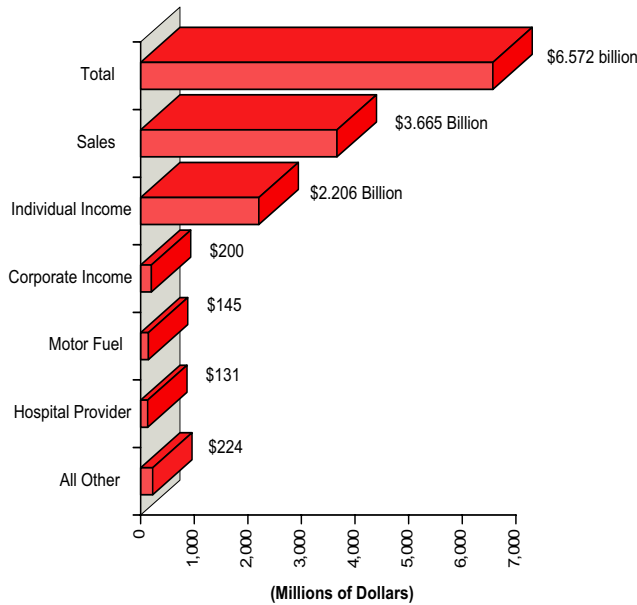
The Impact of Tax Expenditures

Although tax expenditures were reported for 45 revenue sources in fiscal year 2005, the four largest tax sources plus the hospital provider assessment accounted for \$6.347 billion or 97% of the \$6.572 billion in reported tax expenditures. Well over half of the value of tax expenditures (\$3.665 billion or 56%) was attributed to state sales taxes.

Another 37% was associated with income taxes with \$2.206 billion or 34% from the individual income tax and \$200 million or 3% from the corporate income tax. The motor fuel tax (\$145 million) and the hospital provider assessment (\$131 million) each accounted for 2% of reported tax expenditures leaving only \$224 million or 3% for tax expenditures from the remaining revenue sources.

Tax Expenditures Greater Than \$100 Million

Impact of Tax Expenditures



The Twelve Largest Tax Expenditures - Fiscal Year 2005

(Millions of Dollars)

Amount	Expenditure	Applied Against
\$1,300	Food, Drugs, Medical Appliances	Sales Tax
967	Sales to Exempt Organizations	Sales Tax
828	Retirement and Social Security Deductions	Individual Income Tax
696	Standard Deduction	Individual Income Tax
466	Exemption for Trade-Ins	Sales Tax
414	Property Tax Credit	Individual Income Tax
212	Farm Chemical Exemption	Sales Tax
165	Manufacturing Machinery Exemption	Sales Tax
163	Illinois Net Operating Loss Deduction	Corporate Income Tax
131	Hospital Provider Exemption	Hospital Assessment
119	Retailer's Discount	Sales Tax
117	Non Motor Vehicle Use	Motor Fuel Tax
\$5.578 Billion	Total Impact of Twelve Largest Tax Expenditures	
\$6.572 Billion	Total Impact of All Tax Expenditures	
85%	Percent of Total Impact	

There were twelve tax expenditures with estimated costs in excess of \$100 million. Six of the over \$100 million tax expenditures were from the sales tax, with three from the individual income tax, and one each from the corporate income tax, hospital provider assessment, and the

motor fuel tax. The food, drug, and medical appliance rate reduction was the largest single tax expenditure and represented 20% of the total reported impact. The impact of the twelve largest tax expenditures totaled \$5.6 billion or 85% of the total impact of all tax expenditures.

The *Tax Expenditure Report* only identifies tax expenditures that reduce state revenues. When local taxes are piggy-backed onto state taxes, tax expenditures also reduce local government tax revenues. Sales tax expenditures that also apply to the additional portion of sales tax collections distributed to local governments are a prime example.

One prominent tax expenditure has been designed to exclusively impact local government revenues. The investment tax credit is applied against the personal property replacement income tax which is distributed to local governments. This tax expenditure includes a base 0.5% credit for buying equipment used in retailing, manufacturing, and mining. An additional 0.5% credit is allowed if the company's Illinois employment has increased by 1%. The cost to local governments for this tax expenditure for the 2003 tax year was \$23.4 million.

Four Largest Tax Expenditures, Fiscal Year 1993 to 2005

Reported tax expenditures of \$6.6 billion for fiscal year 2005 were up \$3.5 billion, or more than double the \$3.1 billion reported for fiscal year 1993, the first year that the *Tax Expenditure Report* was issued. The change in the value of reported tax expenditures reflects improved reporting, new expenditures, as well as the impact of inflation and economic growth. Of particular interest are the trends in growth for the four largest expenditures which have accounted for over half of the total reported.

Retirement subtractions from the Illinois individual income tax apply to all retirement income including IRA, disability, social security, and railroad retirement income that is subject to the federal income tax. The estimated cost of this tax expenditure of \$828 million for fiscal year 2005 was \$544 million greater or almost 3 times its cost of \$284 million in fiscal year 1993. The substantial growth in this expenditure in part reflects the increase in income that has become subject to the federal tax, such as the increase in the maximum percentage of federally taxable social security income from 50% to 85% effective for the 1994 tax year.

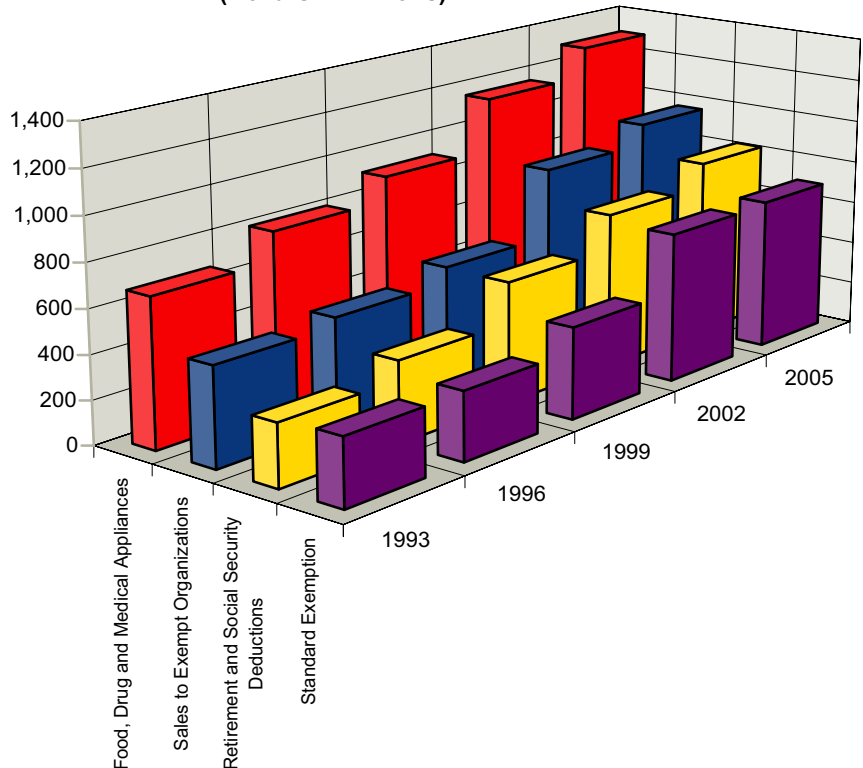
Demographers are projecting a sizable increase in Illinois' population over 65. According to the U.S. Census Bureau's interim population projections from the 2000 census, there will be 2.4 million senior citizens in Illinois in 2030, up 60.8% from the number of seniors (1.5 million) in 2000. Over that same period, the total Illinois population is projected to increase 8.2%. The result should be a continued rapid increase in the cost of the retirement income tax expenditure.

The \$1,000 standard deduction from the state individual income tax had been one of the slowest growing tax expenditures increasing only \$14 million from \$306 million to \$320 million between fiscal year 1993 and fiscal year 1998. With the doubling in the value of this tax expen-

diture (to \$1,300 for the 1998 tax year, \$1,650 for the 1999 tax year, and \$2,000 for years beginning with the 2000 tax year), its cost has increased a further \$376 million to \$696 million for fiscal 2005.

The largest tax expenditure, the reduced sales tax rate for food, drugs, and medical appliances, is the only \$1 billion tax expenditure. Between fiscal 1993 and fiscal 2005, its cost increased \$625 million or 92.6% from \$675 million to \$1.3 billion reflecting inflation and increased consumer purchases of exempted items. The other major tax expenditure from the sales tax is the exemption for sales to exempt organizations such as local governments and charities which more than doubled from \$450 million to \$967 million during this twelve-year period.

**Four Largest Tax Expenditures
Fiscal Years 1993 to 2005
(Dollars in Millions)**



A \$6.6 Billion Impact on Reported Tax Receipts

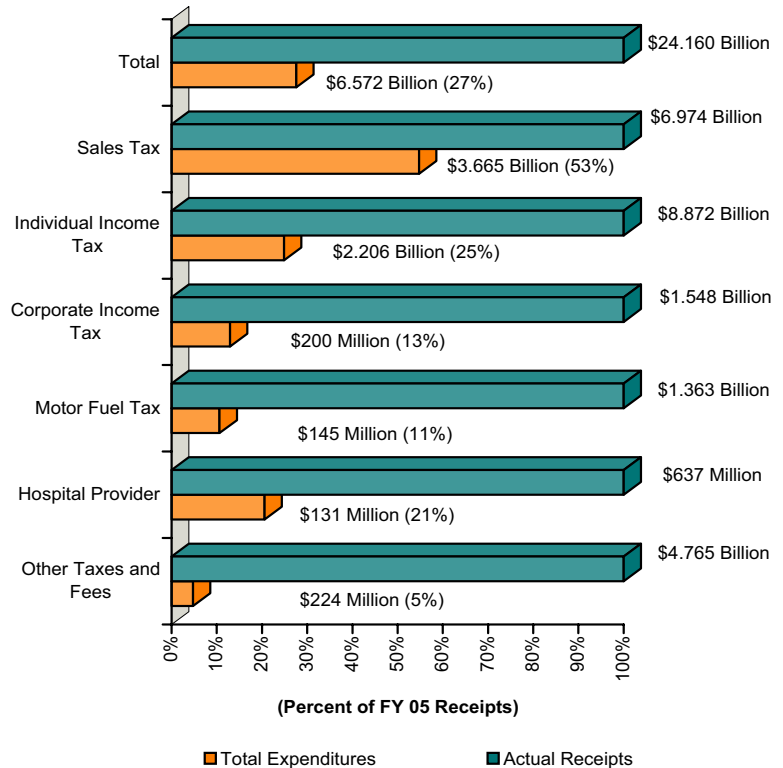
The \$6.6 billion in tax expenditures were applied against revenue sources that brought in a reported \$24.2 billion in fiscal year 2005. This amounts to 27% of reported receipts. Of the major revenue sources, tax expenditures had the greatest impact on the sales tax followed by the individual income tax, hospital provider assessment, corporate income tax, and motor fuel tax.

All other expenditures had a combined impact of \$224 million, or 5% of other receipts of \$4.8 billion. Within other sources, there were several for which tax expenditures had a substantial impact. These include - the electricity excise tax (\$53 million in tax expenditures, total receipts of \$361 million), the insurance retaliatory tax (\$37 million in tax expenditures, total receipts of \$139 million), the underground storage tank tax (\$17 million in tax expenditures, total receipts of \$72 million), and the racing parimutuel tax (\$4 million in tax expenditures, total receipts of \$12 million).

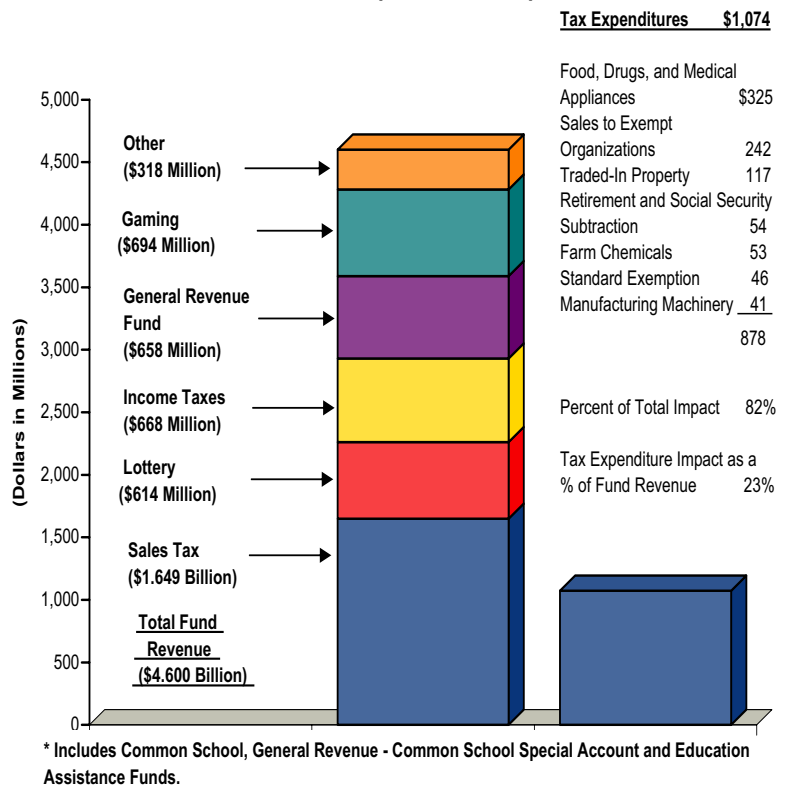
A \$1.074 Billion Impact on Education Funds

Tax expenditures of \$1.074 billion from monies that would have been deposited into the Education Funds were the equivalent of 23% of revenues. The Common School, General Revenue - Common School Special Account, and Education Assistance Funds receive dedicated lottery, income tax, gaming taxes, and sales tax monies as well as General Revenue Fund transfers and portions of certain other dedicated revenues (cigarette tax, public utility tax, bingo tax, etc.) for use exclusively for elementary, secondary, and higher education. In fiscal year 2005, the Education Funds received \$4.6 billion from dedicated sources - \$1.6 billion from the sales tax, \$614 million in lottery transfers, \$668 million from income taxes, \$694 million from gaming taxes, and \$318 million from other sources (including \$158 million from cigarette

Impact of Tax Expenditures on Tax Receipts



Education Funds Receipts and Tax Expenditures*



taxes, \$103 million from the communications excise tax, and a \$50 million transfer from the School Technology Revolving Loan Fund) plus \$658 million in General Revenue Fund transfers.

Who Received Tax Expenditures?

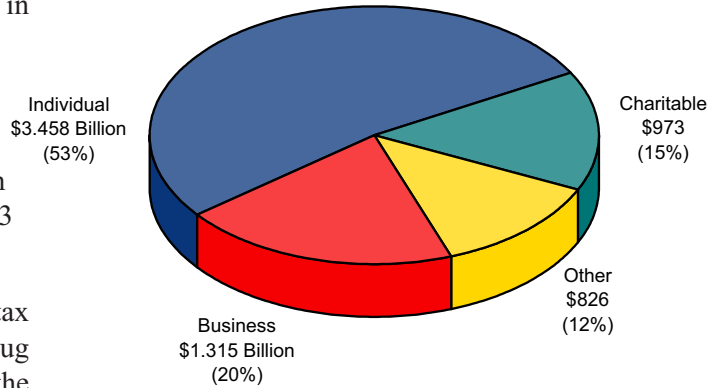
Tax expenditures for individuals totaled \$3.5 billion while business received \$1.3 billion, charities \$973 million and other \$826 million.

Individuals received \$2.5 billion in broad-based tax expenditures. The two largest were the food and drug rate reduction and the standard exemption from the individual income tax. Other broadbased tax expenditures included the property tax credit, the earned income credit, and the education expense credit. The expenditures for the elderly and disabled of \$883 million consisted primarily of \$828 million for federally taxed retirement and social security subtractions.

The impact of general business expenditures was \$960 million, while agricultural expenditures were \$339 million and environmental expenditures totaled \$16 million. The manufacturing machinery exemption, net operating loss deduction, retailer's sales tax discount, and sales of motor fuel for use other than in motor vehicles were the largest general business expenditures. Sales to exempt organizations were \$967 million of the \$973 million worth of expenditures for charities (99%). The largest of the \$826 million in other expenditures were the \$466 million impact of the traded-in property exemption primarily attributable to new and used car sales and the \$131 million impact of the hospital provider exemption to the hospital provider assessment.

The manufacturing machinery exemption, net operating loss deduction, retailer's sales tax discount, and sales of motor fuel for use other than in motor vehicles were the largest general business expenditures. Sales to exempt organizations were \$967 million of the \$973 million worth of expenditures for charities (99%). The largest of the \$826 million in other expenditures were the \$466 million impact of the traded-in property exemption primarily attributable to new and used car sales and the \$131 million impact of the hospital provider exemption to the hospital provider assessment.

Tax Expenditures by Purpose
(Dollars in Millions)



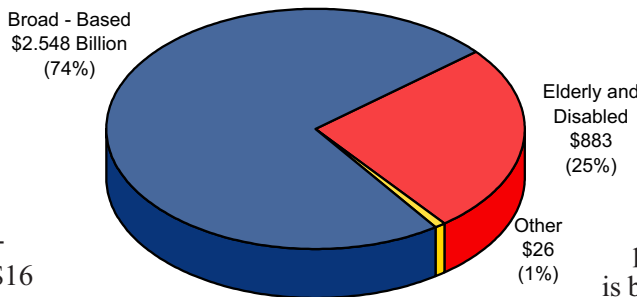
The Impact of Tax Expenditures on Revenue Sharing

Normally it is difficult to measure the impact of tax expenditures on spending. One case where such a relationship can be made occurs when a portion of tax revenues is automatically granted by formula to local governments.

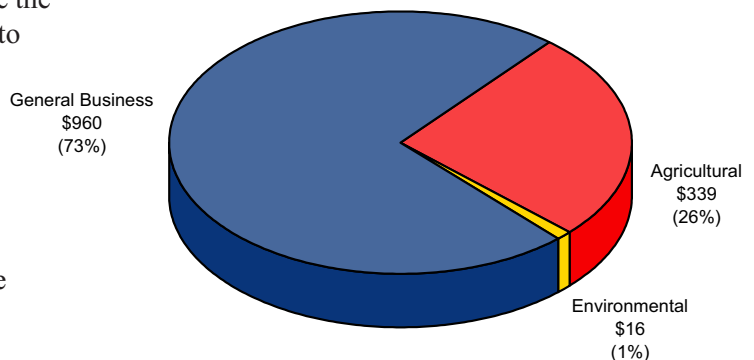
During fiscal year 2005, \$1.9 billion was distributed in income, sales, and motor fuel tax revenue sharing. Tax expenditures had an estimated \$416 million impact on these distributions.

A fixed percent of net income tax revenues are granted to counties and municipalities as state revenue sharing. Distribution is based on their shares of the state's population. The distribution is currently 1/10 of revenues net of

Individual Expenditures
(Dollars in Millions)



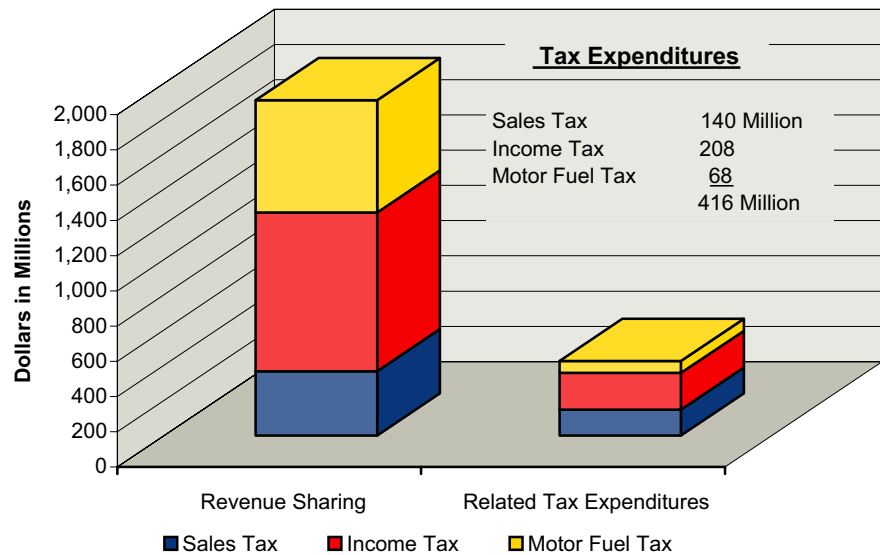
Business Expenditures
(Dollars in Millions)



deposits into the Refund Fund. In fiscal year 2005, the Local Government Distributive Fund received \$901 million in transfers from the General Revenue Fund related to income tax receipts. Based on a 23% ratio of tax expenditures to combined income tax receipts, distributions were \$208 million less than they would have been without tax expenditures.

There are several programs which share sales tax revenue with local governments. The Public Transportation Fund receives General Revenue Fund transfers equal to 25% of net revenue collected from the local RTA sales tax. The Downstate Public and Metro-East Public Transportation Funds receive a General Revenue Fund transfer based on a percentage of state sales taxes paid in their districts. The Illinois Tax Increment Fund receives 0.27% of state sales taxes. In fiscal year 2005, these programs received \$364 million in direct receipts and General Revenue Fund transfers. Distributions were \$140 million less than they would have been without tax expenditures.

Revenue Sharing and Tax Expenditures



State motor fuel taxes are used for state purposes and shared with counties, municipalities, townships, and road districts. During fiscal year 2005, local government funds received \$638 million in motor fuel tax revenues. Based on an 11% ratio of tax expenditures to motor fuel tax receipts, distributions were \$68 million less than they would have been without tax expenditures.

TAX EXPENDITURES BY FUND GROUP AND FUND

(IN THOUSANDS)

Fund Group: General

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 4,533,885	\$ 4,879,024
General Revenue - Common School Special Account Fund	0005	844,681	916,247
Education Assistance Fund	0007	145,537	156,085
Common School Fund	0412	1,228	1,259
Total Impact, General		\$ 5,525,331	\$ 5,952,615

Fund Group: Highway

Fund Name and Code:		FY 04	FY 05
Motor Fuel Tax - State Fund	0012	\$ 145,261	\$ 144,692
Road Fund	0011	10,014	7,902
State Construction Account Fund	0902	5,343	4,146
Total Impact, Highway		\$ 160,618	\$ 156,740

Fund Group: Special State

Fund Name and Code:		FY 04	FY 05
Income Tax Refund Fund	0278	\$ 317,937	\$ 268,754
Hospital Provider Fund	0346	0	131,000
Underground Storage Tank Fund	0072	18,576	17,411
Wildlife and Fish Fund	0041	13,008	13,008
Long Term Care Provider Fund	0345	10,155	9,944
Build Illinois Fund	0960	6,295	6,764
Horse Racing Fund	0632	3,853	3,940
Public Health Laboratory Services Revolving Fund	0340	3,524	3,339
Public Utility Fund	0059	1,954	1,601
School Infrastructure Fund	0568	1,228	1,259
Environmental Protection Permit and Inspection Fund	0944	1,200	1,200
Local Tourism Fund	0969	1,007	1,082
International Tourism Fund	0621	566	609
Illinois Clean Water Fund	0731	500	500
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	612	499
Drivers Education Fund	0031	558	489
Long Term Care Monitor/Receiver Fund	0285	0	451
Health Facility Plan Review Fund	0524	132	124
Metabolic Screening and Treatment Fund	0920	125	118
Corporate Franchise Tax Refund Fund	0380	127	93
Illinois Health Facilities Planning Fund	0238	0	30
Illinois School Asbestos Abatement Fund	0175	3	3
Pesticide Control Fund	0576	2	2
Total Impact, Special State		\$ 381,362	\$ 462,220

GRAND TOTAL, IMPACT		\$ 6,067,311	\$ 6,571,575
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TAX EXPENDITURES BY REVENUE SOURCE

(IN THOUSANDS)

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:	FY 04	FY 05
Food, Drugs, and Medical Appliances Rate Reduction	\$ 1,222,500	\$ 1,300,284
Sales to Exempt Organizations	930,356	967,380
Traded-In Property Exemption	343,283	466,366
Farm Chemicals (Includes Feed and Seed) Exemption	208,795	212,472
Manufacturing and Assembling Machinery and Equipment Exemption	161,816	164,666
Retailer's Discount	113,363	118,671
Gasohol Discount	62,539	77,658
Sales of Motor Vehicles to Non-Residents Exemption	70,474	68,879
Rolling Stock Exemption	42,225	49,981
Farm Machinery and Equipment Exemption	46,979	47,806
Sales of Vehicles to Automobile Rentors Exemption	29,034	43,263
Newsprint and Ink to Newspapers and Magazines Exemption	40,880	41,600
Commercial Distribution Fee (CDF) Exemption	37,734	34,487
Designated Tangible Personal Property within Enterprise Zone Exemption	26,678	25,344
Manufacturer's Purchase Credit	21,534	24,998
All Other	20,545	20,967
Total Impact	\$ 3,378,735	\$ 3,664,822

Revenue Source and Annual Receipts: Individual Income Tax

Expenditure:	FY 04	FY 05
Federally Taxed Retirement and Social Security Subtractions	\$ 757,659	\$ 828,265
Standard Exemption: Taxpayers and Dependents	690,357	695,676
Tax Credit for Residential Real Property Taxes	383,615	413,605
Earned Income Tax Credit	65,746	70,927
Education Expense Credit	67,140	67,904
Other Subtractions	55,004	67,128
Additional Exemptions: Blind and Elderly	31,237	31,434
Military Pay Subtraction	22,757	22,838
Income Tax Credits	4,226	8,686
Total Impact	\$ 2,077,741	\$ 2,206,463

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:	FY 04	FY 05
Illinois Net Operating Loss Deduction	\$ 162,938	\$ 163,186
Foreign Insurer Rate Reduction	12,055	17,083
Economic Development for a Growing Economy Tax Credit	5,200	9,082
All Other	53,692	11,102
Total Impact	\$ 233,885	\$ 200,453

TAX EXPENDITURES BY REVENUE SOURCE (IN THOUSANDS)

Revenue Source and Annual Receipts: Motor Fuel Taxes

Expenditure:	FY 04	FY 05
Sales for Use Other Than in Motor Vehicles Exemption	\$ 117,220	\$ 116,891
Timely Filing and Full Payment Discount	21,545	20,971
Municipal Corporation or Private Utility Local Transportation System Exemption	6,455	6,787
Aviation Purposes Exemption	41	43
Total Impact	\$ 145,261	\$ 144,692

Revenue Source and Annual Receipts: Health Provider Assessment

Expenditure:	FY 04	FY 05
Hospital Provider Exemption	\$ 0	\$ 131,000
Total Impact	\$ 0	\$ 131,000

Revenue Source and Annual Receipts: Electricity Excise Tax

Expenditure:	FY 04	FY 05
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	\$ 34,875	\$ 36,853
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	29,400	16,062
Total Impact	\$ 64,275	\$ 52,915

Revenue Source and Annual Receipts: Insurance Retaliatory Tax

Expenditure:	FY 04	FY 05
Replacement Income Tax Credit	\$ 17,378	\$ 25,024
Fire Department Tax Credit	10,803	12,145
Total Impact	\$ 28,181	\$ 37,169

Revenue Source and Annual Receipts: Vehicle Use Tax

Expenditure:	FY 04	FY 05
Commercial Distribution Fee Exemption	\$ 6,821	\$ 8,756
Family Member Preferential Tax Rate	4,359	4,143
Government, Charitable, Educational, Religious Entities Exemption	3,282	2,762
Rolling Stock Exemption	3,343	2,683
Farm Implement - Ready Mix Exemption	1,054	1,135
Out-of-State Resident Exemption	910	891
Estate Gift to Beneficiary Preferential Tax Rate	141	131
Surviving Spouse Exemption	128	131
Business Reorganization Preferential Tax Rate	68	72
Total Impact	\$ 20,106	\$ 20,704

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Expenditure:	FY 04	FY 05
Airport Exemption	\$ 13,965	\$ 12,612
Rail Carrier Exemption	2,759	2,992
Timely Filing and Full Payment Discount	1,311	1,310
Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers	492	496
Liquefied Propane Gas Exemption	49	1
Total Impact	\$ 18,576	\$ 17,411

TAX EXPENDITURES BY REVENUE SOURCE

(IN THOUSANDS)

Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax

Expenditure:	FY 04	FY 05
Permanent Residents Exemption	\$ 8,045	\$ 8,618
Cost of Collection Discount	4,543	4,910
Total Impact	\$ 12,588	\$ 13,528

Revenue Source and Annual Receipts: Fishing Licenses

Expenditure:	FY 04	FY 05
Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount	\$ 13,008	\$ 13,008
Total Impact	\$ 13,008	\$ 13,008

Revenue Source and Annual Receipts: Insurance Privilege Tax

Expenditure:	FY 04	FY 05
Fire Department Tax Credit	\$ 11,106	\$ 11,816
Replacement Income Tax Credit	2,378	1,148
Total Impact	\$ 13,484	\$ 12,964

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Expenditure:	FY 04	FY 05
Senior Citizen Plate Renewal Reduction	\$ 8,949	\$ 8,364
Municipality Owned Passenger Vehicle Exemption	2,990	2,370
Charitable Organization Vehicle Exemption	1,966	204
Disabled Veteran Vehicle Registration Exemption	216	132
X-POW Vehicle Registration Exemption	101	98
Sheriff Plates	50	33
Drivers Education Vehicles	174	6
Total Impact	\$ 14,446	\$ 11,207

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:	FY 04	FY 05
Cost of Collection Discount	\$ 10,155	\$ 9,944
Total Impact	\$ 10,155	\$ 9,944

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:	FY 04	FY 05
Cost of Collection Discount	\$ 8,544	\$ 8,759
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	32	31
Coin-Operated Telecommunications Devices Exemption	11	11
Total Impact	\$ 8,587	\$ 8,801

Revenue Source and Annual Receipts: Annual Reports of Corporations

Expenditure:	FY 04	FY 05
Two Million Dollar Cap on Franchise Tax for Corporations	\$ 6,474	\$ 4,743
Total Impact	\$ 6,474	\$ 4,743

TAX EXPENDITURES BY REVENUE SOURCE (IN THOUSANDS)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Expenditure:	FY 04	FY 05
Claims for Loss or Damage Deduction	\$ 1,234	\$ 1,270
Exempt Organization Rentals	1,183	1,217
Insurance Coverage Deduction	895	921
Timely Filing and Full Payment Discount	569	498
Refueling Deduction	351	361
Other/Miscellaneous Deductions	69	71
Total Impact	\$ 4,301	\$ 4,338

Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax

Expenditure:	FY 04	FY 05
Real Estate Tax Credit	\$ 3,853	\$ 3,940
Total Impact	\$ 3,853	\$ 3,940

Revenue Source and Annual Receipts: Sexually Transmitted Disease Test Fee

Expenditure:	FY 04	FY 05
Population With High Incidence of Sexually Transmitted Diseases Exemption	\$ 3,159	\$ 2,893
Dept. Funded HIV Counseling & Testing Site and HIV Seroprevalence Exemption	365	446
Total Impact	\$ 3,524	\$ 3,339

Revenue Source and Annual Receipts: All Other

Expenditure:	FY 04	FY 05
All Other	\$ 10,131	\$ 10,134
Total Impact	\$ 10,131	\$ 10,134

GRAND TOTAL, IMPACT	\$ 6,067,311	\$ 6,571,575
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SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Secretary of State

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 9,103	\$ 7,061
State Construction Account Fund	0902	5,343	4,146

Revenue Source and Annual Receipts: Standard Identification Card Fee

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 0	\$ 693
Road Fund	0011	352	350

Revenue Source and Annual Receipts: Duplicated/Corrected Driver's License

Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 4	\$ 4
Drivers Education Fund	0031	3	3

Revenue Source and Annual Receipts: Driver's License Four Year Renewal Fee

Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 555	\$ 487
Drivers Education Fund	0031	555	486

Revenue Source and Annual Receipts: Annual Reports of Corporations

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 6,347	\$ 4,650
Corporate Franchise Tax Refund Fund	0380	127	93

Natural Resources

Revenue Source and Annual Receipts: Fishing Licenses

Fund Name and Code:		FY 04	FY 05
Wildlife and Fish Fund	0041	\$ 13,008	\$ 13,008

Financial and Professional Regulation

Revenue Source and Annual Receipts: Insurance Privilege Tax

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 13,484	\$ 12,964

Revenue Source and Annual Receipts: Retaliatory Tax

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 28,181	\$ 37,169

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Financial and Professional Regulation (Concluded)

Revenue Source and Annual Receipts: Boxing/Wrestling Athletic Events Tax

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 101	\$ 101

Public Aid

Revenue Source and Annual Receipts: Hospital Provider Assessment

Fund Name and Code:		FY 04	FY 05
Hospital Provider Fund	0001	\$ 0	\$ 131,000

Public Health

Revenue Source and Annual Receipts: Health Care Facility Permit Application Fee

Fund Name and Code:		FY 04	FY 05
Illinois Health Facilities Planning Fund	0238	\$ 0	\$ 30

Revenue Source and Annual Receipts: Vital Records Fees

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 4	\$ 4

Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee

Fund Name and Code:		FY 04	FY 05
Metabolic Screening and Treatment Fund	0920	\$ 125	\$ 118

Revenue Source and Annual Receipts: Private Sewage Fee

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 21	\$ 21

Revenue Source and Annual Receipts: Pesticide Control Fee

Fund Name and Code:		FY 04	FY 05
Pesticide Control Fund	0576	\$ 2	\$ 2

Revenue Source and Annual Receipts: Recreational Area Fee

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 38	\$ 40

Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 97	\$ 99

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Continued)

Revenue Source and Annual Receipts: Long Term Care Facility Fee

Fund Name and Code:	0285	<u>FY 04</u>	<u>FY 05</u>
Long Term Care Monitor/Receiver Fund	\$	0	\$ 451

Revenue Source and Annual Receipts: Childhood Lead Screening Fee

Fund Name and Code:	0360	<u>FY 04</u>	<u>FY 05</u>
Lead Poisoning, Screening, Prevention and Abatement Fund	\$	602	\$ 489

Revenue Source and Annual Receipts: Automated Lab Tests - HIV (ELISA) Test and STD Test

Fund Name and Code:	0340	<u>FY 04</u>	<u>FY 05</u>
Public Health Services Revolving Fund	\$	3,524	\$ 3,339

Revenue Source and Annual Receipts: Youth Camp License Application Fee

Fund Name and Code:	0001	<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	\$	1	\$ 1

Revenue Source and Annual Receipts: Water Pump Contractor Fee

Fund Name and Code:	0001	<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	\$	14	\$ 13

Revenue Source and Annual Receipts: Environmental Lead License Application Fee

Fund Name and Code:	0360	<u>FY 04</u>	<u>FY 05</u>
Lead Poisoning, Screening, Prevention and Abatement Fund	\$	10	\$ 10

Revenue Source and Annual Receipts: Salvage Warehouse and Salvage Warehouse Store Act

Fund Name and Code:	0001	<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	\$	2	\$ 2

Revenue Source and Annual Receipts: Asbestos Abatement License Fee

Fund Name and Code:	0175	<u>FY 04</u>	<u>FY 05</u>
Illinois School Asbestos Abatement Fund	\$	3	\$ 3

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Concluded)

Revenue Source and Annual Receipts: Plan Review Fee - LTC Facilities

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Health Facility Plan Review Fund	0524	\$ 132	\$ 124

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 2,534,054	\$ 2,748,575
General Revenue - Common School Special Account Fund	0005	844,681	916,247

Revenue Source and Annual Receipts: Individual Income Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 1,700,718	\$ 1,840,853
Education Assistance Fund	0007	133,929	144,964
Income Tax Refund Fund	0278	243,094	220,646

Revenue Source and Annual Receipts: Corporate Income Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 147,434	\$ 141,224
Education Assistance Fund	0007	11,608	11,121
Income Tax Refund Fund	0278	74,843	48,108

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 4,301	\$ 4,338

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Long Term Care Provider Fund	0345	\$ 10,155	\$ 9,944

Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 4,720	\$ 5,073
International Tourism Fund	0621	566	609
Build Illinois Fund	0960	6,295	6,764
Local Tourism Fund	0969	1,007	1,082

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Concluded)

Revenue Source and Annual Receipts: Liquor Gallonage Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 1,960	\$ 2,211

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Underground Storage Tank Fund	0072	\$ 18,576	\$ 17,411

Revenue Source and Annual Receipts: Motor Fuel Taxes

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Motor Fuel Tax - State Fund	0012	\$ 145,261	\$ 144,692

Revenue Source and Annual Receipts: Electricity Excise Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 62,347	\$ 51,327
Public Utility Fund	0059	1,928	1,588

Revenue Source and Annual Receipts: Gas Revenue Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 3,566	\$ 2,405

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 6,131	\$ 6,283
Common School Fund	0412	1,228	1,259
School Infrastructure Fund	0568	1,228	1,259

Revenue Source and Annual Receipts: Vehicle Use Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 20,106	\$ 20,704

Revenue Source and Annual Receipts: Admission Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
General Revenue Fund	0001	\$ 258	\$ 274

Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Horse Racing Fund	0632	\$ 3,853	\$ 3,940

**SUMMARY OF TAX EXPENDITURES BY AGENCY,
REVENUE SOURCE AND FUND
(IN THOUSANDS)**

Commerce Commission

Revenue Source and Annual Receipts: Gross Receipts Tax (Public Utility Fund)

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Public Utility Fund	0059	\$ 26	\$ 13

Environmental Protection Agency

Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Environmental Protection Permit and Inspection Fund	0944	\$ 750	\$ 750

Revenue Source and Annual Receipts: Water Main Construction Permit Application Fee

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Environmental Protection Permit and Inspection Fund	0944	\$ 450	\$ 450

Revenue Source and Annual Receipts: NPDES Permit Discharge Fee

Fund Name and Code:		<u>FY 04</u>	<u>FY 05</u>
Illinois Clean Water Fund	0731	\$ 500	\$ 500

GRAND TOTAL, IMPACT		\$ 6,067,311	\$ 6,571,575
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DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Secretary of State

		FY 04	FY 05
Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)	\$	563,157	\$ 570,661
Expenditure: Charitable Organization Vehicle Exemption			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 1,239	\$ 129
State Construction Account Fund	0902	727	75
Total		\$ 1,966	\$ 204
Expenditure: Disabled Veteran Vehicle Registration Exemption			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 136	\$ 83
State Construction Account Fund	0902	80	49
Total		\$ 216	\$ 132
Expenditure: Drivers Education Vehicles			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 110	\$ 4
State Construction Account Fund	0902	64	2
Total		\$ 174	\$ 6
Expenditure: Municipality Owned Passenger Vehicle Exemption			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 1,884	\$ 1,493
State Construction Account Fund	0902	1,106	877
Total		\$ 2,990	\$ 2,370
Expenditure: Senior Citizen Plate Renewal Reduction			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 5,638	\$ 5,269
State Construction Account Fund	0902	3,311	3,095
Total		\$ 8,949	\$ 8,364
Expenditure: Sheriff Plates			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 32	\$ 21
State Construction Account Fund	0902	18	12
Total		\$ 50	\$ 33
Expenditure: X-POW Vehicle Registration Exemption			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 64	\$ 62
State Construction Account Fund	0902	37	36
Total		\$ 101	\$ 98
Total Tax Impact per Revenue Source		\$ 14,446	\$ 11,207

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Secretary of State (Concluded)

		FY 04	FY 05
Revenue Source and Annual Receipts: Standard Identification Card Fee		\$ 3,005	\$ 7,448
Expenditure: Duplicated/Corrected ID Senior Citizen/Handicapped			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 0	\$ 693
Road Fund	0011	352	350
Total		\$ 352	\$ 1,043
Total Tax Impact per Revenue Source		\$ 352	\$ 1,043
		FY 04	FY 05
Revenue Source and Annual Receipts: Duplicated/Corrected Driver's License		\$ 3,691	\$ 3,755
Expenditure: Duplication of Stolen Licenses for Senior Citizens			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 4	\$ 4
Drivers Education Fund	0031	3	3
Total		\$ 7	\$ 7
Total Tax Impact per Revenue Source		\$ 7	\$ 7
		FY 04	FY 05
Revenue Source and Annual Receipts: Driver's License Four Year Renewal Fee		\$ 16,290	\$ 15,963
Expenditure: Reduced Renewal Fee for Senior Citizens			
Fund Name and Code:		FY 04	FY 05
Road Fund	0011	\$ 555	\$ 487
Drivers Education Fund	0031	555	486
Total		\$ 1,110	\$ 973
Total Tax Impact per Revenue Source		\$ 1,110	\$ 973
		FY 04	FY 05
Revenue Source and Annual Receipts: Annual Reports of Corporations		\$ 175,497	\$ 196,675
Expenditure: Two Million Dollar Cap on Franchise Tax for Corporations			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 6,347	\$ 4,650
Corporate Franchise Tax Refund Fund	0380	127	93
Total		\$ 6,474	\$ 4,743
Total Tax Impact per Revenue Source		\$ 6,474	\$ 4,743
Total Tax Impact, Secretary of State		\$ 22,389	\$ 17,973

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Natural Resources

	FY 04	FY 05
Revenue Source and Annual Receipts: Fishing Licenses	\$ 8,553	\$ 7,053
Expenditure: Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount		
Fund Name and Code:	FY 04	FY 05
Wildlife and Fish Fund 0041	\$ 13,008	\$ 13,008
Total	\$ 13,008	\$ 13,008
Total Tax Impact per Revenue Source	\$ 13,008	\$ 13,008
Total Tax Impact, Natural Resources	\$ 13,008	\$ 13,008

Financial and Professional Regulation

	FY 04	FY 05
Revenue Source and Annual Receipts: Insurance Privilege Tax	\$ 184,406	\$ 170,722
Expenditure: Fire Department Tax Credit		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 11,106	\$ 11,816
Total	\$ 11,106	\$ 11,816
Expenditure: Replacement Income Tax Credit		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 2,378	\$ 1,148
Total	\$ 2,378	\$ 1,148
Total Tax Impact per Revenue Source	\$ 13,484	\$ 12,964
Expenditure: Fire Department Tax Credit		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 10,803	\$ 12,145
Total	\$ 10,803	\$ 12,145
Expenditure: Replacement Income Tax Credit		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 17,378	\$ 25,024
Total	\$ 17,378	\$ 25,024
Total Tax Impact per Revenue Source	\$ 28,181	\$ 37,169
Expenditure: Replacement Income Tax Credit		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 17,378	\$ 25,024
Total	\$ 17,378	\$ 25,024
Total Tax Impact per Revenue Source	\$ 28,181	\$ 37,169
Expenditure: Premises with Indoor Capacity of More Than 17,000 Exemption		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 101	\$ 101
Total	\$ 101	\$ 101
Total Tax Impact per Revenue Source	\$ 101	\$ 101
Total Tax Impact, Financial and Professional Regulation	\$ 41,766	\$ 50,234

**DETAIL OF TAX EXPENDITURES BY AGENCY,
REVENUE SOURCE AND FUND
(IN THOUSANDS)**

Public Aid

	FY 04	FY 05
Revenue Source and Annual Receipts: Hospital Provider Assessment	\$ 0	\$ 637,040
Expenditure: Hospital Provider Exemption		
Fund Name and Code:	FY 04	FY 05
Hospital Provider Fund 0346	\$ 0	\$ 131,000
Total	\$ 0	\$ 131,000
Total Tax Impact per Revenue Source	\$ 0	\$ 131,000
Total Tax Impact, Public Aid	\$ 0	\$ 131,000

Public Health

	FY 04	FY 05
Revenue Source and Annual Receipts: Health Care Fac. Permit Application Fee	\$ 1,778	\$ 2,277
Expenditure: Natural Disaster and Other Emergency Waiver		
Fund Name and Code:	FY 04	FY 05
Illinois Health Facilities Planning Fund 0238	\$ 0	\$ 30
Total	\$ 0	\$ 30
Total Tax Impact per Revenue Source	\$ 0	\$ 30

Revenue Source and Annual Receipts: Vital Records Fees	\$ 1,598	\$ 3,429
Expenditure: Groups Chartered by U.S. Congress Exemption		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 2	\$ 2
Total	\$ 2	\$ 2

Expenditure: U.S. Veterans Administration Exemption		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 2	\$ 2
Total	\$ 2	\$ 2
Total Tax Impact per Revenue Source	\$ 4	\$ 4

	FY 04	FY 05
Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee	\$ 8,790	\$ 8,317
Expenditure: State Agency Lab Exemption		
Fund Name and Code:	FY 04	FY 05
Metabolic Screening and Treatment Fund 0920	\$ 125	\$ 118
Total	\$ 125	\$ 118
Total Tax Impact per Revenue Source	\$ 125	\$ 118

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Continued)

		FY 04	FY 05
Revenue Source and Annual Receipts: Private Sewage Fee		\$ 132	\$ 134
Expenditure: Plumbing License Exemption			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 21	\$ 21
Total		\$ 21	\$ 21
Total Tax Impact per Revenue Source		\$ 21	\$ 21
		FY 04	FY 05
Revenue Source and Annual Receipts: Pesticide Control Fee		\$ 138	\$ 138
Expenditure: State Agency Employee Exemption			
Fund Name and Code:		FY 04	FY 05
Pesticide Control Fund	0576	\$ 2	\$ 2
Total		\$ 2	\$ 2
Total Tax Impact per Revenue Source		\$ 2	\$ 2
		FY 04	FY 05
Revenue Source and Annual Receipts: Recreational Area Fee		\$ 34	\$ 32
Expenditure: Not-for-Profit and Governmental Agency Construction Application Fee Waiver			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1	\$ 1
Total		\$ 1	\$ 1
Expenditure: Not-for-Profit Organization and Governmental Agency License Renewal Fee Waiver			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 36	\$ 38
Total		\$ 36	\$ 38
Expenditure: Not-for-Profit Organization and Governmental Agency Original License Application Fee Waiver			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1	\$ 1
Total		\$ 1	\$ 1
Total Tax Impact per Revenue Source		\$ 38	\$ 40
		FY 04	FY 05
Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee		\$ 133	\$ 121
Expenditure: Not-for-Profit and Governmental Facility Construction Application Fee Waiver			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 2	\$ 2
Total		\$ 2	\$ 2

**DETAIL OF TAX EXPENDITURES BY AGENCY,
REVENUE SOURCE AND FUND
(IN THOUSANDS)**

Public Health (Continued)

Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee (Concluded)

Expenditure: Not-for-Profit and Governmental Facility License Renewal Fee Waiver

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 93	\$ 95
Total		\$ 93	\$ 95

Expenditure: Not-for-Profit Organization and Governmental Facility License Original License Fee Waiver

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 2	\$ 2
Total		\$ 2	\$ 2

Total Tax Impact per Revenue Source \$ 97 \$ 99

	FY 04	FY 05
Revenue Source and Annual Receipts: Long Term Care Facility Fee	\$ 595	\$ 882

Expenditure: Facility Fee Exemption

Fund Name and Code:		FY 04	FY 05
Long Term Care Monitor/Receiver Fund	0285	\$ 0	\$ 451
Total		\$ 0	\$ 451

Total Tax Impact per Revenue Source \$ 0 \$ 451

	FY 04	FY 05
Revenue Source and Annual Receipts: Childhood Lead Screening Fee	\$ 1,856	\$ 1,225

Expenditure: Low Income Family Waiver

Fund Name and Code:		FY 04	FY 05
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	\$ 602	\$ 489
Total		\$ 602	\$ 489

Total Tax Impact per Revenue Source \$ 602 \$ 489

	FY 04	FY 05
Revenue Source and Annual Receipts: Automated Lab Tests - HIV (ELISA) and STD Test	\$ 48	\$ 59

Expenditure: Department Funded HIV Counseling and Testing site and HIV Seroprevalence Exemption

Fund Name and Code:		FY 04	FY 05
Public Health Services Revolving Fund	0340	\$ 365	\$ 446
Total		\$ 365	\$ 446

Expenditure: Population With High Incidence of Sexually Transmitted Diseases Exemption

Fund Name and Code:		FY 04	FY 05
Public Health Services Revolving Fund	0340	\$ 3,159	\$ 2,893
Total		\$ 3,159	\$ 2,893

Total Tax Impact per Revenue Source \$ 3,524 \$ 3,339

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Continued)

		FY 04	FY 05
Revenue Source and Annual Receipts: Youth Camp License Application Fee		\$ 3	\$ 3
Expenditure: Governmental Agency Waiver			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1	\$ 1
Total		\$ 1	\$ 1
Total Tax Impact per Revenue Source		\$ 1	\$ 1
		FY 04	FY 05
Revenue Source and Annual Receipts: Water Pump Contractor Fee		\$ 20	\$ 65
Expenditure: Licensed Plumber Exemption			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 14	\$ 13
Total		\$ 14	\$ 13
Total Tax Impact per Revenue Source		\$ 14	\$ 13
		FY 04	FY 05
Revenue Source and Annual Receipts: Environmental Lead License Application Fee		\$ 279	\$ 266
Expenditure: Department of Public Health and Delegate Agency Employee Waiver			
Fund Name and Code:		FY 04	FY 05
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	\$ 10	\$ 10
Total		\$ 10	\$ 10
Total Tax Impact per Revenue Source		\$ 10	\$ 10
		FY 04	FY 05
Revenue Source and Annual Receipts: Salvage Warehouse and Salvage Warehouse Store Act		\$ 12	\$ 15
Expenditure: Not-for-Profit Organization Waiver			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 2	\$ 2
Total		\$ 2	\$ 2
Total Tax Impact per Revenue Source		\$ 2	\$ 2
		FY 04	FY 05
Revenue Source and Annual Receipts: Asbestos Abatement License Fee		\$ 547	\$ 535
Expenditure: Governmental Employee Waiver			
Fund Name and Code:		FY 04	FY 05
Illinois School Asbestos Abatement Fund	0175	\$ 3	\$ 3
Total		\$ 3	\$ 3
Total Tax Impact per Revenue Source		\$ 3	\$ 3

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Concluded)

	FY 04	FY 05
Revenue Source and Annual Receipts: Plan Review Fee - LTC Facilities	\$ 298	\$ 361
Expenditure: Projects Costing Less than \$100,000 Waiver		
Fund Name and Code:	FY 04	FY 05
Health Facility Plan Review Fund 0524	\$ 132	\$ 124
Total	\$ 132	\$ 124
Total Tax Impact per Revenue Source	\$ 132	\$ 124
Total Tax Impact, Public Health	\$ 4,575	\$ 4,746

Revenue

	FY 04	FY 05
Revenue Source and Annual Receipts: Sales and Use Tax	\$ 6,693,013	\$ 6,974,245
Expenditure: Building Materials within Enterprise Zone Exemption		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 3,132	\$ 3,187
General Revenue - Common School Special Account Fund 0005	1,044	1,062
Total	\$ 4,176	\$ 4,249
Expenditure: Commercial Distribution Fee (CDF) Exemption		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 28,301	\$ 25,865
General Revenue - Common School Special Account Fund 0005	9,433	8,622
Total	\$ 37,734	\$ 34,487
Expenditure: Designated Tangible Personal Property within Enterprise Zone Exemption ¹		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 20,009	\$ 19,008
General Revenue - Common School Special Account Fund 0005	6,669	6,336
Total	\$ 26,678	\$ 25,344
Expenditure: Farm Chemicals (Includes Feed and Seed) Exemption ²		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 156,596	\$ 159,354
General Revenue - Common School Special Account Fund 0005	52,199	53,118
Total	\$ 208,795	\$ 212,472
Expenditure: Farm Machinery and Equipment Exemption		
Fund Name and Code:	FY 04	FY 05
General Revenue Fund 0001	\$ 35,234	\$ 35,854
General Revenue - Common School Special Account Fund 0005	11,745	11,952
Total	\$ 46,979	\$ 47,806

¹ Tangible personal property used or consumed within an enterprise zone, including any High Impact Business, in the process of manufacturing or assembling or by producers of graphic arts. Includes sales or purchases of building material or machinery and equipment to or by a High Impact Business.

² Includes race horses, semen for the artificial insemination of livestock, and birds at game birding and hunting preserves.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Sales and Use Tax (Continued)

Expenditure: Food, Drugs, and Medical Appliances Rate Reduction

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 916,875	\$ 975,213
General Revenue - Common School Special Account Fund	0005	305,625	325,071
Total		\$ 1,222,500	\$ 1,300,284

Expenditure: Gasohol Discount

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 46,904	\$ 58,244
General Revenue - Common School Special Account Fund	0005	15,635	19,414
Total		\$ 62,539	\$ 77,658

Expenditure: Interim Use Prior to Sale Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 5,264	\$ 5,214
General Revenue - Common School Special Account Fund	0005	1,754	1,738
Total		\$ 7,018	\$ 6,952

Expenditure: Legal Tender, Medallions, and Bullion Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1,253	\$ 1,275
General Revenue - Common School Special Account Fund	0005	417	425
Total		\$ 1,670	\$ 1,700

Expenditure: Manufacturer's Purchase Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 16,151	\$ 18,715
General Revenue - Common School Special Account Fund	0005	5,383	6,283
Total		\$ 21,534	\$ 24,998

Expenditure: Manufacturing and Assembling Machinery and Equipment Exemption ³

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 121,362	\$ 123,499
General Revenue - Common School Special Account Fund	0005	40,454	41,167
Total		\$ 161,816	\$ 164,666

Expenditure: Newsprint and Ink to Newspapers and Magazines Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 30,660	\$ 31,200
General Revenue - Common School Special Account Fund	0005	10,220	10,400
Total		\$ 40,880	\$ 41,600

³ Includes the Photo Processing Machinery and Equipment exemption.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Sales and Use Tax (Concluded)

Expenditure: Property Acquired by Non-Resident before Relocating in Illinois Exemption⁴

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 5,761	\$ 6,050
General Revenue - Common School Special Account Fund	0005	1,920	2,016
Total		\$ 7,681	\$ 8,066

Expenditure: Retailer's Discount

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 85,022	\$ 89,003
General Revenue - Common School Special Account Fund	0005	28,341	29,668
Total		\$ 113,363	\$ 118,671

Expenditure: Rolling Stock Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 31,669	\$ 37,486
General Revenue - Common School Special Account Fund	0005	10,556	12,495
Total		\$ 42,225	\$ 49,981

Expenditure: Sales of Motor Vehicles to Non-Residents Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 52,856	\$ 51,659
General Revenue - Common School Special Account Fund	0005	17,618	17,220
Total		\$ 70,474	\$ 68,879

Expenditure: Sales of Vehicles to Automobile Rentors Exemption⁵

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 21,776	\$ 32,447
General Revenue - Common School Special Account Fund	0005	7,258	10,816
Total		\$ 29,034	\$ 43,263

Expenditure: Sales to Exempt Organizations⁶

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 697,767	\$ 725,527
General Revenue - Common School Special Account Fund	0005	232,589	241,853
Total		\$ 930,356	\$ 967,380

Expenditure: Traded-In Property Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 257,462	\$ 349,775
General Revenue - Common School Special Account Fund	0005	85,821	116,591
Total		\$ 343,283	\$ 466,366

Total Tax Impact per Revenue Source	\$ 3,378,735	\$ 3,664,822
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⁴ Applies to property acquired outside Illinois by a non-resident and brought to Illinois after being used at least 3 months outside of Illinois. Tax expenditure estimate only applies to motor vehicles.

⁵ Tax Expenditure is net of Automobile Rental Tax receipts.

⁶ Sales to government bodies, organizations operated exclusively for charitable, religious, or educational purposes, not-for-profit organizations for the recreation of persons 55 or older, county fair associations, teacher sponsored student organizations, not-for-profit artistic organizations, meals for the Nutrition Programs for the Elderly, nursing home food and drugs, and certain licensed day care centers.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

		FY 04	FY 05
Revenue Source and Annual Receipts: Individual Income Tax ⁷		\$ 8,236,113	\$ 8,872,485
Expenditure: Additional Exemptions: Blind and Elderly			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 25,569	\$ 26,226
Education Assistance Fund	0007	2,013	2,065
Income Tax Refund Fund	0278	3,655	3,143
Total		\$ 31,237	\$ 31,434
Expenditure: Earned Income Tax Credit			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 53,816	\$ 59,174
Education Assistance Fund	0007	4,238	4,660
Income Tax Refund Fund	0278	7,692	7,093
Total		\$ 65,746	\$ 70,927
Expenditure: Education Expense Credit			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 54,957	\$ 56,653
Education Assistance Fund	0007	4,328	4,461
Income Tax Refund Fund	0278	7,855	6,790
Total		\$ 67,140	\$ 67,904
Expenditure: Federally Taxed Retirement and Social Security Subtractions			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 620,175	\$ 691,022
Education Assistance Fund	0007	48,838	54,417
Income Tax Refund Fund	0278	88,646	82,826
Total		\$ 757,659	\$ 828,265
Expenditure: Income Tax Credits ⁸			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 3,460	\$ 7,246
Education Assistance Fund	0007	272	571
Income Tax Refund Fund	0278	494	869
Total		\$ 4,226	\$ 8,686
Expenditure: Military Pay Subtraction			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 18,628	\$ 19,054
Education Assistance Fund	0007	1,467	1,500
Income Tax Refund Fund	0278	2,662	2,284
Total		\$ 22,757	\$ 22,838

⁷ Derived from 2004 tax year returns.

⁸ Enterprise zone, high impact business investment, jobs and training, research and development, dependent care, EDGE, affordable housing, transportation employee, and environmental remediation credits.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Individual Income Tax (Concluded)

Expenditure: Other Subtractions ⁹

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 45,023	\$ 56,005
Education Assistance Fund	0007	3,546	4,410
Income Tax Refund Fund	0278	6,435	6,713
Total		\$ 55,004	\$ 67,128

Expenditure: Standard Exemption: Taxpayers and Dependents

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 565,085	\$ 580,402
Education Assistance Fund	0007	44,500	45,706
Income Tax Refund Fund	0278	80,772	69,568
Total		\$ 690,357	\$ 695,676

Expenditure: Tax Credit for Residential Real Property Taxes

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 314,005	\$ 345,071
Education Assistance Fund	0007	24,727	27,174
Income Tax Refund Fund	0278	44,883	41,360
Total		\$ 383,615	\$ 413,605

Total Tax Impact per Revenue Source	\$ 2,077,741	\$ 2,206,463
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	FY 04	FY 05
Revenue Source and Annual Receipts: Corporate Income Tax ¹⁰	\$ 1,426,026	\$ 1,548,141

Expenditure: Affordable Housing Donations

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 171	\$ 190
Education Assistance Fund	0007	13	15
Income Tax Refund Fund	0278	86	64
Total		\$ 270	\$ 269

Expenditure: Coal Research and Coal Utilization Investment Credits ¹¹

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 2,364	\$ 0
Education Assistance Fund	0007	186	0
Income Tax Refund Fund	0278	1,200	0
Total		\$ 3,750	\$ 0

Expenditure: Dependent Care Assistance Credit ¹¹

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 32	\$ 0
Education Assistance Fund	0007	2	0
Income Tax Refund Fund	0278	16	0
Total		\$ 50	\$ 0

⁹ Includes subtractions for a variety of items, many of which (enterprise zone and foreign trade zone dividends, interest expenses, job training contributions, acceleration of life insurance benefits for a terminal illness, Persian Gulf War bonuses, medical care savings accounts, college savings accounts, self-employed health insurance, Roth IRA conversions, compensation of Nazi victims, and nonsalary ride sharing compensation) are tax expenditures.

¹⁰ Derived from 2003 tax year returns.

¹¹ Costs for this tax expenditure were not tabulated for this report.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Corporate Income Tax (Continued)

Expenditure: Economic Development for a Growing Economy Tax Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 3,278	\$ 6,398
Education Assistance Fund	0007	258	504
Income Tax Refund Fund	0278	1,664	2,180
Total		\$ 5,200	\$ 9,082

Expenditure: Employee Child Care Tax Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 227	\$ 109
Education Assistance Fund	0007	18	8
Income Tax Refund Fund	0278	115	37
Total		\$ 360	\$ 154

Expenditure: Enterprise Zone Dividend, Interest, and Charitable Contribution Subtractions ¹²

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 2,124	\$ 1,734
Education Assistance Fund	0007	167	136
Income Tax Refund Fund	0278	1,078	590
Total		\$ 3,369	\$ 2,460

Expenditure: Enterprise Zone Investment Credit ¹¹

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 4,110	\$ 0
Education Assistance Fund	0007	324	0
Income Tax Refund Fund	0278	2,086	0
Total		\$ 6,520	\$ 0

Expenditure: Foreign Insurer Rate Reduction

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 7,599	\$ 12,035
Education Assistance Fund	0007	598	948
Income Tax Refund Fund	0278	3,858	4,100
Total		\$ 12,055	\$ 17,083

¹² Enterprise Zone and High Economic Impact Business tax expenditure reporting was restructured for fiscal year 2005. Cost figures were combined for enterprise zone subtractions and separated for high economic impact business tax expenditures.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Corporate Income Tax (Continued)

Expenditure: High Economic Impact Business Interest Subtraction ¹³

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 0	\$ 93
Education Assistance Fund	0007	0	7
Income Tax Refund Fund	0278	0	31
Total		\$ 0	\$ 131

Expenditure: High Economic Impact Business Investment Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 971	\$ 1,100
Education Assistance Fund	0007	76	87
Income Tax Refund Fund	0278	493	375
Total		\$ 1,540	\$ 1,562

Expenditure: High Economic Impact Business Dividend Subtraction ¹³

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 0	\$ 4,483
Education Assistance Fund	0007	0	353
Income Tax Refund Fund	0278	0	1,527
Total		\$ 0	\$ 6,363

Expenditure: Illinois Net Operating Loss Deduction

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 102,710	\$ 114,967
Education Assistance Fund	0007	8,088	9,054
Income Tax Refund Fund	0278	52,140	39,165
Total		\$ 162,938	\$ 163,186

Expenditure: Job Training Contribution Subtraction

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 263	\$ 110
Education Assistance Fund	0007	21	9
Income Tax Refund Fund	0278	133	38
Total		\$ 417	\$ 157

Expenditure: Jobs Tax Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 4	\$ 5
Education Assistance Fund	0007	0	0
Income Tax Refund Fund	0278	2	1
Total		\$ 6	\$ 6

Expenditure: Life and Health Insurance Guarantee Association Tax Offset

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 2,294	\$ 0
Education Assistance Fund	0007	181	0
Income Tax Refund Fund	0278	1,165	0
Total		\$ 3,640	\$ 0

¹³ Combined with similar Enterprise Zone subtractions in fiscal year 2004.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Corporate Income Tax (Concluded)

Expenditure: Replacement Taxes Paid Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 4,028	\$ 0
Education Assistance Fund	0007	317	0
Income Tax Refund Fund	0278	2,044	0
Total		\$ 6,389	\$ 0

Expenditure: Research and Development Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 5,156	\$ 0
Education Assistance Fund	0007	406	0
Income Tax Refund Fund	0278	2,618	0
Total		\$ 8,180	\$ 0

Expenditure: Standard Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 3,165	\$ 0
Education Assistance Fund	0007	249	0
Income Tax Refund Fund	0278	1,607	0
Total		\$ 5,021	\$ 0

Expenditure: Training Expense Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 8,938	\$ 0
Education Assistance Fund	0007	704	0
Income Tax Refund Fund	0278	4,538	0
Total		\$ 14,180	\$ 0

Total Tax Impact per Revenue Source	\$ 233,885	\$ 200,453
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	FY 04	FY 05
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Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax	\$ 28,519	\$ 28,051
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Expenditure: Claims for Loss or Damage Deduction

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1,234	\$ 1,270
Total		\$ 1,234	\$ 1,270

Expenditure: Exempt Organization Rentals ¹⁴

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1,183	\$ 1,217
Total		\$ 1,183	\$ 1,217

Expenditure: Insurance Coverage Deduction

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 895	\$ 921
Total		\$ 895	\$ 921

¹⁴ Includes government, charitable, religious, and not-for-profit senior citizen entities.

**DETAIL OF TAX EXPENDITURES BY AGENCY,
REVENUE SOURCE AND FUND
(IN THOUSANDS)**

Revenue (Continued)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax (Concluded)

Expenditure: Other/Miscellaneous Deductions

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 69	\$ 71
Total		\$ 69	\$ 71

Expenditure: Refueling Deduction

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 351	\$ 361
Total		\$ 351	\$ 361

Expenditure: Timely Filing and Full Payment Discount

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 569	\$ 498
Total		\$ 569	\$ 498

Total Tax Impact per Revenue Source	\$ 4,301	\$ 4,338
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	FY 04	FY 05
Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes	\$ 741,793	\$ 638,018

Expenditure: Cost of Collection Discount

Fund Name and Code:		FY 04	FY 05
Long Term Care Provider Fund	0345	\$ 10,155	\$ 9,944
Total		\$ 10,155	\$ 9,944

Total Tax Impact per Revenue Source	\$ 10,155	\$ 9,944
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	FY 04	FY 05
Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax	\$ 156,053	\$ 160,995

Expenditure: Cost of Collection Discount

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1,704	\$ 1,841
International Tourism Fund	0621	204	221
Build Illinois Fund	0960	2,272	2,455
Local Tourism Fund	0969	363	393
Total		\$ 4,543	\$ 4,910

Expenditure: Permanent Residents Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 3,016	\$ 3,232
International Tourism Fund	0621	362	388
Build Illinois Fund	0960	4,023	4,309
Local Tourism Fund	0969	644	689
Total		\$ 8,045	\$ 8,618

Total Tax Impact per Revenue Source	\$ 12,588	\$ 13,528
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DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Motor Fuel Taxes (Concluded)

Expenditure: Municipal Corporation or Private Utility Local Transportation System Exemption

Fund Name and Code:		FY 04	FY 05
Motor Fuel Tax - State Fund	0012	\$ 6,455	\$ 6,787
Total		\$ 6,455	\$ 6,787

Expenditure: Sales for Use Other Than in Motor Vehicles Exemption

Fund Name and Code:		FY 04	FY 05
Motor Fuel Tax - State Fund	0012	\$ 117,220	\$ 116,891
Total		\$ 117,220	\$ 116,891

Expenditure: Timely Filing and Full Payment Discount

Fund Name and Code:		FY 04	FY 05
Motor Fuel Tax - State Fund	0012	\$ 21,545	\$ 20,971
Total		\$ 21,545	\$ 20,971

Total Tax Impact per Revenue Source	\$	145,261	\$ 144,692
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	FY 04	FY 05
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Revenue Source and Annual Receipts: Electricity Excise Tax	\$	355,153	\$ 361,281
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Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 33,829	\$ 35,747
Public Utility Fund	0059	1,046	1,106
Total		\$ 34,875	\$ 36,853

Expenditure: Purchase of Electricity Generated by Solid Waste Energy Facility Credit

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 28,518	\$ 15,580
Public Utility Fund	0059	882	482
Total		\$ 29,400	\$ 16,062

Total Tax Impact per Revenue Source	\$	64,275	\$ 52,915
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	FY 04	FY 05
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Revenue Source and Annual Receipts: Gas Revenue Tax	\$	168,130	\$ 163,137
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Expenditure: Cost of Collection Discount (Gas Use Tax)

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 567	\$ 705
Total		\$ 567	\$ 705

Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1,748	\$ 1,700
Total		\$ 1,748	\$ 1,700

Expenditure: Purchase From Out-of-State Supplier Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1,251	\$ 0
Total		\$ 1,251	\$ 0

Total Tax Impact per Revenue Source	\$	3,566	\$ 2,405
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DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

		FY 04	FY 05
Revenue Source and Annual Receipts: Telecommunications Excise Tax	\$	662,510	\$ 628,649
Expenditure: Coin-Operated Telecommunications Devices Exemption			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 7	\$ 7
Common School Fund	0412	2	2
School Infrastructure Fund	0568	2	2
Total		\$ 11	\$ 11
Expenditure: Cost of Collection Discount			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 6,102	\$ 6,255
Common School Fund	0412	1,221	1,252
School Infrastructure Fund	0568	1,221	1,252
Total		\$ 8,544	\$ 8,759
Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 22	\$ 21
Common School Fund	0412	5	5
School Infrastructure Fund	0568	5	5
Total		\$ 32	\$ 31
Total Tax Impact per Revenue Source	\$	8,587	\$ 8,801
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		FY 04	FY 05
Revenue Source and Annual Receipts: Vehicle Use Tax	\$	40,282	\$ 37,139
Expenditure: Business Reorganization Preferential Tax Rate			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 68	\$ 72
Total		\$ 68	\$ 72
Expenditure: Commercial Distribution Fee Exemption			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 6,821	\$ 8,756
Total		\$ 6,821	\$ 8,756
Expenditure: Estate Gift to Beneficiary Preferential Tax Rate			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 141	\$ 131
Total		\$ 141	\$ 131
Expenditure: Family Member Preferential Tax Rate			
Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 4,359	\$ 4,143
Total		\$ 4,359	\$ 4,143

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Concluded)

Revenue Source and Annual Receipts: Vehicle Use Tax (Concluded)

Expenditure: Farm Implement Exemption - Ready Mix Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 1,054	\$ 1,135
Total		\$ 1,054	\$ 1,135

Expenditure: Government, Charitable, Educational, Religious Entities Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 3,282	\$ 2,762
Total		\$ 3,282	\$ 2,762

Expenditure: Out-of-State Resident Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 910	\$ 891
Total		\$ 910	\$ 891

Expenditure: Rolling Stock Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 3,343	\$ 2,683
Total		\$ 3,343	\$ 2,683

Expenditure: Surviving Spouse Exemption

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 128	\$ 131
Total		\$ 128	\$ 131

Total Tax Impact per Revenue Source	\$ 20,106	\$ 20,704
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	FY 04	FY 05
Revenue Source and Annual Receipts: Admission Tax	\$ 123	\$ 108

Expenditure: Free General Admission

Fund Name and Code:		FY 04	FY 05
General Revenue Fund	0001	\$ 258	\$ 274
Total		\$ 258	\$ 274

Total Tax Impact per Revenue Source	\$ 258	\$ 274
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Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax	\$ 12,021	\$ 11,632
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Expenditure: Real Estate Tax Credit

Fund Name and Code:		FY 04	FY 05
Horse Racing Fund	0632	\$ 3,853	\$ 3,940
Total		\$ 3,853	\$ 3,940

Total Tax Impact per Revenue Source	\$ 3,853	\$ 3,940
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Total Tax Impact, Revenue	\$ 5,983,847	\$ 6,352,901
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DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Commerce Commission

	FY 04	FY 05
Revenue Source and Annual Receipts: Gross Receipts Tax (Public Utility Fund)	\$ 8,439	\$ 9,288
Expenditure: Enterprise Zone Revenue Exemption		
Fund Name and Code:	FY 04	FY 05
Public Utility Fund	0059 \$ 26	\$ 13
Total	\$ 26	\$ 13
Total Tax Impact per Revenue Source	\$ 26	\$ 13
Total Tax Impact, Commerce Commission	\$ 26	\$ 13

Environmental Protection Agency

	FY 04	FY 05
Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee	\$ 1,496	\$ 1,500
Expenditure: State and Local Government Exemption		
Fund Name and Code:	FY 04	FY 05
Environmental Protection Permit and Inspection Fund	0944 \$ 750	\$ 750
Total	\$ 750	\$ 750
Total Tax Impact per Revenue Source	\$ 750	\$ 750

	FY 04	FY 05
Revenue Source and Annual Receipts: Water Main Construction Permit Application Fee	\$ 940	\$ 900
Expenditure: State and Local Government Exemption		
Fund Name and Code:	FY 04	FY 05
Environmental Protection Permit and Inspection Fund	0944 \$ 450	\$ 450
Total	\$ 450	\$ 450
Total Tax Impact per Revenue Source	\$ 450	\$ 450

	FY 04	FY 05
Revenue Source and Annual Receipts: NPDES Permit Discharge Fee	\$ 14,478	\$ 20,000
Expenditure: State Government and School District Exemption		
Fund Name and Code:	FY 04	FY 05
Illinois Clean Water Fund	731 \$ 500	\$ 500
Total	\$ 500	\$ 500
Total Tax Impact per Revenue Source	\$ 500	\$ 500
Total Tax Impact, Environmental Protection Agency	\$ 1,700	\$ 1,700

GRAND TOTAL, IMPACT	\$ 6,067,311	\$ 6,571,575
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TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Secretary of State

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Expenditure:

Congressional Medal of Honor Recipients Vehicles

Treasurer

Revenue Source and Annual Receipts: Estate and Generation Skipping Transfer Tax

Expenditure:

Exclusion Amount

Natural Resources

Revenue Source and Annual Receipts: Watercraft Registration Fee

Expenditure:

Canoe or Kayak Owned by Non-Profit Organization

Revenue Source and Annual Receipts: Camping and Beach Fees

Expenditure:

Disabled Persons, Former POWs, and Illinois Residents Over 62

Revenue Source and Annual Receipts: Inland Trout Stamp

Expenditure:

Disabled, Under 16

Revenue Source and Annual Receipts: Hunting Licenses and Permits

Expenditure:

Disabled, 65 or Over, Landowners/Tenants

Revenue Source and Annual Receipts: Sportsman License

Expenditure:

Disabled, 65 or Over, Landowners/Tenants

Revenue Source and Annual Receipts: Trapping License

Expenditure:

Owners, Bona Fide Tenants and Their Children

Revenue Source and Annual Receipts: Salmon Stamp

Expenditure:

Disabled, Under 16

Revenue Source and Annual Receipts: Habitat Stamps

Expenditure:

Under 16

Revenue Source and Annual Receipts: Waterfowl Stamps

Expenditure:

Disabled, Landowners/Tenants

TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Public Aid

Revenue Source and Annual Receipts: Long Term Care Provider Assessment

Expenditure:

100% Contribution Homes Exemption

Public Health

Revenue Source and Annual Receipts: Plan Review Fee - Hosp. & Amb. Treatment Centers

Expenditure:

Projects Costing Less Than \$100,000 Waiver

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:

Demonstration Use Prior to Resale
Disaster Relief Donation and Infrastructure Repair Exemption
Fuel and Petroleum Products for International Flight Exemption
Graphic Arts Machinery and Equipment Exemption
Leased Property to Hospitals or Government Bodies
Low Sulfur Dioxide Emission Coal Fueled Device Exemption
Machinery/Equipment for Operation of High Economic Impact Service Facility
Occasional Sales
Photo Processing Machinery and Equipment Exemption
Property Used in the Operation of Pollution Control Facilities
Sales by Exempt Organizations ¹
Sales of Fuel to Vessels on Bordering Rivers
Sales of Machinery and Equipment in Operation of Aircraft Maintenance Facilities
Sales of Tangible Personal Property Used by Aircraft Maintenance Facilities
Sales Through Penny Bulk Vending Machines
Specified Photoprocessing Charges Exemption
Use by Nonresidents While Temporarily Passing Through Illinois

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:

Attorney-In-Fact Subtraction
Interest Expense Subtraction
Bonus Depreciation Adjustment
Transportation Employee Credit
Environmental Remediation Tax Credit
TECH-PREP Youth Vocational Program Credit

¹ Sales by a non-profit service enterprise operated exclusively for charitable, religious, or educational purposes are exempt when sales are 1) made to the organization's members, students, patients, or inmates when made primarily for the purpose of the organization; 2) noncompetitive with business establishments, and 3) occasional.

TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Revenue (Concluded)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Expenditure:

Loaner Vehicles on Warranty

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:

Prison and Mental Health Facility Exemption

Revenue Source and Annual Receipts: Electricity Excise Tax

Expenditure:

Sales to Municipal Transit Systems

Revenue Source and Annual Receipts: Gas Revenue Tax

Expenditure:

Gas Used in Production of Electric Energy
Gas Used in Production of Fertilizer
Gas Used in Liquefaction Process
Gas Used in Petroleum Refinery Operation

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:

State Universities Exemption

Revenue Source and Annual Receipts: Real Estate Transfer Tax

Expenditure:

Exempted Deeds or Trust Documents

Revenue Source and Annual Receipts: Riverboat Gambling Admission Tax

Expenditure:

Tax Free Admission Passes

Revenue Source and Annual Receipts: Aircraft/Watercraft Use Tax

Expenditure:

Watercraft Temporarily Used in Illinois Exemption
Surviving Spouse Exemption
Sales to Exempt Organizations
Rolling Stock Exemption

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Secretary of State

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Expenditure:	<u>Year Effective</u>
Drivers Education Vehicles	1957
Disabled Veteran Vehicle Registration Exemption	1970
Municipality Owned Passenger Vehicle Exemption	1970
Charitable Organization Vehicle Exemption	1976
Congressional Medal of Honor Winners Vehicles	1982
X-POW Vehicle Registration Exemption	1983
Senior Citizen Plate Renewal Reduction	1985
Sheriff Plates	1991

Revenue Source and Annual Receipts: Standard Identification Card Fee

Expenditure:	<u>Year Effective</u>
Duplicated/Corrected ID Senior Citizen/Handicapped	1978

Revenue Source and Annual Receipts: Duplicated/Corrected Driver's License

Expenditure:	<u>Year Effective</u>
Duplication of Stolen Licenses for Senior Citizens	1990

Revenue Source and Annual Receipts: Driver's License Four Year Renewal Fee

Expenditure:	<u>Year Effective</u>
Reduced Renewal Fee for Senior Citizens	1974

Revenue Source and Annual Receipts: Annual Reports of Corporations

Expenditure:	<u>Year Effective</u>
Two Million Dollar Cap on Franchise Tax for Corporations	1967

Treasurer

Revenue Source and Annual Receipts: Estate and Generation Skipping Tax

Expenditure:	<u>Year Effective</u>
Exclusion Amount	2003

Natural Resources

Revenue Source and Annual Receipts: Watercraft Registration Fee

Expenditure:	<u>Year Effective</u>
Canoe or Kayak Owned by Non-Profit Organization	1989

Revenue Source and Annual Receipts: Camping and Beach Fees

Expenditure:	<u>Year Effective</u>
Disabled Persons, Former POWs, and Illinois Residents Over 62	1975

Revenue Source and Annual Receipts: Inland Trout Stamp

Expenditure:	<u>Year Effective</u>
Disabled, Under 16	1994

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Natural Resources (Concluded)

Revenue Source and Annual Receipts: Hunting Licenses and Permits *

Expenditure:	Year Effective
Disabled, 65 or Over, Landowners/Tenants	1975

Revenue Source and Annual Receipts: Fishing Licenses

Expenditure:	Year Effective
Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount	1975

Revenue Source and Annual Receipts: Sportsman License

Expenditure:	Year Effective
Disabled, 65 or Over, Landowners/Tenants	1979

Revenue Source and Annual Receipts: Trapping License *

Expenditure:	Year Effective
Owners, Bona Fide Tenants and Their Children	Unknown

Revenue Source and Annual Receipts: Salmon Stamp

Expenditure:	Year Effective
Disabled, Under 16	1976

Revenue Source and Annual Receipts: Habitat Stamps

Expenditure:	Year Effective
Under 16	1993

Revenue Source and Annual Receipts: Waterfowl Stamps

Expenditure:	Year Effective
Disabled, Landowners/Tenants	1975

Financial and Professional Regulation

Revenue Source and Annual Receipts: Insurance Privilege Tax

Expenditure:	Year Effective
Fire Department Tax Credit	1937
Replacement Corporate Income Tax Credit	1980

Revenue Source and Annual Receipts: Retaliatory Tax

Expenditure:	Year Effective
Fire Department Tax Credit	1937
Replacement Income Tax Credit	1980

Revenue Source and Annual Receipts: Boxing/Wrestling Athletic Events Tax

Expenditure:	Year Effective
Premises with Indoor Capacity of More Than 17,000 Exemption	1995

* A statutory search found the first reference to a hunting license exemption for land owners in 1913 and the first reference to a trapping license exemption for owners and tenants in 1919.

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Public Aid

Revenue Source and Annual Receipts: Long Term Care Provider Assessment

Expenditure:	Year Effective
100% Contribution Homes Exemption	1994

Revenue Source and Annual Receipts: Hospital Provider Assessment

Expenditure:	Year Effective
Hospital Provider Exemption	2004

Public Health

Revenue Source and Annual Receipts: Health Care Facility Permit Application Fee

Expenditure:	Year Effective
Natural Disaster and Other Emergency Waiver	1975

Revenue Source and Annual Receipts: Vital Records Fees

Expenditure:	Year Effective
U.S. Veterans Administration Exemption	1935
Groups Chartered by U. S. Congress Exemption	2001

Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee

Expenditure:	Year Effective
State Agency Lab Exemption	1990

Revenue Source and Annual Receipts: Private Sewage Fee

Expenditure:	Year Effective
Plumbing License Exemption	1973

Revenue Source and Annual Receipts: Pesticide Control Fee

Expenditure:	Year Effective
State Agency Employee Exemption	1975

Revenue Source and Annual Receipts: Recreational Area Fee

Expenditure:	Year Effective
Not-for-Profit and Governmental Agency Original License Application Fee Waiver	1972
Not-for-Profit and Governmental Agency Construction Application Fee Waiver	1972
Not-for-Profit and Governmental Agency License Renewal Waiver	1972

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Public Health (Concluded)

Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee

Expenditure:	Year Effective
Not-for-Profit and Governmental Facility Original License Fee Waiver	1974
Not-for-Profit and Governmental Facility Construction Application Fee Waiver	1974
Not-for-Profit and Governmental Facility License Renewal Fee Waiver	1974

Revenue Source and Annual Receipts: Long Term Care Facility Fee

Expenditure:	Year Effective
Fac. Lic. for Intermediate Care for Developmentally Disabled &/or Skilled Under 22 Beds Only	2004

Revenue Source and Annual Receipts: Childhood Lead Screening Fee

Expenditure:	Year Effective
Low Income Family Waiver	1993

Revenue Source and Annual Receipts: HIV (ELISA) Test and STD Test

Expenditure:	Year Effective
Department Funded HIV Counseling and Testing Site and HIV Seroprevalence Exemption	1996
Population With High Incidence of Sexually Transmitted Diseases Exemption	1996

Revenue Source and Annual Receipts: Youth Camp License Application Fee

Expenditure:	Year Effective
Governmental Agency Exemption	1973

Revenue Source and Annual Receipts: Water Pump Contractor Fee

Expenditure:	Year Effective
Licensed Plumber Exemption	1999

Revenue Source and Annual Receipts: Environmental Lead License Application Fee

Expenditure:	Year Effective
Department of Public Health and Delegate Agency Employee Waiver	1993

Revenue Source and Annual Receipts: Salvage Warehouse and Salvage Warehouse Store Act

Expenditure:	Year Effective
Not-for-Profit Organization Waiver	1972

Revenue Source and Annual Receipts: Asbestos Abatement License Fee

Expenditure:	Year Effective
Governmental Employee Waiver	1984

Revenue Source and Annual Receipts: Plan Review Fee - Hosp. & Ambulatory Treatment Centers

Expenditure:	Year Effective
Projects Costing Less than \$100,000 Waiver	1998

Revenue Source and Annual Receipts: Plan Review Fee - LTC Facilities

Expenditure:	Year Effective
Projects Costing Less than \$100,000 Waiver	1998

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:	Year Effective
Feed and Seed Exemption	1933
Occasional Sales	1933
Charitable, Religious, Governmental, and Educational Exemption	1953
Demonstration Use Prior to Resale	1955
Interim Use Prior to Sale Exemption	1955
Property Acquired by Non-Resident before Relocating in Illinois Exemption	1955
Traded-In Property Exemption	1955
Use by Nonresidents While Temporarily Passing Through Illinois Exemption	1955
Retailer's Discount	1960
Sales by Exempt Organizations	1961
Newsprint and Ink to Newspapers and Magazines Exemption	1965
Sales of Fuel to Vessels on Bordering Rivers	1968
Rolling Stock Exemption	1968
Sales Through Penny Bulk Vending Machines	1972
Sales of Motor Vehicles to Non-Residents Exemption	1974
Farm Chemicals Exemption	1975
Nutrition Program for the Elderly Exemption	1975
Manufacturing and Assembling Machinery and Equipment Exemption	1979
Farm Machinery and Equipment Exemption	1980
Food, Drugs, and Medical Appliances Rate Reduction	1980
Gasohol Discount	1980
Low Sulfur Dioxide Emission Coal Fueled Device Exemption	1980
Graphic Arts Machinery and Equipment Exemption	1981
Building Materials within Enterprise Zone Exemption	1982
Teacher Sponsored Student Organization Exemption	1983
Sales to County Fair Association Exemption	1983
Property Used in the Operation of Pollution Control Facilities	1985
Designated Personal Property within Enterprise Zone Exemption	1985
Legal Tender, Medallions, and Bullion Exemption	1985
Building Materials to High Economic Impact Business Exemption	1986

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Sales and Use Tax (Concluded)

Expenditure:	Year Effective
Photo Processing Machinery and Equipment Exemption	1988
Sales of Vehicles to Automobile Rentors Exemption	1988
Sales to Not for Profit Music and Dramatic Arts Organization Exemption	1988
Senior Citizens Service Enterprises Exemption	1988
Specified Photoprocessing Charges Exemption	1988
Fuel and Petroleum Products for International Flight Exemption	1989
Machinery/Equipment for Operation of High Economic Impact Service Facility	1989
Nursing Homes Food Drugs and Medical Appliances Exemption	1991
Sales of Tangible Personal Property Used by Aircraft Maintenance Facilities	1991
Sales of Machinery and Equipment in Operation of Aircraft Maintenance Facilities	1991
Semen for Artificial Insemination of Livestock	1994
Manufacturer's Purchase Credit	1995
Race Horses	1995
Disaster Relief Donation and Infrastructure Repair Exemption	1996
Leased Property to Hospitals or Government Bodies	1996
Game or Game Birds sold at Hunting Area	2000
Commercial Distribution Fee (CDF) Exemption	2004

Revenue Source and Annual Receipts: Individual Income Tax

Expenditure:	Year Effective
Standard Exemption: Taxpayers and Dependents	1970
Military Pay Subtraction	1971
Federally Taxed Retirement	1972
Enterprise Zone Dividends Subtraction	1983
Enterprise Zone Investment Credit	1983
Interest Expense Subtraction	1984
Federally Taxed Social Security Subtraction	1985
Job Training Contribution Subtraction	1986
Jobs Tax Credit	1986
Foreign Trade Zone Dividends Subtraction	1986
High Impact Business Investment Credit	1986
Additional Exemptions: Blind and Elderly	1990
Research and Development Credit	1991
Acceleration of Life Insurance Benefits Subtraction	1992
Persian Gulf War Bonus Subtraction	1992
Tax Credit for Residential Real Property Taxes	1992
Dependent Care Assistance Credit	1995
Medical Care Savings Account Subtraction	1995
TECH-PREP Youth Vocational Program Credit	1995

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Individual Income Tax (Concluded)

Expenditure:	Year Effective
Self-Employed Health Insurance Subtraction	1996
IRA Converted to Roth IRA Subtraction	1999
Compensation of Nazi Victims	1999
Earned Income Tax Credit	2000
Education Expense Credit	2000
Economic Development for a Growing Economy Tax Credit	2000
Affordable Housing Donations	2001
Bonus Depreciation	2002
Capital Gain or Loss - Bonus Depreciation	2002
College Savings Pool Account	2002
Transportation Employee Credit	2003
Ride Sharing	2003
Film Production Services Credit	2005
80/20 Rules	2005

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:	Year Effective
Enterprise Zone Charitable Contribution Subtraction	1983
Enterprise Zone Dividends Subtraction	1983
Enterprise Zone Interest Subtraction	1983
Enterprise Zone Investment Credit	1983
Interest Expense Subtraction	1984
Coal Research and Coal Utilization Investment Credits	1985
High Economic Impact Business Dividend Subtraction	1986
High Economic Impact Business Interest Subtraction	1986
High Economic Impact Business Investment Credit	1986
Illinois Net Operating Loss Deduction	1986
Jobs Tax Credit	1986
Job Training Contribution Subtraction	1986
Research and Development Credit	1991
Dependent Care Assistance Credit	1995
TECH-PREP Youth Vocational Program Credit	1995
Environmental Remediation Tax Credit	1998
Attorney-In-Fact Subtraction	2000
Foreign Insurer Rate Reduction	2000
Economic Development for a Growing Economy Tax Credit	2000
Employee Child Care Tax Credit	2001
Affordable Housing Donations	2001
Bonus Depreciation	2002
Capital Gain or Loss - Bonus Depreciation	2002
Transportation Employee Credit	2003
Film Production Services Credit	2005

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Expenditure:	Year Effective
Claims for Loss or Damage Deduction	1982
Exempt Organization Rentals	1982
Insurance Coverage Deduction	1982
Other/Miscellaneous Deduction	1982
Refueling Deduction	1982
Timely Filing and Full Payment Discount	1982
Loaner Vehicles on Warranty	1999

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:	Year Effective
Cost of Collection Discount	1942
Prison and Mental Health Facility Exemption	1982

Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax

Expenditure:	Year Effective
Permanent Residents Exemption	1962
Cost of Collection Discount	1988

Revenue Source and Annual Receipts: Liquor Gallonage Tax

Expenditure:	Year Effective
Non-Beverage User Exemption	1935
Sacramental Wine Exemption	1935
Cost of Collection Discount	2003

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Expenditure:	Year Effective
Airport Exemption	1990
Liquefied Propane Gas Exemption	1990
Rail Carrier Exemption	1990
Timely Filing and Full Payment Discount	1990
Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers	1997

Revenue Source and Annual Receipts: Motor Fuel Taxes

Expenditure:	Year Effective
Timely Filing and Full Payment Discount	1930
Sales for Use Other Than in Motor Vehicles Exemption	1940
Aviation Purposes Exemption	1956
Municipal Corporation Owning Transportation System Exemption	1956
Privately Owned Transportation Utility Exemption	1962

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Electricity Excise Tax

Expenditure:	Year Effective
Sales to Municipal Transit Systems	1958
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	1987

Revenue Source and Annual Receipts: Gas Revenue Tax

Expenditure:	Year Effective
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
Gas Used in Liquefaction Process	2004
Gas Used in Petroleum Refinery Operation	2004
Gas Used in Production of Electric Energy	2004
Cost of Collection Discount (Gas Use Tax)	2004
Gas Used in Production of Fertilizer	2004

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:	Year Effective
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
State Universities Exemption	1986
Coin-Operated Telecommunications Devices Exemption	1990
Cost of Collection Discount	2004

Revenue Source and Annual Receipts: Vehicle Use Tax

Expenditure:	Year Effective
Out-of-State Resident Exemption	1980
Rolling Stock Exemption	1980
Government, Charitable, Educational, Religious Entities Exemption	1980
Farm Implement - Ready Mix Exemption	1980
Business Reorganization Preferential Tax Rate	1988
Estate Gift to Beneficiary Preferential Tax Rate	1988
Family Member Preferential Tax Rate	1988
Surviving Spouse Exemption	1990
Commercial Distribution Fee Exemption	2004

Revenue Source and Annual Receipts: Real Estate Transfer Tax

Expenditure:	Year Effective
Other Exempted Deeds or Trust Documents	1968
Mortgage Foreclosure Exemption	1986
Homeownership Made Easy Act	1990

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Concluded)

Revenue Source and Annual Receipts: Riverboat Gambling Admission Tax

Expenditure:	Year Effective
Tax Free Admission Passes	1991

Revenue Source and Annual Receipts: Racing Admission Tax

Expenditure:	Year Effective
Free General Admission	1975

Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax

Expenditure:	Year Effective
Real Estate Tax Credit	2000

Revenue Source and Annual Receipts: Aircraft/Watercraft Use Tax

Expenditure:	Year Effective
Surviving Spouse Exemption	2004
Rolling Stock Exemption	2004
Sales to Exempt Organizations	2004
Watercraft Temporarily Used in Illinois Exemption	2004

Commerce Commission

Revenue Source and Annual Receipts: Gross Receipts Tax (Public Utility Fund)

Expenditure:	Year Effective
Enterprise Zone Revenue Exemption	1988

Environmental Protection Agency

Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee

Expenditure:	Year Effective
State and Local Government Exemption	1991

Revenue Source and Annual Receipts: Water Main Construction Permit Application Fee

Expenditure:	Year Effective
State and Local Government Exemption	1990

Revenue Source and Annual Receipts: NPDES Permit Discharge Fee

Expenditure:	Year Effective
State Government and School District Exemption	2004

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Agricultural Expenditures		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Sales Tax		
Farm Chemicals (Includes Feed and Seed) Exemption	\$ 208,795	\$ 212,472
Gasohol Discount	62,539	77,658
Farm Machinery and Equipment Exemption	46,979	47,806
Total	\$ 318,313	\$ 337,936
Tax: Other		
Farm Implement - Ready Mix Exemption	\$ 1,054	\$ 1,135
Total	\$ 1,054	\$ 1,135
Total, Agricultural Expenditures	\$ 319,367	\$ 339,071

Environmental Expenditures		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Corporate Income Tax		
Coal Research and Coal Utilization Investment Credits ¹	\$ 3,750	\$ 0
Total	\$ 3,750	\$ 0
Tax: Other		
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	\$ 29,400	\$ 16,062
Total	\$ 29,400	\$ 16,062
Total, Environmental Expenditures	\$ 33,150	\$ 16,062

Business Expenditures		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Sales Tax		
Manufacturing and Assembling Machinery and Equipment Exemption	\$ 161,816	\$ 164,666
Retailer's Discount	113,363	118,671
Rolling Stock Exemption	42,225	49,981
Sales of Vehicles to Automobile Rentors Exemption	29,034	43,263
Newsprint and Ink to Newspapers and Magazines Exemption	40,880	41,600
Commercial Distribution Fee (CDF) Exemption	37,734	34,487
Designated Tangible Personal Property within Enterprise Zone Exemption	26,678	25,344
Manufacturer's Purchase Credit	21,534	24,998
Interim Use Prior to Sale Exemption	7,018	6,952
Building Materials within Enterprise Zone Exemption	4,176	4,249
Total	\$ 484,458	\$ 514,211
Tax: Individual Income Tax		
Income Tax Credits	\$ 4,226	\$ 8,686
Total	\$ 4,226	\$ 8,686

¹ Costs for this tax expenditure were not tabulated for this report.

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Business Expenditures (Concluded)		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Corporate Income Tax		
Illinois Net Operating Loss Deduction	\$ 162,938	\$ 163,186
Foreign Insurer Rate Reduction	12,055	17,083
Economic Development for a Growing Economy Tax Credit	5,200	9,082
High Economic Impact Business Dividend Subtraction ²	0	6,363
Enterprise Zone Dividend, Interest, and Charitable Contribution Subtractions ²	2,431	2,460
High Economic Impact Business Investment Credit	1,540	1,562
Job Training Contribution Subtraction	417	157
High Economic Impact Business Interest Subtraction ²	0	131
Jobs Tax Credit	6	6
Training Expense Credit	14,180	0
Research and Development Credit	8,180	0
Enterprise Zone Investment Credit ¹	6,520	0
Standard Exemption	5,021	0
Life and Health Insurance Guarantee Association Tax Offset	3,640	0
Total	\$ 222,128	\$ 200,030
Tax: Other ³		
Sales for Use Other Than in Motor Vehicles Exemption	\$ 117,220	\$ 116,891
Enterprise & Foreign Trade Zone High Economic Impact Business Exemption	34,875	36,853
Timely Filing and Full Payment Discount	21,545	20,971
Airport Exemption	13,965	12,612
Cost of Collection Discount - Cigarettes	10,155	9,944
Cost of Collection Discount - Telecommunications	8,544	8,759
Commercial Distribution Fee Exemption	6,821	8,756
Cost of Collection Discount - Hotel	4,543	4,910
Two Million Dollar Cap on Franchise Tax for Corporations	6,474	4,743
Real Estate Tax Credit	3,853	3,940
Rail Carrier Exemption	2,759	2,992
Enterprise & Foreign Trade Zone High Economic Impact Business Exemption	1,748	1,700
Timely Filing and Full Payment Discount	1,311	1,310
Cost of Collection Discount - Liquor	792	1,031
Cost of Collection Discount (Gas Use Tax)	567	705
Timely Filing and Full Payment Discount	569	498
Exemption for Vessels Conducting Interstate Commerce on Border Rivers	492	496
Business Reorganization Preferential Tax Rate	68	72
Aviation Purposes Exemption	41	43
Enterprise & Foreign Trade Zone High Economic Impact Business Exemption	32	31
Enterprise Zone Revenue Exemption	26	13
Total	\$ 236,400	\$ 237,270
Total, Business Expenditures	\$ 947,212	\$ 960,197

² Enterprise Zone and High Economic Impact Business tax expenditures were restructured for fiscal year 2005. Cost figures were combined for enterprise zone subtractions and separated for high economic impact business tax expenditures.

³ Refer to Appendix D for specific receipt sources for other tax expenditures.

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Individual Expenditures - Broad Based		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Sales Tax		
Food, Drugs, and Medical Appliances Rate Reduction	\$ 1,222,500	\$ 1,300,284
Total	\$ 1,222,500	\$ 1,300,284
Tax: Individual Income Tax		
Standard Exemption: Taxpayers and Dependents	\$ 690,357	\$ 695,676
Tax Credit for Residential Real Property Taxes	383,615	413,605
Earned Income Tax Credit	65,746	70,927
Education Expense Credit	67,140	67,904
Total	\$ 1,206,858	\$ 1,248,112
Total, Individual Expenditures - Broad Based	\$ 2,429,358	\$ 2,548,396
Individual Expenditures - Elderly and Disabled		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Individual Income Tax		
Federally Taxed Retirement and Social Security Subtractions	\$ 757,659	\$ 828,265
Additional Exemptions: Blind and Elderly	31,237	31,434
Total	\$ 788,896	\$ 859,699
Tax: Other		
Disabled, Under 16, 65 & Over, Fee Fishing Area, Owner/Tenant Discount	\$ 13,008	\$ 13,008
Senior Citizen Plate Renewal Reduction	8,949	8,364
Duplicated/Corrected ID Senior Citizen/Handicapped	352	1,043
Reduced Renewal Fee for Senior Citizens	1,110	973
Disabled Veteran Vehicle Registration Exemption	216	132
Duplication of Stolen Licenses for Senior Citizens	7	7
Total	\$ 23,642	\$ 23,527
Total, Individual Expenditures - Elderly and Disabled	\$ 812,538	\$ 883,226
Individual Expenditures - Other		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Individual Income Tax		
Military Pay Subtraction	\$ 22,757	\$ 22,838
Total	\$ 22,757	\$ 22,838
Tax: Other		
Pop. With High Incidence of Sexually Transmitted Diseases Exemption	\$ 3,159	\$ 2,893
Dept. Funded HIV Counseling/Testing Site and HIV Seroprevalence Exemption	365	446
X-POW Vehicle Registration Exemption	101	98
Total	\$ 3,625	\$ 3,437
Total, Individual Expenditures - Other	\$ 26,382	\$ 26,275

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Charitable Expenditures		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Sales Tax		
Sales to Exempt Organizations ⁴	\$ 930,356	\$ 967,380
Total	\$ 930,356	\$ 967,380
Tax: Corporate Income Tax		
Affordable Housing Donations	\$ 270	\$ 269
Employee Child Care Tax Credit	360	154
Dependent Care Assistance Credit ¹	50	0
Enterprise Zone Charitable Contribution Subtraction ²	938	0
Total	\$ 1,618	\$ 423
Tax: Other		
Government, Charitable, Educational, Religious Entities Exemption	\$ 3,282	\$ 2,762
Exempt Organization Rentals	1,183	1,217
Low Income Family Waiver	602	489
Charitable Organization Vehicle Exemption	1,966	204
Other	137	141
Total	\$ 7,170	\$ 4,813
Total, Charitable Expenditures	\$ 939,144	\$ 972,616

Other Expenditures		
	Fiscal Year 2004 Annual Impact	Fiscal Year 2005 Annual Impact
Tax: Sales Tax		
Traded-In Property Exemption	\$ 343,283	\$ 466,366
Sales of Motor Vehicles to Non-Residents Exemption	70,474	68,879
Property Acquired by Non-Resident before Relocating in Illinois Exemption	7,681	8,066
Legal Tender, Medallions, and Bullion Exemption	1,670	1,700
Total	\$ 423,108	\$ 545,011
Tax: Individual Income Tax		
Other Subtractions	\$ 55,004	\$ 67,128
Total	\$ 55,004	\$ 67,128
Tax: Corporate Income Tax		
Replacement Taxes Paid Credit	\$ 6,389	\$ 0
Total	\$ 6,389	\$ 0
Tax: Hospital Provider Assessment		
Hospital Provider Exemption	\$ 0	\$ 131,000
Total	\$ 0	\$ 131,000
Tax: Other		
Other	\$ 75,659	\$ 82,593
Total	\$ 75,659	\$ 82,593
Total, Other Expenditures	\$ 560,160	\$ 825,732

⁴ The Department of Revenue estimates that of the \$967 million in sales to exempt organizations, governments account for 69.6%, charities 14.3%, religious 14.3%, and private education 1.8%.

Tax Expenditures Included in This Report

The Comptroller's Office has decided to limit required agency reporting to those tax expenditures that are:

- 1) state levied taxes accruing to the state (this excludes tax expenditures related to locally levied taxes that are collected by the state and tax expenditures for state levied taxes like the personal property replacement taxes and local share of the state sales taxes that are automatically distributed to local governments);
- 2) authorized directly by state law (tax expenditures arising from the adoption of federal income tax provisions as the starting point for state income tax computations need not be reported); and
- 3) in excess of \$1 million in fiscal year 2005 or fiscal year 2006 (however some agencies did report smaller tax expenditures and the receipting agencies were asked to list any tax expenditures for which detailed cost estimates were not provided either because the tax expenditures were less than \$1 million or were not calculable).

Limitations on Using Tax Expenditure Data

Unlike much of the other data released by the Comptroller's Office, the costs of many of the reported tax expenditures are estimates whose accuracy may be affected by the limitations of the data used to construct each estimate. Measurement of a tax expenditure may require assumptions about the tax base that are subjective and might differ if made by another analyst.

The revenue gained from eliminating a tax expenditure can vary from the figures presented in this report as elimination of a tax expenditure may lead taxpayers to change their behavior. For example, the cost savings from a sales tax exemption might be the attraction that causes some shoppers to purchase an item. If the exemption were eliminated, these shoppers might forego purchase of the item, leaving the state with smaller new revenues than would be computed by adding the revenue losses from purchases with the

exemption in place. Further, adding the impacts of the various tax expenditures may overstate the total cost of the tax expenditures, as some transactions may be exempt under multiple tax expenditures.

Transactions that are not taxed because they fall outside of the Illinois tax base are not tax expenditures. For example, the Illinois sales tax is a tax on the transfer of tangible personal property for final use. In most cases, services are only taxed to the extent tangible personal property is transferred as part of the service agreement. Thus a purchase of auto repair services is only taxed on the parts used in the repairs. Not fully taxing service purchases is not a tax expenditure as services lie outside the state tax base.

State Versus Federal Law

In some cases, federal tax law serves as the basis for starting state tax computations. For example, computation of the Illinois personal income tax begins with adjusted gross income (AGI) as determined on federal tax returns. Thus some federal tax expenditures are implicitly extended to Illinois personal income taxpayers.

For this report, such indirect tax expenditures are not considered to be authorized by state law. The Illinois statutes may set AGI as the starting point for Illinois personal income tax computations, but the actual authorization of the tax expenditure is determined by federal law and can be modified by amendment of the federal law. The portion of the tax expenditure statute asking for the "citation of the legal authority for the tax expenditure, the year it was enacted, and the fiscal year in which it first took effect" is interpreted to apply only to state statutes.

However, the state can require specific federal tax expenditures to be added back to the state tax base. An example is the municipal bond interest deductions which are added back to taxable income when computing the Illinois personal income tax base.

Tax expenditures based on the federal Constitution are also excluded from this report. An example would be items exempt from state taxation due to the Commerce Clause of the federal Constitution.

Overlapping Taxes

In some cases transactions or income are exempted from one state tax because they are subject to another state tax. For example, transactions subject to the state sales tax are exempt from the state use tax. Exemptions included in the statutes to prevent double taxation are not considered tax expenditures for purposes of this report. Similarly, credits for taxes paid to other states prevent double taxation and are not tax expenditures.

For More Detailed Information

Agency Tax Expenditure Report submissions are available on the State Comptroller's website: To access the detailed submissions:

Go to the Comptroller's website:

<http://www.ioc.state.il.us/>

- Move the mouse pointer over the Departments button in the upper right hand corner of the page, and then click on the Research and Fiscal Info button.
- Click on the Detailed Tax Expenditure Data button.
- Use the drop down box to select the agency of interest. Then select the appropriate fiscal year, and click on the Select Agency button.
- Reports can be created for all receipts for the agency or a selected group of receipts. If Select Receipts is chosen, use the drop down boxes to choose the first and last of the desired group of receipts.
- Three standardized reports can be created. The Tax Expenditure Detail report contains the detailed

agency submissions. The Tax Expenditure by Fund report provides cost estimates by fund and the Total Tax Expenditure Cost report lists total cost estimates.

- The above reports can be printed as HTML files or with Crystal Reports, either with ActiveX or Java with the Internet Explorer browser.

Instructions for Exporting Crystal Reports to Adobe Acrobat PDF Files

- On the view click on the "Envelope" with a red downward arrow.
- On the "Export Report" dialog box, select "Adobe Acrobat" in the "File Format" drop-down box, and select "All" if you want all of the pages or pages with a range if you only want a sub-set of your report. Next click the "Browse" button and select the folder where you want the report to be saved on your computer. Click "Save" on the "Save As" dialog box and then the "OK" button on the "Export Report" dialog box.
- Click the "Yes" button when the "Report Viewer Export" dialog box is displayed with the message "The report has been exported. Do you wish to open it?"
- You will then be able to page through the report using your Adobe Acrobat or print the report out using the Adobe Acrobat.

If you have any additional questions about the *Tax Expenditure Report*, please contact Loren Iglarsh at 217/782-7921.