

STATE OF ILLINOIS

Tax Expenditure Report

1998



State of Illinois

COMPTROLLER

Loleta Didrickson



To the People of Illinois:

Since 1992, state agencies have been required by law to report to the Comptroller on the impact of tax expenditures. The Tax Expenditure Report, published annually, is an outgrowth of that statutory requirement. While we are proud of the five reports produced during this administration, I regret that we are still unable to define the impact of the State's \$4.1 billion in tax expenditures upon their intended beneficiaries.

Attempts have been made through the legislative process to provide this office with the information needed to perform meaningful analysis on the impact of tax expenditures. Unfortunately, these initiatives have met with limited success, and the Tax Expenditure Report remains essentially a listing of the various tax expenditures offered by state government.

Given the resources available, we have provided — and will provide in this report — a great deal of information on tax expenditures in Illinois. This year, we include a special study on tax incentives for business. We look at the history of tax incentives, including detail on who benefits from Illinois' \$319 million in business tax incentives.

The majority of tax expenditures grew out of the lean years of the 1980's, when Illinois and other midwestern states suffered from depressed economies. Although our state finances have shown marked improvement in the past decade, the tax expenditure structure remains virtually unchanged.

Current reporting requirements do not provide the information necessary to determine if our tax incentives are effective in today's economy and workplace. If the State of Illinois was a business, the lack of accountability imposed on the \$4.1 billion in tax expenditures would be inconceivable. It is my express wish that in the future, this significant facet of state finance receives the study and analysis it deserves.

Sincerely,

A handwritten signature in black ink that reads "Loleta Didrickson". The signature is written in a cursive, flowing style.

Loleta Didrickson
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 tax 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 \$4.1 billion in fiscal 1998, with the major portion derived from income and sales tax expenditures.

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, 83 tax expenditures were

enacted. Of these, at least 34 were related to economic development efforts.

For fiscal 1998, agencies identified 191 tax expenditures, 146 were associated with taxes and 45 with licenses or fees.

SPECIAL STUDY - TAX INCENTIVES FOR BUSINESS

Many Illinois tax expenditures have been enacted that are intended to improve the state’s business climate. Advocates of business tax incentives have argued that:

- they are targeted in such a strategic manner that the new economic activity they attract to Illinois will be well worth their costs;

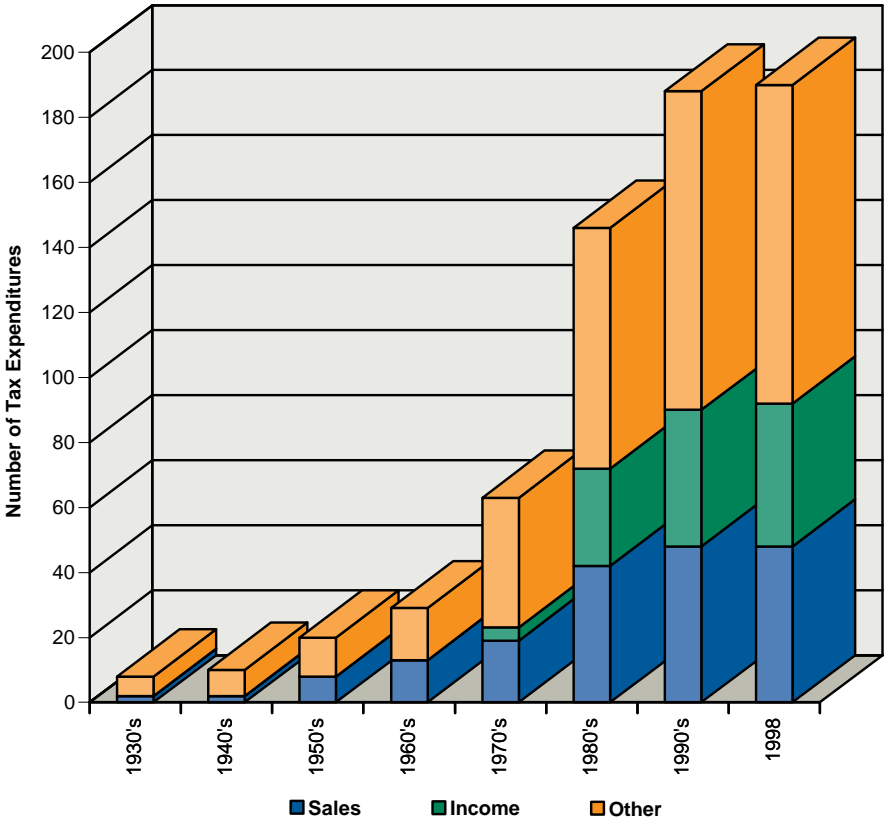
- the reduced costs from lower taxes will increase the competitiveness of new and existing Illinois businesses;

- they are designed to increase desirable economic activities such as business formations in economically depressed parts of the state, spending on job training, increase employment, or encourage research expenditures;

- they will serve as a signal that Illinois is serious about reducing the cost of business in the state;

- every state that Illinois competes with provides the tax incentive so not having it in Illinois will be a sign that Illinois is an anti-business state.

Number of Tax Expenditures in Effect 1930 - 1998



Although business tax incentives have been part of the Illinois tax code since 1979, almost nothing is known about their impact on jobs and new investment. This study uses data gathered by the tax expenditure survey to examine how much tax incentives cost in fiscal year 1998, separate the benefits between those that reduced equipment costs versus those that reduced labor and research costs, and trace the timing of their imposition.

● *Illinois Business Tax Incentives in Fiscal Year 1998*

In fiscal year 1998, \$319 million in tax expenditures were classified as business incentives designed to improve the Illinois business climate. The eight largest accounted for \$276 million or 87% of the total cost of Illinois tax incentives.

The sales tax exemption for manufacturing and assembling machinery and equipment is by far the most expensive Illinois business incentive. Begun as a partial exemption of these sales in 1979, this exemption reduced state revenues by \$122 million in fiscal year 1998. The two other sales tax incentives with costs in excess of \$10 million both are enterprise zone benefits. The building material exemption, effective in 1982, exempts the sale of building materials for remodeling or construction in an enterprise zone. This incentive cost \$11 million in fiscal year 1998. In 1985, all purchases of merchandise for use by enterprise zone businesses designated as high impact by DCCA became exempt. The cost of this exemption was \$28 million in fiscal year 1998.

The most expensive corporate income tax incentive (2nd most expensive overall) was the

Tax Source and Incentive			Cost (In Thousands)
Machinery and Equipment Incentives	Sales and Use Tax	Manufacturing and Assembling Machinery and Equipment Exemption	\$ 122,000
	Sales and Use Tax	Manufacturer's Purchase Credit	8,599
	Sales and Use Tax	Graphic Arts Machinery and Equipment Exemption	6,125
	Sales and Use Tax	Coal, Oil, and Distillation Machinery and Equipment Exemption	3,815
	Sales and Use Tax	Pollution Control Facilities Exemption	2,700
Employment Incentives	Corporate Income Tax	Training Expense Credit	\$ 17,675
	Corporate Income Tax	Job Training Contribution Subtraction	253
	Corporate Income Tax	TECH-PREP Youth Vocational Program Credit	14
Research Incentives	Corporate Income Tax	Research and Development Credit	\$ 35,158
	Sales and Use Tax	Designated Tangible Personal Property within Enterprise Zone Exemption	\$ 27,500
Enterprise Zone Incentives	Electricity Revenue Tax	Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	23,516
	Sales and Use Tax	Building Materials within Enterprise Zone Exemption	10,940
	Corporate Income Tax	Enterprise Zone Investment Credit	8,434
	Corporate Income Tax	Enterprise and Foreign Trade Zone Dividend Subtractions	4,333
	Corporate Income Tax	Enterprise Zone and High Economic Impact Interest Subtractions	1,971
	Gas Revenue Tax	Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1,226
	Corporate Income Tax	High Economic Impact Business Investment Credit	1,147
	Corporate Income Tax	Enterprise Zone Charitable Contribution Subtraction	816
	Commerce Commission Tax	Enterprise Zone Revenue Exemption	458
	Telecommunications Tax	Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	132
Other Incentives	Corporate Income Tax	Jobs Tax Credit	6
	Individual Income Tax	Other Subtractions *	\$ 21,000
	Electricity Revenue Tax	Purchase of Electricity Generated by Solid Waste Energy Facility Credit	17,888
	Individual Income Tax	Income Tax Credits **	2,683
Total	Corporate Income Tax	Coal Research and Coal Utilization Investment Credits	703
			\$ 319,092

* Includes enterprise zone and foreign trade zone dividend and job training incentives, as well as non-incentive subtractions such as interest expenses, acceleration of life insurance benefits for a terminal illness, Persian Gulf War bonuses, medical care savings accounts, and self-employed health insurance subtractions.

** Includes enterprise zone, high impact business investment, jobs and training, and environmental remediation incentives as well as the dependent care credit.

research and development credit. This credit is 6.5% of qualifying expenditures, as defined in the Internal Revenue Code, for increasing research activities in Illinois. The credit went into effect in fiscal year 1991 and had a \$35 million cost in fiscal year 1998. The training expense credit, effective in fiscal year 1987, is provided to taxpayers that pay for educational or vocational training on behalf of Illinois residents or employees. The credit is 1.6% of training expenses and went into effect in 1987. Its cost is \$18 million in fiscal year 1998.

Another enterprise zone exemption, effective in 1986, is the electric utility tax exemption for sales to DCCA certified businesses. The cost of this exemption was \$24 million in fiscal year 1998. A second tax incentive that encourages the development of energy sources from waste sites is the credit to purchase electricity produced from methane gas that is generated from landfills. Effective in 1987, the incentive cost \$18 million in fiscal year 1998.

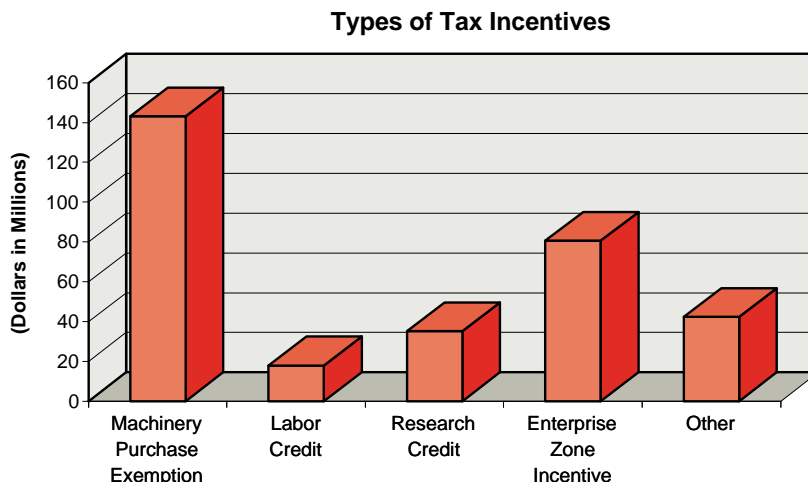
Most deductions applied against the corporate income tax are also applied against the income tax on individuals. Most of these subtractions are combined in the 'other subtractions' category in the Tax Expenditure report. The cost of these subtractions, which include the enterprise zone dividend, foreign trade zone dividend, and job training contribution subtractions, as well as several subtractions that are not business incentives, was \$21 million in fiscal year 1998.

● *Who Benefits from Illinois Business Tax Incentives*

An examination of Illinois tax incentives indicated that four types of benefits are available. These include general exemptions for the purchase of machinery and other investment goods, credits reducing labor costs, credits encouraging research, and special benefits

geared to encourage development in enterprise zones and foreign trade zones and investments in businesses having a high economic impact in Illinois.

The largest portion of Illinois tax incentives reduce the cost of machinery purchases. In fiscal year 1998, these incentives accounted for \$143 million or 45% of the value of Illinois incentives. Besides the manufacturing and assembling machinery exemption, these include the coal, oil, and distillation machinery exemp-



tion at a cost of \$4 million, the graphic arts equipment exemption at a cost of \$6 million, and the pollution control facilities exemption at a cost of \$3 million. Effective in fiscal year 1995, manufacturers purchasing the machinery and equipment qualifying for the 100% sales tax exemption earn an additional tax credit to offset sales taxes on purchases of production related tangible personal property. In fiscal year 1998, this additional equipment incentive cost \$9 million. (In addition to these tax incentives that reduce state revenues, the investment tax credit charged against the personal property replacement tax reduced these grants to local governments by \$37 million for the 1996 tax year.)

Special incentives are available for enterprise zones, high economic impact businesses, and

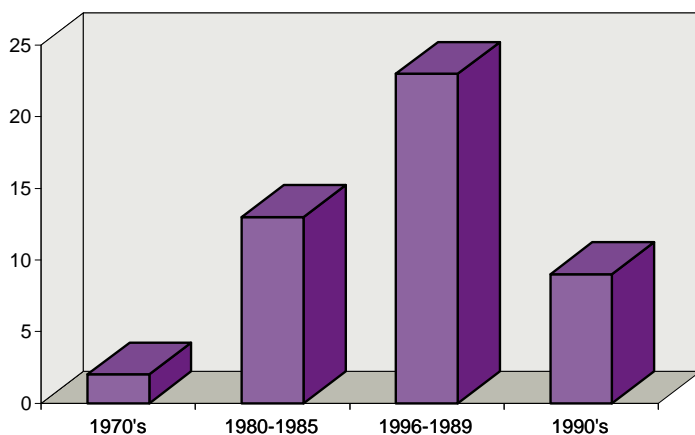
federally designated foreign trade zones. These special incentives were intended to either help disadvantaged areas in Illinois that need special treatment to attract new business activity or for trade oriented businesses that have wide discretion in their location decision and would be sensitive to cost savings. Special incentives accounted for \$81 million or 25% of the value of Illinois tax incentives.

The cost of the other two categories of tax incentives, labor and research credits, were substantially less than the cost of machinery purchase and special incentives. Research credits of \$35 million accounted for 11% of the total cost of incentives, while labor credits of \$18 million accounted for 6%.

● *History of Illinois Tax Incentives*

Only two of the 47 tax incentives identified in the Tax Expenditure report, the pollution control facilities and manufacturing and assembling machinery exemptions from the sales tax, date back to the 1970's. In contrast, over three-quarters (36) became effective in the 1980's.

Number of Tax Incentives by Effective Date



Local Government Incentives

The Department of Revenue also collects sales and corporate income taxes for payment to local governments. These include local government sales taxes that are in addition to the 5% state tax and the 2.5% personal property replacement corporate income tax. Tax exemptions and subtractions that reduce the state tax base will also reduce revenues for the associated taxes owed to local governments. The investment tax credit, charged against the corporate personal property replacement tax, is another incentive charged to revenues available for local governments.

In addition, local governments can provide business tax incentives by reducing property tax liabilities. The three incentives available are general authority tax abatements, enterprise zone abatements, and tax increment financing.

General authority abatements can be offered to a variety of businesses including recycling companies, horse racing and auto racing facilities, and property in urban decay areas. Units of local government have the authority to abate property taxes on business improvements added to enterprise zone real estate. The most recent complete Department of Revenue report (1995 tax year) lists the value of enterprise zone abatements at \$32 million and the value of general authority abatements at \$2.4 million.

Tax increment financing (TIF) districts do not reduce taxes, instead increases in tax revenues over the base are normally dedicated to paying for improvements in the TIF district. TIF extensions have grown rapidly since 1980 and totaled \$254 million for the 1996 tax year.

In the 1980's, the Illinois and Midwest economies suffered their most serious economic decline since the great depression. Double digit unemployment, combined with fears that the Midwest rust belt would never be able to recoup the jobs lost in their core heavy manufacturing industries, made policy makers desperate to find ways to attract new business to the region. The result was the emergence of tax incentives as a tool to rejuvenate the state's economy.

Illinois business incentives reflect a major emphasis on reducing the cost of business investment in machinery and equipment with much smaller portions reducing the costs of research and hiring new employees. This structure may just reflect how Illinois taxes business, with the main state business taxes consisting of the sales tax on business purchases and the corporate income tax. It also indicates an implicit state policy where tax incentives serve to encourage business investment in hardware with the expectation that the new and expanding businesses attracted by the incentives will

lead to job creation. On the other hand, a much smaller amount of state revenues are sacrificed to encourage research and development and no specific credit is available to encourage the use of venture capital in Illinois.

Although the Illinois economy has markedly improved during this decade, the portfolio of tax incentives developed during the 1980's remains largely unchanged. Meanwhile, Illinois has become more integrated into the global economy. This provides Illinois with great opportunities to provide products and services throughout the world, but also means that Illinois must be able to provide those items as economically as in competing regions.

Illinois workers and business leaders showed great flexibility in restructuring our economy after the problems of the 1980's. The key factors for continuing this economic success are a well trained labor force and creative, well-financed entrepreneurs. Does the current mix of investment oriented state business tax incentives help develop the skills needed to meet the new economic challenges that Illinois will certainly face in the future? This question cannot be properly answered until better information is available describing the businesses that benefit from tax incentives and how these incentives affect their operating decisions.

WHAT'S NEW IN FISCAL YEAR 1998

● *Environmental Remediation Tax Credit*

The only new tax expenditure that became effective in fiscal year 1998 was the Environmental Remediation Tax Credit. The environmental remediation program is a program designed to encourage the clean up of environmentally damaged sites. One reason why new factories are often built on rural land (called greenfields) is to avoid the clean up

expenses and potential legal liabilities from acquiring a site with a pre-existing factory (called brownfields). Expansion into rural areas destroys good crop land and contributes to urban sprawl. The Illinois EPA site remediation program works to return abandoned brownfields to productive activity.

The Environmental Remediation Tax Credit provides an additional state financial incentive to clean brownfields. Effective for tax years beginning in January 1, 1998, an income tax credit is available for unreimbursed eligible remediation costs. The credit is 25% of unreimbursed costs for enterprise zones and low income areas. The 25% credit is available for costs in excess of \$100,000 for other areas. The credit cannot exceed \$40,000 per year with a maximum of \$150,000 per site. The EPA estimates that the credit will ultimately have an annual cost of \$3.5 million.

● *Restructuring of Taxes on Insurance Companies*

Taxes on insurance companies are undergoing sweeping changes. The insurance privilege tax was a 2% tax on the premiums of companies based outside Illinois. In an October 1997 decision, the Illinois Supreme Court declared this tax unconstitutional. As a result, privilege tax receipts into the General Revenue Fund dropped from \$105 million in fiscal year 1997 to \$33 million in fiscal year 1998. Insurance companies either paid the privilege tax into the Protest Fund or paid the retaliatory tax which is the difference between the taxes and fees paid by an insurance company in Illinois and the taxes and fees a similar Illinois company would pay in that company's home state.

The confusion pertaining to insurance taxes during fiscal year 1998 made it impossible to identify the costs of the life and health guaranty assessment credits and replacement tax credits in this report. The fiscal year 1997 Tax Expenditure Report included \$62 million in tax

expenditures credited against insurance department taxes and fees including \$29 million in replacement tax credits, \$26 million in life and health guaranty assessments credits, and \$7 million in fire department tax credits. This report only lists the \$7 million fire department tax credit (a credit for a 2% tax on fire insurance premiums that is paid to fire protection districts and municipalities) as a Department of Insurance tax expenditure.

A new privilege tax was enacted May 29, 1998. This tax corrects the constitutional issues identified in the Supreme Court ruling and provides for insurers to be taxed at a level which sustains past income to the state. The new tax rate is .5% of all premiums, except accident and health insurance and HMO's which are taxed at .4%. All revenue from this tax is deposited into the General Revenue Fund. More complete reports of the cost of insurance tax expenditures should resume in fiscal year 1999 with the processing of first year returns of the new tax.

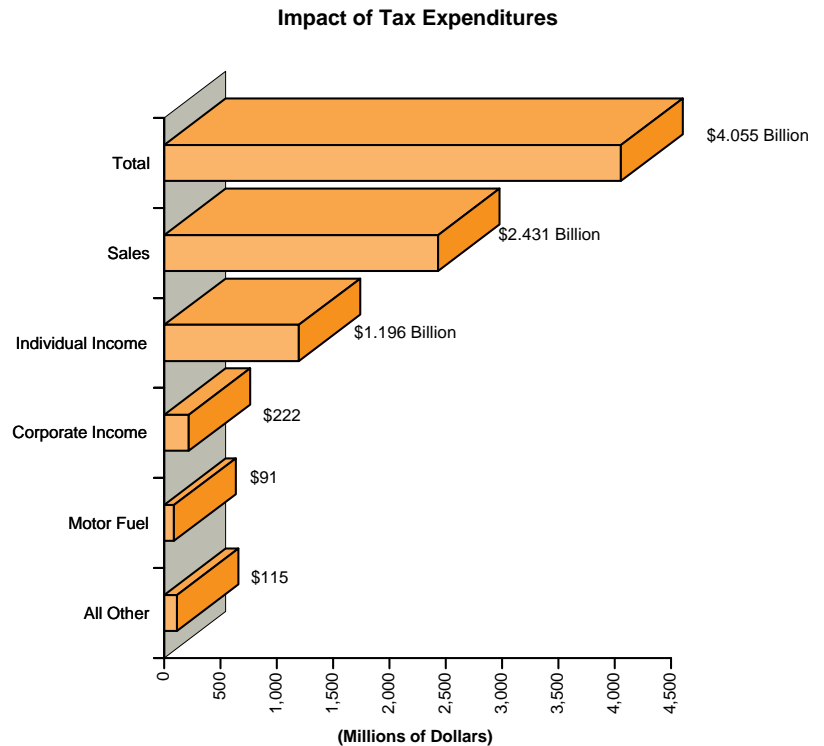
● *Other Recent Tax Initiatives*

During fiscal year 1998, there were significant increases in cigarette, telecommunications, and riverboat gambling tax rates to provide additional state funds for education. These rate increases have little impact in this report since the value of tax expenditures from these three sources are rather small. The impact of other major tax initiatives, including the first increase in the standard income tax exemption since the initiation of the tax in 1970 and a complete restructuring of electric utility taxes in response to deregulation of this industry, will be reported in the fiscal year 1999 Tax Expenditure Report.

THE IMPACT OF TAX EXPENDITURES

Although tax expenditures were reported for 58 revenue sources in fiscal year 1998, the four

largest tax sources accounted for \$3.940 billion or 97% of the \$4.055 billion in reported tax expenditures. Well over half of the value of tax expenditures (\$2.431 billion or 60%) were attributed to state sales taxes.



Another 35% was associated with income taxes divided \$1.196 billion or 30% from the individual income tax and \$222 million or 5% from the corporate income tax. The motor fuel tax accounted for \$91 million or 2% of reported tax expenditures leaving only \$115 million or 3% for tax expenditures from the remaining revenue sources.

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. A prime example is sales tax monies reserved for local governments.

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 1996 tax year was \$36.8 million.

THE TEN LARGEST TAX EXPENDITURES - FISCAL YEAR 1998

Six of the ten largest tax expenditures were from the sales tax, with three from the individual income tax and one from the corporate tax. The food, drug, and medical appliance rate reduction was the largest single tax expenditure and represented 22% of the total reported impact. The impact of the ten largest tax expenditures totaled \$3.4 billion or 83% of the total impact of all tax expenditures.

(Millions of Dollars)

Amount	Expenditure	Applied Against
\$905	Food, Drugs, Medical Appliances	Sales Tax
536	Sales to Exempt Organizations	Sales Tax
528	Retirement and Social Security Deductions	Individual Income Tax
320	Standard Deduction	Individual Income Tax
300	Exemption for Trade-Ins	Sales Tax
279	Property Tax Credit	Individual Income Tax
158	Farm Chemical Exemption	Sales Tax
130	Net Operating Loss Deduction	Corporate Income Tax
122	Manufacturing Machinery Exemption	Sales Tax
88	Retailers' Discount	Sales Tax
\$3.366 Billion	Total Impact of Largest Ten Expenditures	
\$4.055 Billion	Total Impact of All Tax Expenditures	
83%	Percent of Total Impact	

THE FOUR LARGEST TAX EXPENDITURES FISCAL YEARS 1993 TO 1998

Reported tax expenditures of \$4.1 billion for fiscal year 1998 were \$993 million or 32.4% greater than the \$3.1 billion reported for fiscal year 1993, the first year 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 disability, social security, and railroad retirement income that is subject to the federal income tax. The estimated cost of this tax expenditure increased \$244 million or 85.9% from \$284 million in fiscal year 1993 to \$528 million for 1998. The growth in this expenditure 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. A recently published fifty year population forecast by the U.S. Bureau of Economic Analysis estimates that there will be 3.2 million senior citizens in Illinois in 2045, over 2.1 times the number of seniors (1.5 million) in 1998. Over that same period, the total Illinois population is projected to increase 33.5%. The result should be a continued rapid increase in the cost of the retirement income tax expenditure.

In contrast, the \$1,000 standard deduction from the state individual income tax has increased

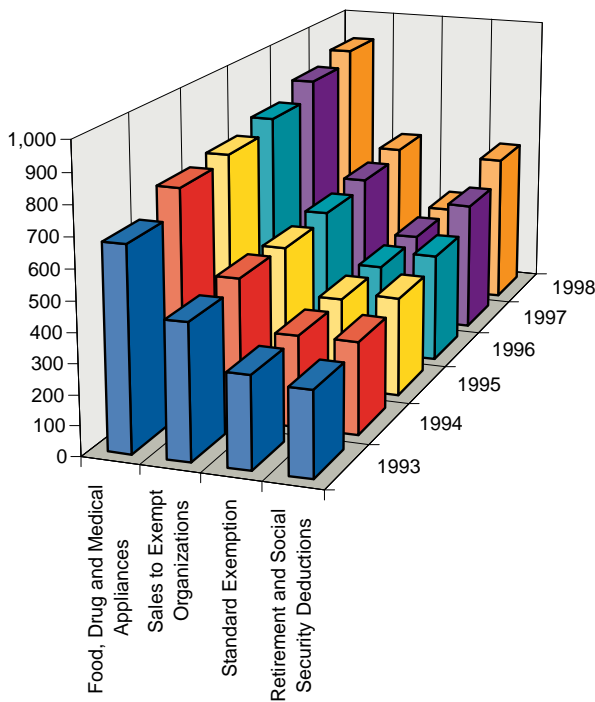
only \$14 million or 4.6% from \$306 million to \$320 million. The value of this tax expenditure will start to increase as the standard deduction increases to \$1,300 for the 1998 tax year, \$1,650 for the 1999 tax year, and \$2,000 thereafter. The Department of Revenue estimates the cost of this tax expenditure will jump to \$416 million in fiscal year 1999.

A \$4.1 BILLION IMPACT ON REPORTED TAX RECEIPTS

The \$4.1 billion in tax expenditures were applied against revenue sources that brought in a reported \$18.0 billion in fiscal 1998. This amounts to 22% of reported receipts. Of the major revenue sources, tax expenditures had the greatest impact on the sales tax followed by the individual income tax, corporate income tax, and motor fuel tax.

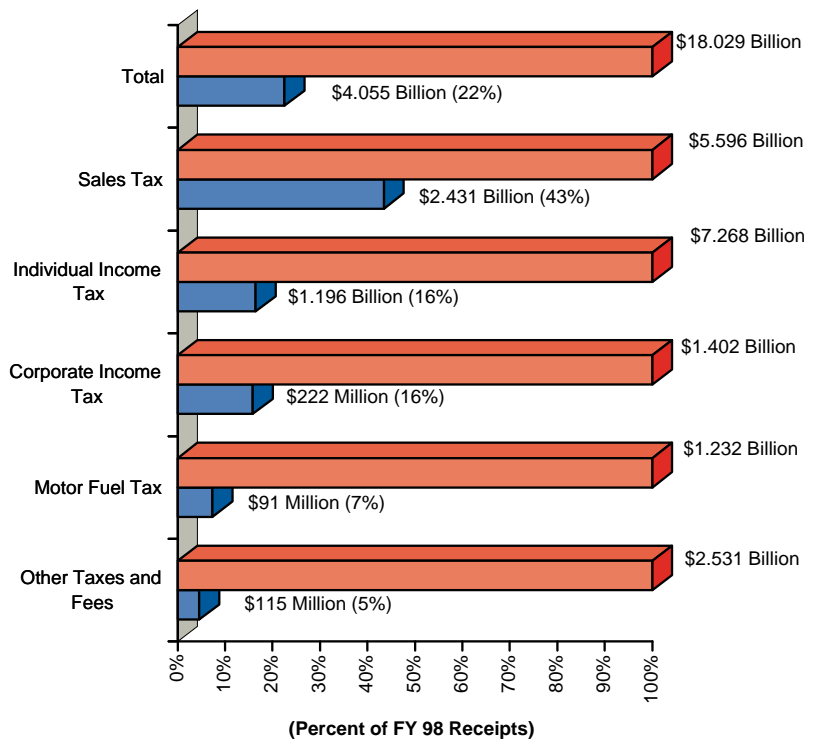
All other expenditures had a combined impact of \$115 million, or 5% of other receipts of \$2.5 billion. Within these sources, there were several for which tax expenditures had a substantial impact. These include - fishing licenses (\$6 million impact, total receipts of \$8 million); the public utility tax on electricity (\$41 million in tax expenditures, total receipts of \$316 million); and the underground storage tank tax (\$12 million in tax expenditures, total receipts of \$68 million).

**Four Largest Tax Expenditures
Fiscal Years 1993 to 1998
(Dollars in Millions)**



The largest tax expenditure, the reduced sales tax rate for food, drugs, and medical appliances, increased \$230 million or 34.1% from \$675 million to \$905 million reflecting inflation and increased consumer purchases of exempted items. The other major tax expenditure from the sales tax, the exemption for sales to exempt organizations such as local governments and charities, increased \$86 million or 19.1%.

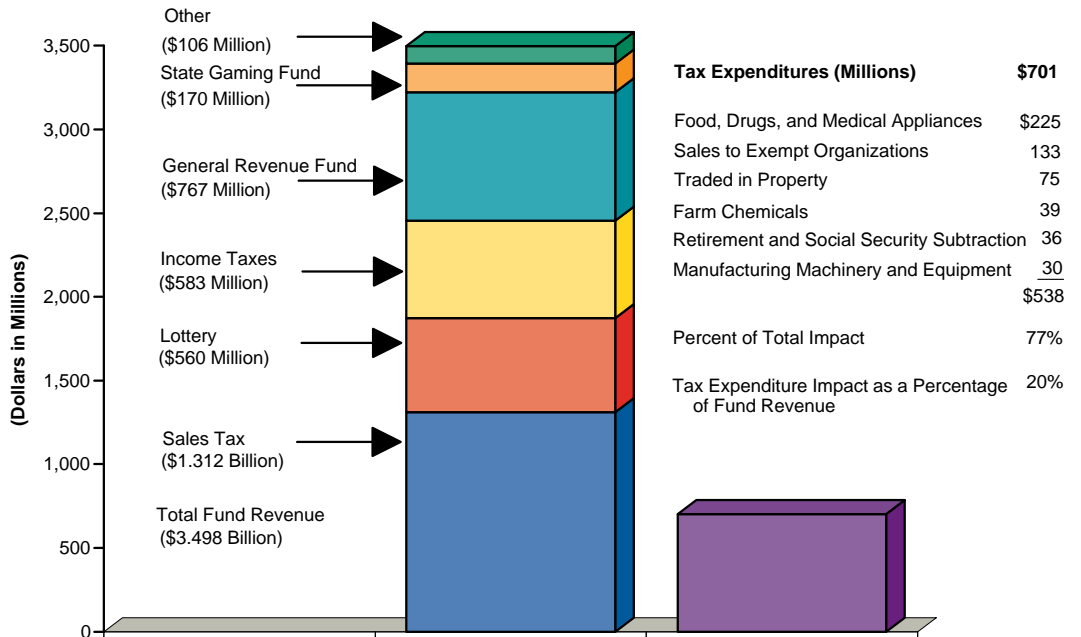
Impact of Tax Expenditures on Tax Receipts



\$701 MILLION IMPACT ON EDUCATION FUNDS - FISCAL YEAR 1998

Tax expenditures of \$701 million from monies that would have been deposited into the Education Funds were the equivalent of 20% 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 1998, the Education Funds received \$3.5 billion from dedicated sources - 1.3 billion from the sales tax, \$560 million in lottery transfers, \$583 million from income taxes, \$170 million from the State Gaming Fund, and \$106 million from other sources plus \$767 million in General Revenue Fund transfers.

Education Funds Receipts and Tax Expenditures*



* Includes Common School, General Revenue - Common School Special Account and Education Assistance Funds

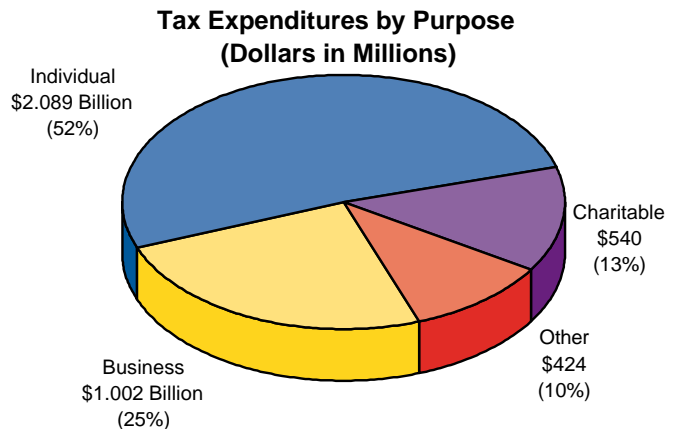
federally taxed retirement and social security subtractions.

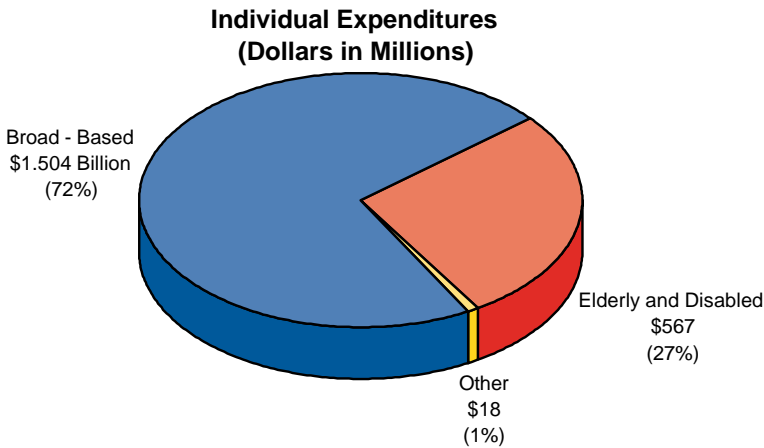
The impact of general business expenditures was \$751 million, while agricultural expenditures were \$229 million and environmental expenditures totaled \$22 million. The manufacturing machinery exemption, net operating loss deduction, and retailers sales tax discount were the largest general business expenditures.

WHO RECEIVED TAX EXPENDITURES

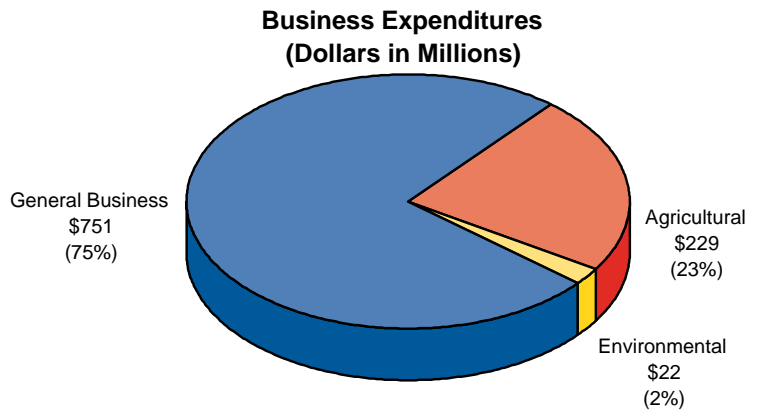
Tax expenditures for individuals totaled \$2.1 billion in fiscal year 1998, while business received \$1.0 billion, charities \$540 million and other \$424 million.

Individuals received \$1.5 billion in broad-based tax expenditures, the two largest being the food and drug rate reduction and the standard exemption from the individual income tax. Expenditures for the elderly and disabled totaled \$567 million, including \$528 million for





Sales to exempt organizations were \$536 million of the \$540 million worth of expenditures for charities (99.3%). The largest of the \$424 million in other expenditures was the \$300 million impact of the traded-in property exemption.



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 relation can be made occurs when a portion of tax revenues is automatically granted by formula to local governments.

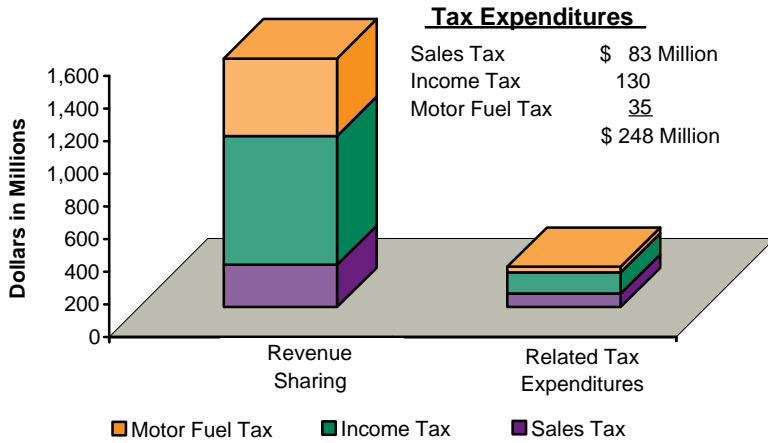
During fiscal 1998, over \$1.5 billion was distributed in income, sales, and motor fuel tax revenue sharing. Tax expenditures had an estimated \$248 million impact on these distributions.

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 net revenues. In fiscal

1998, the Local Government Distributive Fund received \$792 million in transfers from the General Revenue Fund related to income tax receipts. Based on a 16% ratio of tax expenditures to combined income tax receipts, distributions were \$130 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. Finally,

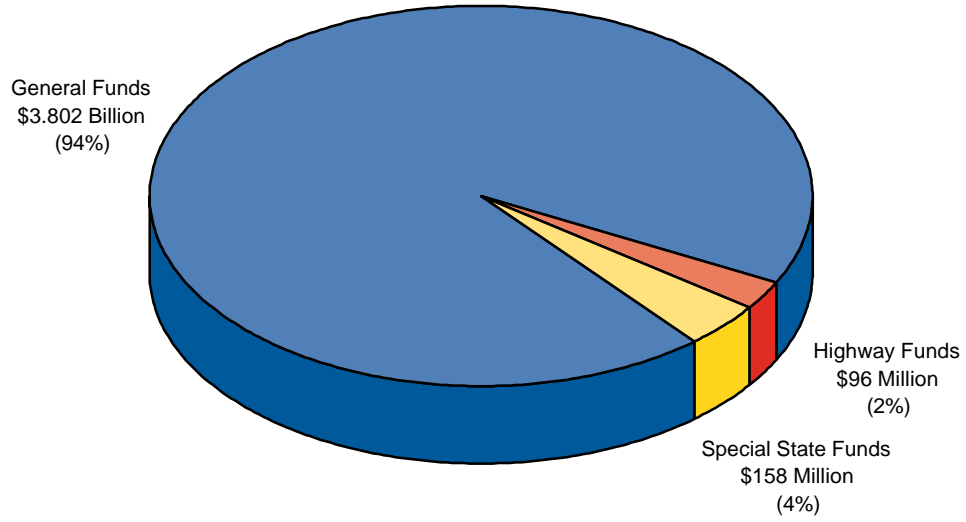
Revenue Sharing and Tax Expenditures



State motor fuel taxes are used for state purposes and shared with counties, municipalities, townships, and road districts. During fiscal 1998, local government funds received \$475 million in motor fuel tax revenues. Based on 7.4% ratio of tax expenditures to motor fuel tax receipts, distributions were \$35 million less than they would have been without tax expenditures.

the Illinois Tax Increment Fund receives 0.27% of state sales taxes and the Local Government Distributive Fund receives 0.4%. In fiscal 1998, these programs received \$259 million in direct receipts and General Revenue Fund transfers. Distributions were \$83 million less than they would have been without tax expenditures.

**\$4.1 Billion in Tax Expenditures
by Fund Group**



TAX EXPENDITURES BY FUND GROUP AND FUND (IN THOUSANDS)

Fund Group: General

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 2,982,474	\$ 3,101,294
General Revenue - Common School Special Account Fund	0005	580,678	605,435
Education Assistance Fund	0007	87,831	95,360
Total Impact, General		\$ 3,650,983	\$ 3,802,089

Fund Group: Highway

Fund Name and Code:		FY 97	FY 98
Motor Fuel Tax - State Fund	0012	\$ 92,285	\$ 90,527
Road Fund	0011	3,100	3,471
State Construction Account Fund	0902	1,358	1,609
Total Impact, Highway		\$ 96,743	\$ 95,607

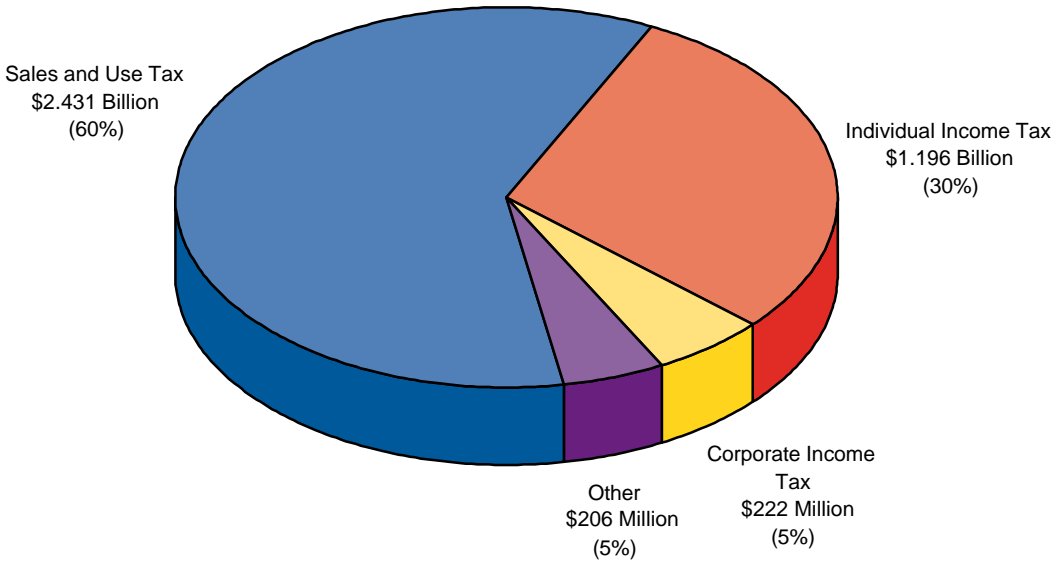
Fund Group: Special State

Fund Name and Code:		FY 97	FY 98
Income Tax Refund Fund	0278	\$ 115,587	\$ 111,484
Underground Storage Tank Fund	0072	12,959	12,134
Local Government Distributive Fund	0515	9,328	9,726
Long Term Care Provider Fund	0345	6,487	6,735
Wildlife and Fish Fund	0041	5,025	5,813
Build Illinois Fund	0960	4,599	5,072
Public Health Services Revolving Fund	0340	*	2,861
Clean Air Act (CAA) Permit Fund	0091	1,000	1,000
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	1,464	735
Hospital Provider Fund	0346	17,099	658
Public Utility Fund	0059	437	458
Environmental Protection Permit and Inspection Fund	0944	*	450
Drivers Education Fund	0031	437	415
Metabolic Screening and Treatment Fund	0920	1,000	65
Long Term Care Monitor/Receiver Fund	0285	48	20
Pesticide Control Fund	0576	3	2
Illinois Health Facilities Planning Fund	0238	30	0
Total Impact, Special State		\$ 175,503	\$ 157,628

GRAND TOTAL, IMPACT **\$ 3,923,229** **\$ 4,055,324**

* Not reported for fiscal year 1997.

**\$4.1 Billion in Tax Expenditures
by Revenue Source**



TAX EXPENDITURES BY REVENUE SOURCE (IN THOUSANDS)

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:	FY 97	FY 98
Food, Drugs, and Medical Appliances Rate Reduction	\$ 864,000	\$ 904,500
Sales to Exempt Organizations	512,000	536,000
Traded-In Property Exemption	300,000	300,000
Farm Chemicals (Includes Feed and Seed) Exemption	151,000	158,000
Manufacturing and Assembling Machinery and Equipment Exemption	117,000	122,000
Retailer's Discount	85,600	87,800
Rolling Stock Exemption	50,000	85,000
All Other	252,655	238,178
Total Impact	\$ 2,332,255	\$ 2,431,478

Revenue Source and Annual Receipts: Individual Income Tax

Expenditure:	FY 97	FY 98
Federally Taxed Retirement and Social Security Subtractions	\$ 450,000	\$ 527,760
Standard Exemption: Taxpayers and Dependents	317,000	319,805
Tax Credit for Residential Real Property Taxes	253,000	279,400
Additional Exemptions: Blind and Elderly	30,000	30,282
Other Subtractions	18,000	21,000
Military Pay Subtraction	16,000	15,263
Income Tax Credits	2,600	2,683
Total Impact	\$ 1,086,600	\$ 1,196,193

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:	FY 97	FY 98
Illinois Net Operating Loss Deduction	\$ 152,500	\$ 129,559
Research and Development Credit	27,800	35,158
Training Expense Credit	17,400	17,675
Replacement Taxes Paid Credit	9,300	10,916
Enterprise Zone Investment Credit	10,000	8,434
Standard Exemption	5,500	5,479
Enterprise and Foreign Trade Zone Dividend Subtractions	120	4,333
Life and Health Insurance Guarantee Association Tax Offset	2,700	4,132
All Other	6,867	5,928
Total Impact	\$ 232,187	\$ 221,614

Revenue Source and Annual Receipts: Motor Fuel Taxes

Expenditure:	FY 97	FY 98
Sales for Use Other Than in Motor Vehicles Exemption	\$ 58,607	\$ 57,576
Timely Filing and Full Payment Discount	21,481	22,075
Municipal Corporation or Private Utility Local Transportation System Exemption	12,120	10,807
Aviation Purposes Exemption	77	69
Total Impact	\$ 92,285	\$ 90,527

TAX EXPENDITURES BY REVENUE SOURCE (IN THOUSANDS)

Revenue Source and Annual Receipts: Public Utilities Revenue Tax (Electricity)

Expenditure:	FY 97	FY 98
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	\$ 19,049	\$ 23,516
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	12,171	17,888
Total Impact	\$ 31,220	\$ 41,404

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Expenditure:	FY 97	FY 98
Airport Exemption	\$ 9,062	\$ 8,167
Rail Carrier Exemption	2,280	2,286
Timely Filing and Full Payment Discount	1,328	1,232
Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers	219	382
Liquefied Propane Gas Exemption	70	67
Total Impact	\$ 12,959	\$ 12,134

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

Expenditure:	FY 97	FY 98
Permanent Residents Exemption	\$ 5,450	\$ 5,954
Cost of Collection Discount	3,748	4,190
Total Impact	\$ 9,198	\$ 10,144

Revenue Source and Annual Receipts: Vehicle Use Tax

Expenditure:	FY 97	FY 98
Family Member Preferential Tax Rate	\$ 4,800	\$ 4,400
Rolling Stock Exemption	6,300	2,600
Out-of-State Resident Exemption	1,500	1,100
Surviving Spouse Exemption	245	201
Government, Charitable, Educational, Religious Entities Exemption	159	174
Estate Gift to Beneficiary Preferential Tax Rate	169	163
Business Reorganization Preferential Tax Rate	116	93
Total Impact	\$ 13,289	\$ 8,731

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:	FY 97	FY 98
Cost of Collection Discount	\$ 6,487	\$ 7,233
Total Impact	\$ 6,487	\$ 7,233

Revenue Source and Annual Receipts: Insurance Privilege Tax

Expenditure:	FY 97	FY 98
Fire Department Tax Credit	\$ 7,424	\$ 6,685
Replacement Income Tax Credit	28,604	0 ¹
Life and Health Guaranty Assessments Credit	21,937	0 ¹
Total Impact	\$ 57,965	\$ 6,685

Revenue Source and Annual Receipts: Fishing Licenses

Expenditure:	FY 97	FY 98
Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount	\$ 5,025	\$ 5,813
Total Impact	\$ 5,025	\$ 5,813

¹ The process of implementing new insurance taxes made it impossible to identify fiscal year 1998 tax expenditures.

TAX EXPENDITURES BY REVENUE SOURCE (IN THOUSANDS)

Revenue Source and Annual Receipts: Gas Revenue Tax

Expenditure:	FY 97	FY 98
Purchase From Out-of-State Supplier Exemption	\$ 5,199	\$ 3,633
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1,562	1,226
Total Impact	\$ 6,761	\$ 4,859

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

Expenditure:	FY 97	FY 98
Senior Citizen Plate Renewal Reduction	\$ 1,833	\$ 1,935
Municipality Owned Passenger Vehicle Exemption	1,530	1,555
Charitable Organization Vehicle Exemption	68	515
Drivers Education Vehicles	2	108
X-POW Vehicle Registration Exemption	106	104
Disabled Veteran Vehicle Registration Exemption	96	100
Sheriff Plates	35	27
Total Impact	\$ 3,670	\$ 4,344

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

Expenditure:	FY 97	FY 98
Insurance Coverage Deduction	\$ 1,050	\$ 1,085
Other/Miscellaneous Deductions	720	744
Timely Filing and Full Payment Discount	455	475
Refueling Deduction	410	424
Exempt Organization Rentals	200	207
Claims for Loss or Damage Deduction	115	119
Total Impact	\$ 2,950	\$ 3,054

Revenue Source and Annual Receipts: Annual Reports of Corporations

Expenditure:	FY 97	FY 98
One Million Dollar Cap on Franchise Tax for Corporations	\$ 3,000	\$ 3,000
Total Impact	\$ 3,000	\$ 3,000

Revenue Source and Annual Receipts: Sexually Transmitted Disease Test Fee

Expenditure:	FY 97 ²	FY 98
Population With High Incidence of Sexually Transmitted Diseases Exemption	\$	\$ 2,273
Total Impact	\$	\$ 2,273

Revenue Source and Annual Receipts: All Other

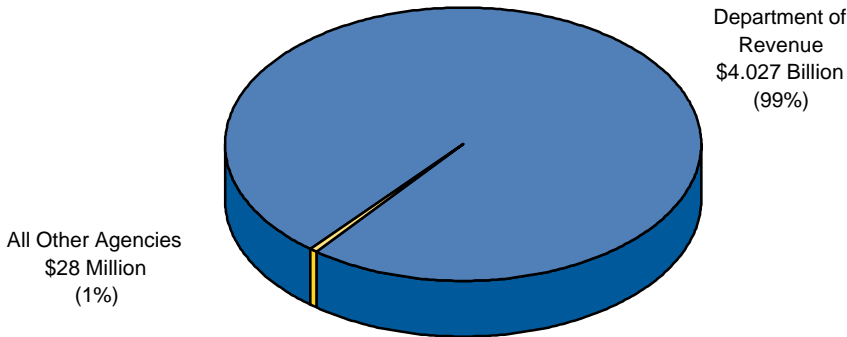
Expenditure:	FY 97	FY 98
Low Income Family Waiver	\$ 1,464	\$ 725
Rural Hospital Exemption	17,099	0 ³
Life and Health Guaranty Assessments Credit	3,951	0 ¹
All Other	4,864	5,113
Total Impact	\$ 27,378	\$ 5,838

GRAND TOTAL, IMPACT **\$ 3,923,229** **\$ 4,055,324**

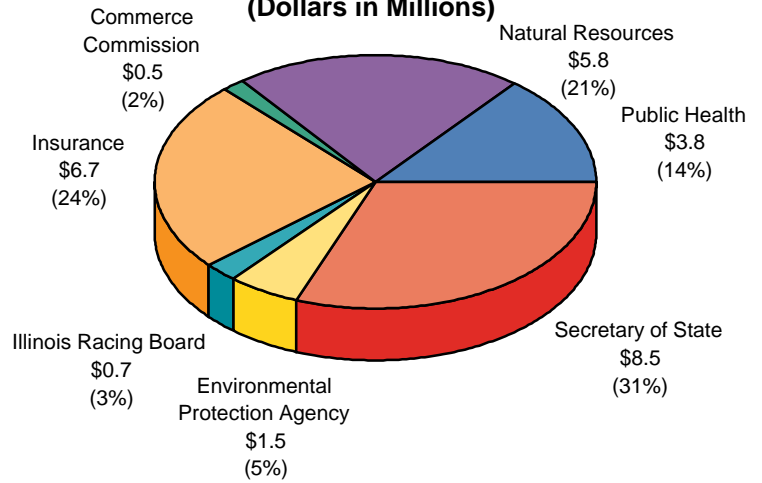
² Not reported for fiscal year 1997.

³ The Hospital Provider Assessment sunsetted effective 4/1/97.

\$4.1 Billion in Tax Expenditures by Administering Agencies



**Tax Expenditures Administered by All Other Agencies
(Dollars in Millions)**



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 97		FY 98
Road Fund	0011	\$ 2,312	\$	2,735
State Construction Account Fund	0902	1,358		1,609

Revenue Source and Annual Receipts: Standard Identification Card Fee

Fund Name and Code:		FY 97		FY 98
Road Fund	0011	\$ 351	\$	321

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

Fund Name and Code:		FY 97		FY 98
Road Fund	0011	\$ 2	\$	3
Drivers Education Fund	0031	2		3

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

Fund Name and Code:		FY 97		FY 98
Road Fund	0011	\$ 435	\$	412
Drivers Education Fund	0031	435		412

Revenue Source and Annual Receipts: Annual Reports of Corporations

Fund Name and Code:		FY 97		FY 98
General Revenue Fund	0001	\$ 3,000	\$	3,000

Natural Resources

Revenue Source and Annual Receipts: Fishing Licenses

Fund Name and Code:		FY 97		FY 98
Wildlife and Fish Fund	0041	\$ 5,025	\$	5,813

Insurance ¹

Revenue Source and Annual Receipts: Insurance Privilege Tax

Fund Name and Code:		FY 97		FY 98
General Revenue Fund	0001	\$ 57,965	\$	6,685

Revenue Source and Annual Receipts: Valuation of Reserve Fee

Fund Name and Code:		FY 97		FY 98
General Revenue Fund	0001	\$ 3,951	\$	0

¹ The process of implementing new insurance taxes made it impossible to identify fiscal year 1998 tax expenditures.

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

Professional Regulation

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

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 125	\$ 122

Public Aid

Revenue Source and Annual Receipts: Long Term Care Provider Assessment

Fund Name and Code:		FY 97 ²	FY 98
Long Term Care Provider Fund	0345	\$	\$ 160

Revenue Source and Annual Receipts: Hospital Provider Assessment

Fund Name and Code:		FY 97	FY 98
Hospital Provider Fund	0346	\$ 17,099	\$ 0

Public Health

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

Fund Name and Code:		FY 97	FY 98
Illinois Health Facilities Planning Fund	0238	\$ 30	\$ 0

Revenue Source and Annual Receipts: Vital Records Fees

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 3	\$ 2

Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee

Fund Name and Code:		FY 97	FY 98
Metabolic Screening and Treatment Fund	0920	\$ 1,000	\$ 65

Revenue Source and Annual Receipts: Private Sewage Fee

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 18	\$ 22

Revenue Source and Annual Receipts: Pesticide Control Fee

Fund Name and Code:		FY 97	FY 98
Pesticide Control Fund	0576	\$ 3	\$ 2

Revenue Source and Annual Receipts: Recreational Area Fee

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 35	\$ 37

² Not reported for fiscal year 1997.

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

Public Health (Concluded)

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

Fund Name and Code:	FY 97	FY 98
General Revenue Fund	0001 \$ 91	\$ 94

Revenue Source and Annual Receipts: Long Term Care Facility Fee

Fund Name and Code:	FY 97	FY 98
Long Term Care Monitor/Receiver Fund	0285 \$ 48	\$ 20

Revenue Source and Annual Receipts: Childhood Lead Screening Fee

Fund Name and Code:	FY 97	FY 98
Lead Poisoning, Screening, Prevention and Abatement Fund	0360 \$ 1,464	\$ 725

Revenue Source and Annual Receipts: HIV (ELISA) Test

Fund Name and Code:	FY 97 ²	FY 98
Public Health Services Revolving Fund	0340 \$	\$ 588

Revenue Source and Annual Receipts: Sexually Transmitted Disease Test Fee

Fund Name and Code:	FY 97 ²	FY 98
Public Health Services Revolving Fund	0340 \$	\$ 2,273

Revenue Source and Annual Receipts: Youth Camp License Application Fee

Fund Name and Code:	FY 97 ²	FY 98
General Revenue Fund	0001 \$	\$ 1

Revenue Source and Annual Receipts: Environmental Lead License Application Fee

Fund Name and Code:	FY 97 ²	FY 98
Lead Poisoning, Screening, Prevention and Abatement Fund	0360 \$	\$ 10

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

Fund Name and Code:	FY 97 ²	FY 98
General Revenue Fund	0001 \$	\$ 10

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Fund Name and Code:	FY 97	FY 98
General Revenue Fund	0001 \$ 1,742,249	\$ 1,816,317
General Revenue - Common School Special Account Fund	0005 580,678	605,435
Local Government Distributive Fund	0515 9,328	9,726

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

Revenue (Continued)

Revenue Source and Annual Receipts: Individual Income Tax

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
General Revenue Fund	0001	\$ 943,821	\$ 1,044,557
Education Assistance Fund	0007	74,323	82,257
Income Tax Refund Fund	0278	68,456	69,379

Revenue Source and Annual Receipts: Corporate Income Tax

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
General Revenue Fund	0001	\$ 171,548	\$ 166,406
Education Assistance Fund	0007	13,508	13,103
Income Tax Refund Fund	0278	47,131	42,105

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

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
General Revenue Fund	0001	\$ 2,950	\$ 3,054

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
Long Term Care Provider Fund	0345	\$ 6,487	\$ 6,575
Hospital Provider Fund	0346	0	658

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

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
General Revenue Fund	0001	\$ 4,599	\$ 5,072
Build Illinois Fund	0960	4,599	5,072

Revenue Source and Annual Receipts: Liquor Gallonage Tax

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
General Revenue Fund	0001	\$ 79	\$ 77

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
Underground Storage Tank Fund	0072	\$ 12,959	\$ 12,134

Revenue Source and Annual Receipts: Motor Fuel Taxes

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
Motor Fuel Tax - State Fund	0012	\$ 92,285	\$ 90,527

Revenue Source and Annual Receipts: Public Utilities Revenue Tax (Electricity)

Fund Name and Code:		<u>FY 97</u>	<u>FY 98</u>
General Revenue Fund	0001	\$ 31,220	\$ 41,404

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

Revenue (Concluded)

Revenue Source and Annual Receipts: Gas Revenue Tax

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 6,761	\$ 4,859

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 110	\$ 139

Revenue Source and Annual Receipts: Vehicle Use Tax

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 13,289	\$ 8,731

Commerce Commission

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

Fund Name and Code:		FY 97	FY 98
Public Utility Fund	0059	\$ 437	\$ 458

Environmental Protection Agency

Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee

Fund Name and Code:		FY 97 ²	FY 98
Environmental Protection Permit and Inspection Fund	0944	\$	\$ 275

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

Fund Name and Code:		FY 97 ²	FY 98
Environmental Protection Permit and Inspection Fund	0944	\$	\$ 175

Revenue Source and Annual Receipts: Title V Permit Fee

Fund Name and Code:		FY 97	FY 98
Clean Air Act (CAA) Permit Fund	0091	\$ 1,000	\$ 1,000

Racing Board

Revenue Source and Annual Receipts: Admission Tax

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 660	\$ 705

GRAND TOTAL, IMPACT		\$ 3,923,229	\$ 4,055,324
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Impact of Tax Expenditures on Tax Receipts

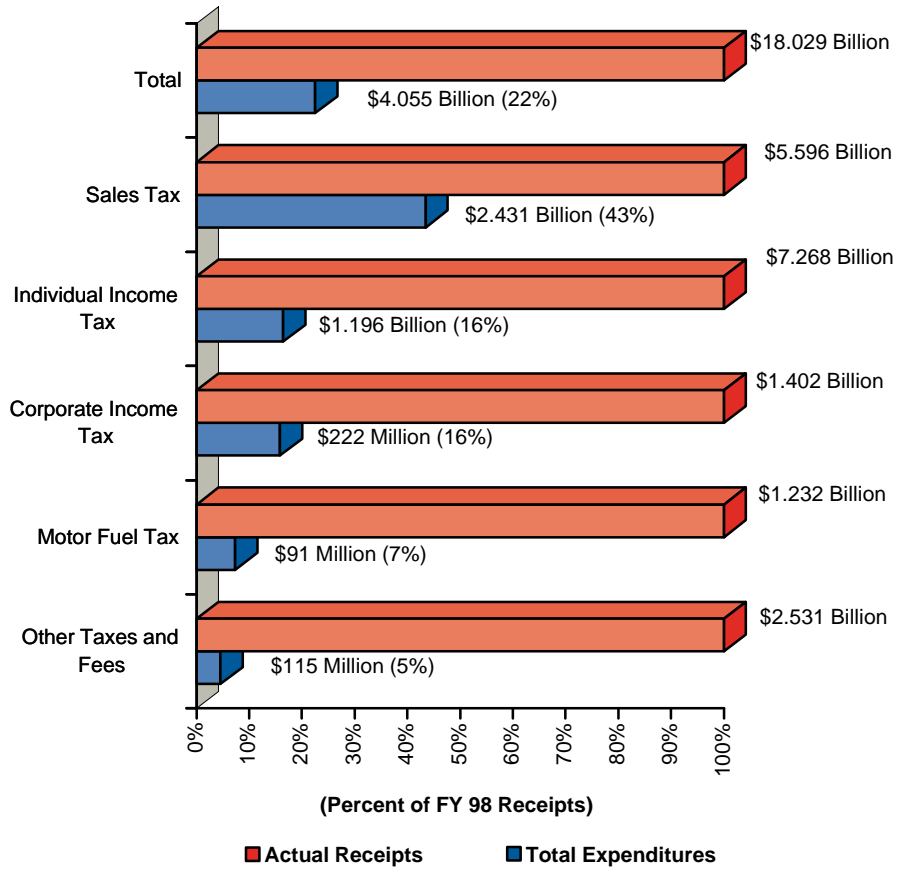


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**DETAIL OF TAX EXPENDITURES BY AGENCY,
REVENUE SOURCE AND FUND
(IN THOUSANDS)**

Secretary of State

		FY 97	FY 98
Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)		\$ 319,877	\$ 353,567
Expenditure: Charitable Organization Vehicle Exemption			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 43	\$ 324
State Construction Account Fund	0902	25	191
Total		\$ 68	\$ 515
Expenditure: Disabled Veteran Vehicle Registration Exemption			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 60	\$ 63
State Construction Account Fund	0902	36	37
Total		\$ 96	\$ 100
Expenditure: Drivers Education Vehicles			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 1	\$ 68
State Construction Account Fund	0902	1	40
Total		\$ 2	\$ 108
Expenditure: Municipality Owned Passenger Vehicle Exemption			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 964	\$ 980
State Construction Account Fund	0902	566	575
Total		\$ 1,530	\$ 1,555
Expenditure: Senior Citizen Plate Renewal Reduction			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 1,155	\$ 1,219
State Construction Account Fund	0902	678	716
Total		\$ 1,833	\$ 1,935
Expenditure: Sheriff Plates			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 22	\$ 17
State Construction Account Fund	0902	13	10
Total		\$ 35	\$ 27
Expenditure: X-POW Vehicle Registration Exemption			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 67	\$ 64
State Construction Account Fund	0902	39	40
Total		\$ 106	\$ 104
Total Tax Impact per Revenue Source		\$ 3,670	\$ 4,344

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

Secretary of State (Concluded)

		FY 97	FY 98
Revenue Source and Annual Receipts: Standard Identification Card Fee	\$	2,090	\$ 2,219
Expenditure: Duplicated/Corrected ID Senior Citizen/Handicapped			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 351	\$ 321
Total		\$ 351	\$ 321
Total Tax Impact per Revenue Source	\$	351	\$ 321
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Duplicated/Corrected Driver's License	\$	3,058	\$ 3,188
Expenditure: Duplication of Stolen Licenses for Senior Citizens			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 2	\$ 3
Drivers Education Fund	0031	2	3
Total		\$ 4	\$ 6
Total Tax Impact per Revenue Source	\$	4	\$ 6
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Driver's License Four Year Renewal Fee	\$	16,812	\$ 16,870
Expenditure: Reduced Renewal Fee for Senior Citizens			
Fund Name and Code:		FY 97	FY 98
Road Fund	0011	\$ 435	\$ 412
Drivers Education Fund	0031	435	412
Total		\$ 870	\$ 824
Total Tax Impact per Revenue Source	\$	870	\$ 824
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Annual Reports of Corporations	\$	80,191	\$ 85,278
Expenditure: One Million Dollar Cap on Franchise Tax for Corporations			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 3,000	\$ 3,000
Total		\$ 3,000	\$ 3,000
Total Tax Impact per Revenue Source	\$	3,000	\$ 3,000
<hr/>			
Total Tax Impact, Secretary of State	\$	7,895	\$ 8,495

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

Natural Resources

	FY 97	FY 98
Revenue Source and Annual Receipts: Fishing Licenses	\$ 8,310	\$ 8,396
Expenditure: Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount		
Fund Name and Code:	FY 97	FY 98
Wildlife and Fish Fund 0041	\$ 5,025	\$ 5,813
Total	\$ 5,025	\$ 5,813
Total Tax Impact per Revenue Source	\$ 5,025	\$ 5,813
Total Tax Impact, Natural Resources	\$ 5,025	\$ 5,813

Insurance¹

	FY 97	FY 98
Revenue Source and Annual Receipts: Insurance Privilege Tax	\$ 104,744	\$ 33,455 ²
Expenditure: Fire Department Tax Credit		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 7,424	\$ 6,685
Total	\$ 7,424	\$ 6,685
Expenditure: Life and Health Guaranty Assessments Credit		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 21,937	\$ 0
Total	\$ 21,937	\$ 0
Expenditure: Replacement Tax Credit		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 28,604	\$ 0
Total	\$ 28,604	\$ 0
Total Tax Impact per Revenue Source	\$ 57,965	\$ 6,685
Revenue Source and Annual Receipts: Valuation of Reserve Fee		
	\$ 26,582	\$ 1,869
Expenditure: Life and Health Guaranty Assessments Credit		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 3,951	\$ 0
Total	\$ 3,951	\$ 0
Total Tax Impact per Revenue Source	\$ 3,951	\$ 0
Total Tax Impact, Insurance	\$ 61,916	\$ 6,685

¹ The process of implementing new insurance taxes made it impossible to identify fiscal year 1998 tax expenditures.

² The Insurance Privilege Tax was declared unconstitutional on 10/23/97.

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

Professional Regulation

	FY 97	FY 98
Revenue Source and Annual Receipts: Boxing/Wrestling Athletic Events Tax	\$ 69	\$ 123
Expenditure: Premises with Indoor Capacity of More Than 17,000 Exemption		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund	0001 \$ 125	\$ 122
Total	\$ 125	\$ 122
Total Tax Impact per Revenue Source	\$ 125	\$ 122
Total Tax Impact, Professional Regulation	\$ 125	\$ 122

Public Aid

	FY 97	FY 98
Revenue Source and Annual Receipts: Long Term Care Provider Assessment	\$ 55,465	\$ 57,570
Expenditure: 100% Contribution Homes Exemption		
Fund Name and Code:	FY 97³	FY 98
Long Term Care Provider Fund	0345 \$	\$ 160
Total	\$	\$ 160
Total Tax Impact per Revenue Source	\$	\$ 160
Revenue Source and Annual Receipts: Hospital Provider Assessment		
	\$ 161,923	\$ 4,530
Expenditure: Rural Hospital Exemption		
Fund Name and Code:	FY 97	FY 98⁴
Hospital Provider Fund	0346 \$ 17,099	\$ 0
Total	\$ 17,099	\$ 0
Total Tax Impact per Revenue Source	\$ 17,099	\$ 0
Total Tax Impact, Public Aid	\$ 17,099	\$ 160

Public Health

	FY 97	FY 98
Revenue Source and Annual Receipts: Health Care Facility Permit Application Fee	\$ 1,353	\$ 1,915
Expenditure: Natural Disaster and Other Emergency Waiver		
Fund Name and Code:	FY 97	FY 98
Illinois Health Facilities Planning Fund	0238 \$ 30	\$ 0
Total	\$ 30	\$ 0
Total Tax Impact per Revenue Source	\$ 30	\$ 0

³ Not reported for fiscal year 1997.

⁴ Hospital Provider Assessment abolished effective April 1, 1997.

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

Public Health (Continued)

		FY 97	FY 98
Revenue Source and Annual Receipts: Vital Records Fees	\$	1,128	\$ 1,221
Expenditure: U.S. Veterans Administration Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 3	\$ 2
Total		\$ 3	\$ 2
Total Tax Impact per Revenue Source	\$	3	\$ 2
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee	\$	4,589	\$ 4,388
Expenditure: Public Aid Client and Other Agency Lab Exemption			
Fund Name and Code:		FY 97	FY 98
Metabolic Screening and Treatment Fund	0920	\$ 1,000	\$ 65
Total		\$ 1,000	\$ 65
Total Tax Impact per Revenue Source	\$	1,000	\$ 65
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Private Sewage Fee	\$	130	\$ 130
Expenditure: Plumbing License Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 18	\$ 22
Total		\$ 18	\$ 22
Total Tax Impact per Revenue Source	\$	18	\$ 22
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Pesticide Control Fee	\$	134	\$ 132
Expenditure: State Agency Employee Exemption			
Fund Name and Code:		FY 97	FY 98
Pesticide Control Fund	0576	\$ 3	\$ 2
Total		\$ 3	\$ 2
Total Tax Impact per Revenue Source	\$	3	\$ 2
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Recreational Area Fee	\$	35	\$ 34
Expenditure: Not-for-Profit and Governmental Agency Construction Application Fee Waiver			
Fund Name and Code:		FY 97⁵	FY 98
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 97	FY 98
General Revenue Fund	0001	\$ 35	\$ 35
Total		\$ 35	\$ 35

⁵ Consolidated in one tax expenditure for fiscal year 1997.

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

Public Health (Continued)

Expenditure: Not-for-Profit Organization and Governmental Agency Original License Application Fee Waiver			
Fund Name and Code:		FY 97⁵	FY 98
General Revenue Fund	0001	\$ _____	\$ _____ 1
Total		\$ _____	\$ _____ 1
Total Tax Impact per Revenue Source		\$ 35	\$ 37

	FY 97	FY 98
Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee	\$ 86	\$ 89

Expenditure: Not-for-Profit and Governmental Facility Construction Application Fee Waiver			
Fund Name and Code:		FY 97⁵	FY 98
General Revenue Fund	0001	\$ _____	\$ _____ 1
Total		\$ _____	\$ _____ 1

Expenditure: Not-for-Profit and Governmental Facility License Renewal Fee Waiver			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ _____ 91	\$ _____ 91
Total		\$ _____ 91	\$ _____ 91

Expenditure: Not-for-Profit Organization and Governmental Facility License Original License Fee Waiver			
Fund Name and Code:		FY 97⁵	FY 98
General Revenue Fund	0001	\$ _____	\$ _____ 2
Total		\$ _____	\$ _____ 2
Total Tax Impact per Revenue Source		\$ 91	\$ 94

	FY 97	FY 98
Revenue Source and Annual Receipts: Long Term Care Facility Fee	\$ 247	\$ 161

Expenditure: Home for the Aged Exemption			
Fund Name and Code:		FY 97	FY 98
Long Term Care Monitor/Receiver Fund	0285	\$ _____ 48	\$ _____ 20
Total		\$ _____ 48	\$ _____ 20
Total Tax Impact per Revenue Source		\$ 48	\$ 20

	FY 97	FY 98
Revenue Source and Annual Receipts: Childhood Lead Screening Fee	\$ 2,279	\$ 2,237

Expenditure: Low Income Family Waiver			
Fund Name and Code:		FY 97	FY 98
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	\$ _____ 1,464	\$ _____ 725
Total		\$ _____ 1,464	\$ _____ 725
Total Tax Impact per Revenue Source		\$ 1,464	\$ 725

	FY 97	FY 98
Revenue Source and Annual Receipts: HIV (ELISA) Test	\$ 0	\$ 24

Expenditure: Department Funded HIV Counseling and Testing Site and HIV Seroprevalence Exemption			
Fund Name and Code:		FY 97⁵	FY 98
Public Health Services Revolving Fund	0340	\$ _____	\$ _____ 588
Total		\$ _____	\$ _____ 588
Total Tax Impact per Revenue Source		\$ _____	\$ _____ 588

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

Public Health (Concluded)

	FY 97	FY 98
Revenue Source and Annual Receipts: Sexually Transmitted Disease Test Fee	\$ 0	\$ 24
Expenditure: Population With High Incidence of Sexually Transmitted Diseases Exemption		
Fund Name and Code:	FY 97⁵	FY 98
Public Health Services Revolving Fund	0340 \$	\$ 2,273
Total	\$	\$ 2,273
Total Tax Impact per Revenue Source	\$	\$ 2,273
<hr/>		
	FY 97	FY 98
Revenue Source and Annual Receipts: Youth Camp License Application Fee	\$ 4	\$ 3
Expenditure: Governmental Agency Waiver		
Fund Name and Code:	FY 97⁵	FY 98
General Revenue Fund	0001 \$	\$ 1
Total	\$	\$ 1
Total Tax Impact per Revenue Source	\$	\$ 1
<hr/>		
	FY 97	FY 98
Revenue Source and Annual Receipts: Environmental Lead License Application Fee	\$ 238	\$ 254
Expenditure: Department of Public Health and Delegate Agency Employee Waiver		
Fund Name and Code:	FY 97⁵	FY 98
Lead Poisoning, Screening, Prevention and Abatement Fund	0360 \$	\$ 10
Total	\$	\$ 10
Total Tax Impact per Revenue Source	\$	\$ 10
<hr/>		
	FY 97	FY 98
Revenue Source and Annual Receipts: Salvage Warehouse Store Act	\$ 11	\$ 10
Expenditure: Not-for-Profit Organization Waiver		
Fund Name and Code:	FY 97⁵	FY 98
General Revenue Fund	0001 \$	\$ 10
Total	\$	\$ 10
Total Tax Impact per Revenue Source	\$	\$ 10
Total Tax Impact, Public Health	\$ 2,692	\$ 3,849

Revenue

	FY 97	FY 98
Revenue Source and Annual Receipts: Sales and Use Tax ⁶	\$ 5,295,943	\$ 5,596,047
Expenditure: Building Materials within Enterprise Zone Exemption		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund	0001 \$ 7,806	\$ 8,172
General Revenue - Common School Special Account Fund	0005 2,602	2,724
Local Government Distributive Fund	0515 42	44
Total	\$ 10,450	\$ 10,940

⁶ Sales tax expenditure data is largely computed from calendar 1997 returns.

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

Revenue (Continued)

Expenditure: Coal, Oil, and Distillation Machinery and Equipment Exemption ⁷

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 2,738	\$ 2,850
General Revenue - Common School Special Account Fund	0005	892	950
Local Government Distributive Fund	0515	15	15
Total		\$ 3,645	\$ 3,815

Expenditure: Designated Tangible Personal Property within Enterprise Zone Exemption ⁸

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 20,094	\$ 20,543
General Revenue - Common School Special Account Fund	0005	6,698	6,847
Local Government Distributive Fund	0515	108	110
Total		\$ 26,900	\$ 27,500

Expenditure: Farm Chemicals (Includes Feed and Seed) Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 112,797	\$ 118,026
General Revenue - Common School Special Account Fund	0005	37,599	39,342
Local Government Distributive Fund	0515	604	632
Total		\$ 151,000	\$ 158,000

Expenditure: Farm Machinery and Equipment Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 26,892	\$ 28,162
General Revenue - Common School Special Account Fund	0005	8,946	9,387
Local Government Distributive Fund	0515	144	151
Total		\$ 35,982	\$ 37,700

Expenditure: Food, Drugs, and Medical Appliances Rate Reduction

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 645,408	\$ 675,662
General Revenue - Common School Special Account Fund	0005	215,136	225,220
Local Government Distributive Fund	0515	3,456	3,618
Total		\$ 864,000	\$ 904,500

Expenditure: Gasohol Discount

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 22,780	\$ 24,726
General Revenue - Common School Special Account Fund	0005	7,593	8,242
Local Government Distributive Fund	0515	122	132
Total		\$ 30,495	\$ 33,100

Expenditure: Graphic Arts Machinery and Equipment Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 4,370	\$ 4,575
General Revenue - Common School Special Account Fund	0005	1,457	1,525
Local Government Distributive Fund	0515	23	25
Total		\$ 5,850	\$ 6,125

⁷ May also include tax expenditures from the Low Sulfur Dioxide Coal Fueled Device exemption.

⁸ 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 to a High Impact Business.

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

Revenue (Continued)

Expenditure: Interim Use Prior to Sale Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 6,125	\$ 6,723
General Revenue - Common School Special Account Fund	0005	2,042	2,241
Local Government Distributive Fund	0515	33	36
Total		\$ 8,200	\$ 9,000

Expenditure: Legal Tender, Medallions, and Bullion Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 971	\$ 1,046
General Revenue - Common School Special Account Fund	0005	324	347
Local Government Distributive Fund	0515	5	6
Total		\$ 1,300	\$ 1,399

Expenditure: Manufacturer's Purchase Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 6,000	\$ 6,424
General Revenue - Common School Special Account Fund	0005	1,968	2,141
Local Government Distributive Fund	0515	32	34
Total		\$ 8,000	\$ 8,599

Expenditure: Manufacturing and Assembling Machinery and Equipment Exemption ⁹

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 87,399	\$ 91,134
General Revenue - Common School Special Account Fund	0005	29,133	30,378
Local Government Distributive Fund	0515	468	488
Total		\$ 117,000	\$ 122,000

Expenditure: Newspaper and Ink to Newspapers and Magazines Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 29,880	\$ 29,880
General Revenue - Common School Special Account Fund	0005	9,960	9,960
Local Government Distributive Fund	0515	160	160
Total		\$ 40,000	\$ 40,000

Expenditure: Pollution Control Facilities Exemption ¹⁰

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1,954	\$ 2,017
General Revenue - Common School Special Account Fund	0005	651	672
Local Government Distributive Fund	0515	10	11
Total		\$ 2,615	\$ 2,700

Expenditure: Property Acquired by Non-Resident before Relocating in Illinois Exemption ¹¹

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 7,844	\$ 3,810
General Revenue - Common School Special Account Fund	0005	2,614	1,270
Local Government Distributive Fund	0515	42	20
Total		\$ 10,500	\$ 5,100

⁹ Includes the Photo Processing Machinery and Equipment exemption.

¹⁰ May include Low Sulfur Dioxide Coal Fueled Device exemption.

¹¹ Applies to property acquired outside Illinois by a non-resident and brought to Illinois after being used at least 3 months outside of Illinois. Fiscal year 1998 only applies to motor vehicles.

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

Revenue (Continued)

Expenditure: Replacement Vehicles Exemption ¹²

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1,209	\$ 1,494
General Revenue - Common School Special Account Fund	0005	403	498
Local Government Distributive Fund	0515	6	8
Total		\$ 1,618	\$ 2,000

Expenditure: Retailer's Discount

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 63,944	\$ 65,587
General Revenue - Common School Special Account Fund	0005	21,314	21,862
Local Government Distributive Fund	0515	342	351
Total		\$ 85,600	\$ 87,800

Expenditure: Rolling Stock Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 37,350	\$ 63,495
General Revenue - Common School Special Account Fund	0005	12,450	21,165
Local Government Distributive Fund	0515	200	340
Total		\$ 50,000	\$ 85,000

Expenditure: Sales of Motor Vehicles to Non-Residents Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 46,389	\$ 31,822
General Revenue - Common School Special Account Fund	0005	15,463	10,607
Local Government Distributive Fund	0515	248	171
Total		\$ 62,100	\$ 42,600

Expenditure: Sales of Vehicles to Automobile Rentors Exemption ¹³

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 3,735	\$ 5,677
General Revenue - Common School Special Account Fund	0005	1,245	1,893
Local Government Distributive Fund	0515	20	30
Total		\$ 5,000	\$ 7,600

Expenditure: Sales to Exempt Organizations ¹⁴

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 382,464	\$ 400,392
General Revenue - Common School Special Account Fund	0005	127,488	133,464
Local Government Distributive Fund	0515	2,048	2,144
Total		\$ 512,000	\$ 536,000

Expenditure: Traded-In Property Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 224,100	\$ 224,100
General Revenue - Common School Special Account Fund	0005	74,700	74,700
Local Government Distributive Fund	0515	1,200	1,200
Total		\$ 300,000	\$ 300,000

Total Tax Impact per Revenue Source		\$ 2,332,255	\$ 2,431,478
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¹² Tax expenditure is net of replacement vehicle tax receipts.

¹³ Tax expenditure is net of automobile rental tax receipts.

¹⁴ 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 97	FY 98
Revenue Source and Annual Receipts: Individual Income Tax ¹⁵	\$ 6,551,468	\$ 7,268,393
Expenditure: Additional Exemptions: Blind and Elderly		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 26,058	\$ 26,444
Education Assistance Fund 0007	2,052	2,082
Income Tax Refund Fund 0278	1,890	1,756
Total	\$ 30,000	\$ 30,282
Expenditure: Federally Taxed Retirement and Social Security Subtractions		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 390,870	\$ 460,858
Education Assistance Fund 0007	30,780	36,292
Income Tax Refund Fund 0278	28,350	30,610
Total	\$ 450,000	\$ 527,760
Expenditure: Income Tax Credits ¹⁶		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 2,258	\$ 2,343
Education Assistance Fund 0007	178	184
Income Tax Refund Fund 0278	164	156
Total	\$ 2,600	\$ 2,683
Expenditure: Military Pay Subtraction		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 13,898	\$ 13,328
Education Assistance Fund 0007	1,094	1,050
Income Tax Refund Fund 0278	1,008	885
Total	\$ 16,000	\$ 15,263
Expenditure: Other Subtractions ¹⁷		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 15,635	\$ 18,338
Education Assistance Fund 0007	1,231	1,444
Income Tax Refund Fund 0278	1,134	1,218
Total	\$ 18,000	\$ 21,000
Expenditure: Standard Exemption: Taxpayers and Dependents		
Fund Name and Code:	FY 97	FY 98
General Revenue Fund 0001	\$ 275,346	\$ 279,264
Education Assistance Fund 0007	21,683	21,992
Income Tax Refund Fund 0278	19,971	18,549
Total	\$ 317,000	\$ 319,805

¹⁵ Derived from 1996 tax year returns.

¹⁶ Enterprise zone, high impact business investment, jobs and training, research and development, dependent care, and environmental remediation credits.

¹⁷ Includes subtractions for a variety of items, some of which (enterprise 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, and self-employed health insurance) are tax expenditures.

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

Revenue (Continued)

Expenditure: Tax Credit for Residential Real Property Taxes

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 219,756	\$ 243,982
Education Assistance Fund	0007	17,305	19,213
Income Tax Refund Fund	0278	15,939	16,205
Total		\$ 253,000	\$ 279,400
Total Tax Impact per Revenue Source		\$ 1,086,600	\$ 1,196,193

	FY 97	FY 98
Revenue Source and Annual Receipts: Corporate Income Tax ¹⁵	\$ 1,361,387	\$ 1,401,987

Expenditure: Coal Research and Coal Utilization Investment Credits

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 2,881	\$ 527
Education Assistance Fund	0007	227	42
Income Tax Refund Fund	0278	792	134
Total		\$ 3,900	\$ 703

Expenditure: Dependent Care Assistance Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 24	\$ 765
Education Assistance Fund	0007	2	60
Income Tax Refund Fund	0278	6	193
Total		\$ 32	\$ 1,018

Expenditure: Enterprise and Foreign Trade Zone Dividend Subtractions

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 89	\$ 3,254
Education Assistance Fund	0007	7	256
Income Tax Refund Fund	0278	24	823
Total		\$ 120	\$ 4,333

Expenditure: Enterprise Zone and High Economic Impact Interest Subtractions

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1,182	\$ 1,481
Education Assistance Fund	0007	93	116
Income Tax Refund Fund	0278	325	374
Total		\$ 1,600	\$ 1,971

Expenditure: Enterprise Zone Charitable Contribution Subtraction

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 592	\$ 613
Education Assistance Fund	0007	46	48
Income Tax Refund Fund	0278	162	155
Total		\$ 800	\$ 816

Expenditure: Enterprise Zone Investment Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 7,388	\$ 6,333
Education Assistance Fund	0007	582	499
Income Tax Refund Fund	0278	2,030	1,602
Total		\$ 10,000	\$ 8,434

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

Revenue (Continued)

Expenditure: High Economic Impact Business Investment Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 296	\$ 861
Education Assistance Fund	0007	23	68
Income Tax Refund Fund	0278	81	218
Total		\$ 400	\$ 1,147

Expenditure: Illinois Net Operating Loss Deduction

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 112,670	\$ 97,282
Education Assistance Fund	0007	8,873	7,661
Income Tax Refund Fund	0278	30,957	24,616
Total		\$ 152,500	\$ 129,559

Expenditure: Job Training Contribution Subtraction

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 89	\$ 190
Education Assistance Fund	0007	7	15
Income Tax Refund Fund	0278	24	48
Total		\$ 120	\$ 253

Expenditure: Jobs Tax Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 10	\$ 5
Education Assistance Fund	0007	1	0
Income Tax Refund Fund	0278	3	1
Total		\$ 14	\$ 6

Expenditure: Life and Health Insurance Guarantee Association Tax Offset

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	1,995	\$ 3,103
Education Assistance Fund	0007	157	244
Income Tax Refund Fund	0278	548	785
Total		2,700	\$ 4,132

Expenditure: Replacement Taxes Paid Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 6,871	\$ 8,197
Education Assistance Fund	0007	541	645
Income Tax Refund Fund	0278	1,888	2,074
Total		\$ 9,300	\$ 10,916

Expenditure: Research and Development Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 20,540	\$ 26,399
Education Assistance Fund	0007	1,617	2,079
Income Tax Refund Fund	0278	5,643	6,680
Total		\$ 27,800	\$ 35,158

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

Revenue (Continued)

Expenditure: Standard Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 4,064	\$ 4,114
Education Assistance Fund	0007	320	324
Income Tax Refund Fund	0278	1,116	1,041
Total		\$ 5,500	\$ 5,479

Expenditure: TECH-PREP Youth Vocational Program Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1	\$ 10
Education Assistance Fund	0007	0	1
Income Tax Refund Fund	0278	0	3
Total		\$ 1	\$ 14

Expenditure: Training Expense Credit

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 12,856	\$ 13,272
Education Assistance Fund	0007	1,012	1,045
Income Tax Refund Fund	0278	3,532	3,358
Total		\$ 17,400	\$ 17,675

Total Tax Impact per Revenue Source	\$ 232,187	\$ 221,614
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	FY 97	FY 98
Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax	\$ 25,309	\$ 26,164

Expenditure: Claims for Loss or Damage Deduction

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 115	\$ 119
Total		\$ 115	\$ 119

Expenditure: Exempt Organization Rentals ¹⁸

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 200	\$ 207
Total		\$ 200	\$ 207

Expenditure: Insurance Coverage Deduction

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1,050	\$ 1,085
Total		\$ 1,050	\$ 1,085

Expenditure: Other/Miscellaneous Deductions

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 720	\$ 744
Total		\$ 720	\$ 744

Expenditure: Refueling Deduction

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 410	\$ 424
Total		\$ 410	\$ 424

¹⁸ 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)

Expenditure: Timely Filing and Full Payment Discount

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 455	\$ 475
Total		\$ 455	\$ 475
Total Tax Impact per Revenue Source		\$ 2,950	\$ 3,054

	FY 97	FY 98
Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes	\$ 412,674	\$ 451,718

Expenditure: Cost of Collection Discount

Fund Name and Code:		FY 97	FY 98
Long Term Care Provider Fund	0345	\$ 6,487	\$ 6,575
Hospital Provider Fund	0346	0	658
Total		\$ 6,487	\$ 7,233
Total Tax Impact per Revenue Source		\$ 6,487	\$ 7,233

	FY 97	FY 98
Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax	\$ 117,495	\$ 128,373

Expenditure: Cost of Collection Discount

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1,874	\$ 2,095
Build Illinois Fund	0960	1,874	2,095
Total		\$ 3,748	\$ 4,190

Expenditure: Permanent Residents Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 2,725	\$ 2,977
Build Illinois Fund	0960	2,725	2,977
Total		\$ 5,450	\$ 5,954
Total Tax Impact per Revenue Source		\$ 9,198	\$ 10,144

	FY 97	FY 98
Revenue Source and Annual Receipts: Liquor Gallonage Tax	\$ 56,650	\$ 57,034

Expenditure: Non-Beverage User Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 75	\$ 73
Total		\$ 75	\$ 73

Expenditure: Sacramental Wine Exemption

Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 4	\$ 4
Total		\$ 4	\$ 4
Total Tax Impact per Revenue Source		\$ 79	\$ 77

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

Revenue (Continued)

		FY 97	FY 98
Revenue Source and Annual Receipts: Underground Storage Tank Tax		\$ 59,901	\$ 68,457
Expenditure: Airport Exemption			
Fund Name and Code:		FY 97	FY 98
Underground Storage Tank Fund	0072	\$ 9,062	\$ 8,167
Total		\$ 9,062	\$ 8,167
Expenditure: Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers			
Fund Name and Code:		FY 97	FY 98
Underground Storage Tank Fund	0072	\$ 219	\$ 382
Total		\$ 219	\$ 382
Expenditure: Liquefied Propane Gas Exemption			
Fund Name and Code:		FY 97	FY 98
Underground Storage Tank Fund	0072	\$ 70	\$ 67
Total		\$ 70	\$ 67
Expenditure: Rail Carrier Exemption			
Fund Name and Code:		FY 97	FY 98
Underground Storage Tank Fund	0072	\$ 2,280	\$ 2,286
Total		\$ 2,280	\$ 2,286
Expenditure: Timely Filing and Full Payment Discount			
Fund Name and Code:		FY 97	FY 98
Underground Storage Tank Fund	0072	\$ 1,328	\$ 1,232
Total		\$ 1,328	\$ 1,232
Total Tax Impact per Revenue Source		\$ 12,959	\$ 12,134
		FY 97	FY 98
Revenue Source and Annual Receipts: Motor Fuel Taxes		\$ 1,172,368	\$ 1,232,201
Expenditure: Aviation Purposes Exemption			
Fund Name and Code:		FY 97	FY 98
Motor Fuel Tax - State Fund	0012	\$ 77	\$ 69
Total		\$ 77	\$ 69
Expenditure: Municipal Corporation or Private Utility Local Transportation System Exemption			
Fund Name and Code:		FY 97	FY 98
Motor Fuel Tax - State Fund	0012	\$ 12,120	\$ 10,807
Total		\$ 12,120	\$ 10,807
Expenditure: Sales for Use Other Than in Motor Vehicles Exemption			
Fund Name and Code:		FY 97	FY 98
Motor Fuel Tax - State Fund	0012	\$ 58,607	\$ 57,576
Total		\$ 58,607	\$ 57,576
Expenditure: Timely Filing and Full Payment Discount			
Fund Name and Code:		FY 97	FY 98
Motor Fuel Tax - State Fund	0012	\$ 21,481	\$ 22,075
Total		\$ 21,481	\$ 22,075
Total Tax Impact per Revenue Source		\$ 92,285	\$ 90,527

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

Revenue (Continued)

		FY 97	FY 98
Revenue Source and Annual Receipts: Public Utilities Revenue Tax (Electricity)	\$	312,093	\$ 316,295
Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 19,049	\$ 23,516
Total		\$ 19,049	\$ 23,516
Expenditure: Purchase of Electricity Generated by Solid Waste Energy Facility Credit			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 12,171	\$ 17,888
Total		\$ 12,171	\$ 17,888
Total Tax Impact per Revenue Source	\$	31,220	\$ 41,404
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Gas Revenue Tax	\$	153,082	\$ 135,525
Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1,562	\$ 1,226
Total		\$ 1,562	\$ 1,226
Expenditure: Purchase From Out-of-State Supplier Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 5,199	\$ 3,633
Total		\$ 5,199	\$ 3,633
Total Tax Impact per Revenue Source	\$	6,761	\$ 4,859
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Telecommunications Excise Tax	\$	407,264	\$ 495,508
Expenditure: Coin-Operated Telecommunications Devices Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 6	\$ 7
Total		\$ 6	\$ 7
Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 104	\$ 132
Total		\$ 104	\$ 132
Total Tax Impact per Revenue Source	\$	110	\$ 139
<hr/>			
		FY 97	FY 98
Revenue Source and Annual Receipts: Vehicle Use Tax	\$	42,087	\$ 41,883
Expenditure: Business Reorganization Preferential Tax Rate			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 116	\$ 93
Total		\$ 116	\$ 93

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

Revenue (Concluded)

Expenditure: Estate Gift to Beneficiary Preferential Tax Rate			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 169	\$ 163
Total		\$ 169	\$ 163
Expenditure: Family Member Preferential Tax Rate			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 4,800	\$ 4,400
Total		\$ 4,800	\$ 4,400
Expenditure: Government, Charitable, Educational, Religious Entities Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 159	\$ 174
Total		\$ 159	\$ 174
Expenditure: Out-of-State Resident Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 1,500	\$ 1,100
Total		\$ 1,500	\$ 1,100
Expenditure: Rolling Stock Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 6,300	\$ 2,600
Total		\$ 6,300	\$ 2,600
Expenditure: Surviving Spouse Exemption			
Fund Name and Code:		FY 97	FY 98
General Revenue Fund	0001	\$ 245	\$ 201
Total		\$ 245	\$ 201
Total Tax Impact per Revenue Source		\$ 13,289	\$ 8,731
Total Tax Impact, Revenue		\$ 3,826,380	\$ 4,027,587

Commerce Commission

		FY 97	FY 98
Revenue Source and Annual Receipts: Gross Receipts Tax (Public Utility Fund)		\$ 16,061	\$ 16,250
Expenditure: Enterprise Zone Revenue Exemption			
Fund Name and Code:		FY 97	FY 98
Public Utility Fund	0059	\$ 437	\$ 458
Total		\$ 437	\$ 458
Total Tax Impact per Revenue Source		\$ 437	\$ 458
Total Tax Impact, Commerce Commission		\$ 437	\$ 458

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

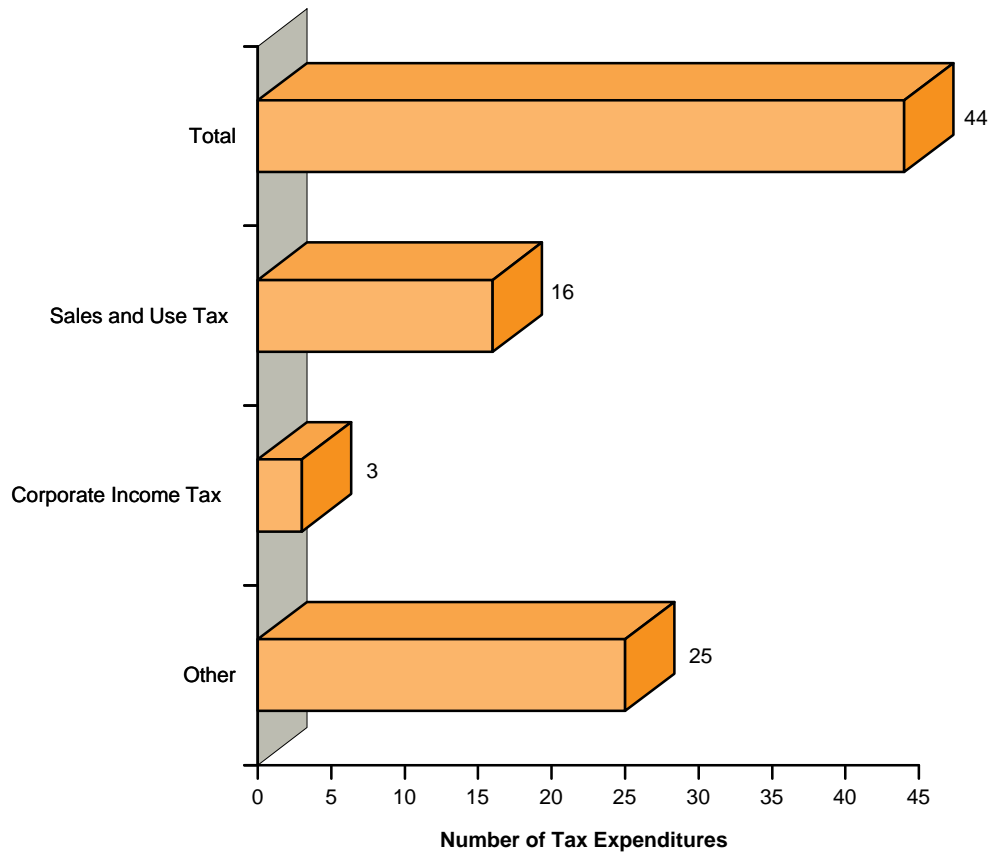
Environmental Protection Agency

		FY 97	FY 98
Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee			
		\$ 550	\$ 550
Expenditure: State and Local Government Exemption			
Fund Name and Code:			
Environmental Protection Permit and Inspection Fund	0944	\$ <u>FY 97³</u>	\$ <u>FY 98</u>
		\$ 275	\$ 275
Total		\$ 275	\$ 275
Total Tax Impact per Revenue Source		\$	\$ 275
<hr/>			
Revenue Source and Annual Receipts: Water Main Construction Permit Application Fee			
		\$ 350	\$ 350
Expenditure: State and Local Government Exemption			
Fund Name and Code:			
Environmental Protection Permit and Inspection Fund	0944	\$ <u>FY 97³</u>	\$ <u>FY 98</u>
		\$ 175	\$ 175
Total		\$ 175	\$ 175
Total Tax Impact per Revenue Source		\$	\$ 175
<hr/>			
Revenue Source and Annual Receipts: Title V Permit Fee			
		\$ 10,418	\$ 10,320
Expenditure: Phase I Acid Rain Sources Exemption			
Fund Name and Code:			
Clean Air Act (CAA) Permit Fund	0091	\$ <u>FY 97</u>	\$ <u>FY 98</u>
		\$ 1,000	\$ 1,000
Total		\$ 1,000	\$ 1,000
Total Tax Impact per Revenue Source		\$ 1,000	\$ 1,000
Total Tax Impact, Environmental Protection Agency		\$ 1,000	\$ 1,450

Racing Board

		FY 97	FY 98
Revenue Source and Annual Receipts: Admission Tax			
		\$ 190	\$ 160
Expenditure: Free General Admission			
Fund Name and Code:			
General Revenue Fund	0001	\$ <u>FY 97</u>	\$ <u>FY 98</u>
		\$ 660	\$ 705
Total		\$ 660	\$ 705
Total Tax Impact per Revenue Source		\$ 660	\$ 705
Total Tax Impact, Racing Board		\$ 660	\$ 705
GRAND TOTAL, IMPACT		\$ 3,923,229	\$ 4,055,324

Number of Expenditures with No Reported Impact or an Impact of Less Than One Million Dollars



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

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: One Day Fishing Lake Michigan License

Expenditure:
Disabled, Under 16

Revenue Source and Annual Receipts: Habitat Stamps

Expenditure:
Under 16

TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Natural Resources (Concluded)

Revenue Source and Annual Receipts: Waterfowl Stamps

Expenditure:

Disabled, Landowners/Tenants

Insurance

Revenue Source and Annual Receipts: Insurance Privilege Tax

Expenditure:

Life and Health Guaranty Assessments Credit
Replacement Income Tax Credit

Revenue Source and Annual Receipts: Valuation of Reserve Fee

Expenditure:

Life and Health Guaranty Assessments Credit

Revenue Source and Annual Receipts: Retaliatory Tax

Expenditure:

Fire Department Tax Credit
Life and Health Guaranty Assessments Credit
Replacement Income Tax Credit

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:

Low Sulfur Dioxide Emission Coal Fueled Device Exemption
Demonstration Use Prior to Resale
Disaster Relief Donation and Infrastructure Repair Exemption
Fuel and Petroleum Products for International Flight 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 *
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
Leased Property to Hospitals or Government Bodies

TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Revenue (Concluded)

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:

Federal Net Operating Loss Addition Modification
Interest Expense Subtraction
Environmental Remediation Tax Credit

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:

Prison and Mental Health Facility Exemption

Revenue Source and Annual Receipts: Public Utilities Revenue Tax (Electricity)

Expenditure:

Sales to Municipal Transit Systems

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:

State Universities Exemption

Revenue Source and Annual Receipts: Vehicle Use Tax

Expenditure:

Farm Implement 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

Environmental Protection Agency

Revenue Source and Annual Receipts: Air Pollution Site Fee

Expenditure:

Retail Liquid Dispensing Facility Exemption

Racing Board

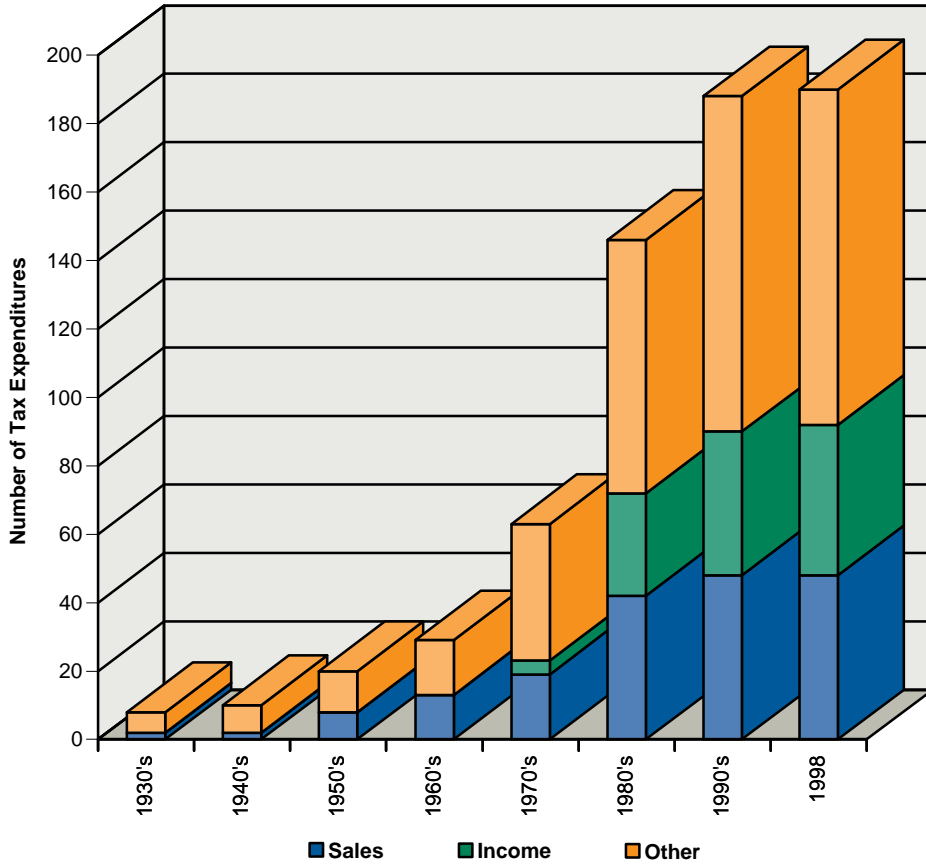
Revenue Source and Annual Receipts: Racing Privilege Tax

Expenditure:

Variable Rates for Tracks and Off Track Betting Parlors

* 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.

Number of Tax Expenditures in Effect
1930 - 1998



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>
One Million Dollar Cap on Franchise Tax for Corporations	1967

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

Revenue Source and Annual Receipts: Hunting Licenses and Permits *

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

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Natural Resources (Concluded)

Revenue Source and Annual Receipts: Fishing Licenses

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

Revenue Source and Annual Receipts: Sportsman License

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

Revenue Source and Annual Receipts: Trapping License *

Expenditure:	<u>Year Effective</u>
Owners, Bona Fide Tenants and Their Children	Unknown

Revenue Source and Annual Receipts: Salmon Stamp

Expenditure:	<u>Year Effective</u>
Disabled, Under 16	1976

Revenue Source and Annual Receipts: One Day Fishing Lake Michigan License

Expenditure:	<u>Year Effective</u>
Disabled, Under 16	1978

Revenue Source and Annual Receipts: Habitat Stamps

Expenditure:	<u>Year Effective</u>
Under 16	1993

Revenue Source and Annual Receipts: Waterfowl Stamps

Expenditure:	<u>Year Effective</u>
Disabled, Landowners/Tenants	1975

Insurance

Revenue Source and Annual Receipts: Insurance Privilege Tax

Expenditure:	<u>Year Effective</u>
Fire Department Tax Credit	1937
Replacement Income Tax Credit	1980
Life and Health Guaranty Assessments Credit	1980

Revenue Source and Annual Receipts: Valuation of Reserve Fee

Expenditure:	<u>Year Effective</u>
Life and Health Guaranty Assessments Credit	1980

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Insurance (Concluded)

Revenue Source and Annual Receipts: Retaliatory Tax

Expenditure:	<u>Year Effective</u>
Fire Department Tax Credit	1937
Life and Health Guaranty Assessments Credit	1980
Replacement Income Tax Credit	1980

Professional Regulation

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

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

Public Aid

Revenue Source and Annual Receipts: Long Term Care Provider Assessment

Expenditure:	<u>Year Effective</u>
100% Contribution Homes Exemption	1994

Revenue Source and Annual Receipts: Hospital Provider Assessment

Expenditure:	<u>Year Effective</u>
Rural Hospital Exemption	1994

Public Health

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

Expenditure:	<u>Year Effective</u>
Natural Disaster and Other Emergency Waiver	1975

Revenue Source and Annual Receipts: Vital Records Fees

Expenditure:	<u>Year Effective</u>
U.S. Veterans Administration Exemption	1962

Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee

Expenditure:	<u>Year Effective</u>
Public Aid Client and Other Agency Lab Exemption	1990

Revenue Source and Annual Receipts: Private Sewage Fee

Expenditure:	<u>Year Effective</u>
Plumbing License Exemption	1973

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Public Health (Concluded)

Revenue Source and Annual Receipts: Pesticide Control Fee

Expenditure:	<u>Year Effective</u>
State Agency Employee Exemption	1975

Revenue Source and Annual Receipts: Recreational Area Fee

Expenditure:	<u>Year Effective</u>
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

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

Expenditure:	<u>Year Effective</u>
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:	<u>Year Effective</u>
Homes for the Aged Exemption	1980

Revenue Source and Annual Receipts: Childhood Lead Screening Fee

Expenditure:	<u>Year Effective</u>
Low Income Family Waiver	1993

Revenue Source and Annual Receipts: HIV (ELISA) Test

Expenditure:	<u>Year Effective</u>
Department Funded HIV Counseling and Testing Site and HIV Seroprevalence Exemption	1996

Revenue Source and Annual Receipts: Sexually Transmitted Disease Test Fee

Expenditure:	<u>Year Effective</u>
Population With High Incidence of Sexually Transmitted Diseases Exemption	1996

Revenue Source and Annual Receipts: Youth Camp License Application Fee

Expenditure:	<u>Year Effective</u>
Governmental Agency Exemption	1973

Revenue Source and Annual Receipts: Environmental Lead License Application Fee

Expenditure:	<u>Year Effective</u>
Department of Public Health and Delegate Agency Employee Waiver	1991

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

Expenditure:	<u>Year Effective</u>
Not-for-Profit Organization Waiver	1972

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:	<u>Year Effective</u>
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
Pollution Control Facilities Exemption	1970
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
Gasohol Discount	1980
Food, Drugs, and Medical Appliances Rate Reduction	1980
Low Sulfur Dioxide Emission Coal Fueled Device Exemption	1980
Farm Machinery and Equipment Exemption	1980
Distillation Machinery and Equipment Exemption	1981
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
Replacement Vehicles Exemption	1984
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
Oil Machinery and Equipment Exemption	1986
Building Materials to High Economic Impact Business Exemption	1986
Coal Machinery and Equipment Exemption	1986
Sales of Vehicles to Automobile Rentors Exemption	1988
Photo Processing Machinery and Equipment Exemption	1988
Specified Photoprocessing Charges Exemption	1988
Senior Citizens Service Enterprises Exemption	1988
Sales to Not for Profit Music and Dramatic Arts Organization Exemption	1988
Fuel and Petroleum Products for International Flight Exemption	1989
Machinery/Equipment for Operation of High Economic Impact Service Facility	1989
Sales of Tangible Personal Property Used by Aircraft Maintenance Facilities	1991
Nursing Homes Food Drugs and Medical Appliances Exemption	1991

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

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

Expenditure:	<u>Year Effective</u>
Sales of Machinery and Equipment in Operation of Aircraft Maintenance Facilities	1991
Manufacturer's Purchase Credit	1995
Disaster Relief Donation and Infrastructure Repair Exemption	1996
Leased Property to Hospitals or Government Bodies	1996

Revenue Source and Annual Receipts: Individual Income Tax

Expenditure:	<u>Year Effective</u>
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
Training Expense Credit	1987
Additional Exemptions: Blind and Elderly	1990
Research and Development Credit	1991
Tax Credit for Residential Real Property Taxes	1992
Acceleration of Life Insurance Benefits Subtraction	1992
Persian Gulf War Bonus Subtraction	1992
TECH-PREP Youth Vocational Program Credit	1995
Dependent Care Assistance Credit	1995
Medical Care Savings Account Subtraction	1995
Self-Employed Health Insurance Subtraction	1996
Environmental Remediation Tax Credit	1998

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:	<u>Year Effective</u>
Standard Exemption	1970
Life and Health Insurance Guarantee Association Tax Offset	1980
Enterprise Zone Investment Credit	1983
Enterprise Zone Interest Subtraction	1983
Enterprise Zone Dividends Subtraction	1983
Enterprise Zone Charitable Contribution Subtraction	1983
Interest Expense Subtraction	1984
Coal Research and Coal Utilization Investment Credits	1985
Foreign Trade Zone Dividends Subtraction	1986
Replacement Taxes Paid Credit	1986
High Economic Impact Business Interest Subtraction	1986
High Economic Impact Business Investment Credit	1986

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

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

Expenditure:	<u>Year Effective</u>
Illinois Net Operating Loss Deduction	1986
Job Training Contribution Subtraction	1986
Jobs Tax Credit	1986
Federal Net Operating Loss Addition Modification	1986
Training Expense Credit	1987
Health Maintenance Organization Guaranty Association Tax Offset	1988
Research and Development Credit	1991
Dependent Care Assistance Credit	1995
TECH-PREP Youth Vocational Program Credit	1995
Environmental Remediation Tax Credit	1998

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

Expenditure:	<u>Year Effective</u>
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

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

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

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

Expenditure:	<u>Year Effective</u>
Permanent Residents Exemption	1962
Cost of Collection Discount	1988

Revenue Source and Annual Receipts: Liquor Gallonage Tax

Expenditure:	<u>Year Effective</u>
Non-Beverage User Exemption	1935
Sacramental Wine Exemption	1935

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Expenditure:	<u>Year Effective</u>
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

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Concluded)

Revenue Source and Annual Receipts: Motor Fuel Taxes

Expenditure:	<u>Year Effective</u>
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

Revenue Source and Annual Receipts: Public Utilities Revenue Tax (Electricity)

Expenditure:	<u>Year Effective</u>
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:	<u>Year Effective</u>
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
Purchase From Out-of-State Supplier Exemption	1996

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:	<u>Year Effective</u>
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
State Universities Exemption	1986
Coin-Operated Telecommunications Devices Exemption	1990

Revenue Source and Annual Receipts: Vehicle Use Tax

Expenditure:	<u>Year Effective</u>
Out-of-State Resident Exemption	1980
Rolling Stock Exemption	1980
Government, Charitable, Educational, Religious Entities Exemption	1980
Farm Implement Exemption	1980
Family Member Preferential Tax Rate	1988
Estate Gift to Beneficiary Preferential Tax Rate	1988
Business Reorganization Preferential Tax Rate	1988
Surviving Spouse Exemption	1990

Revenue Source and Annual Receipts: Real Estate Transfer Tax

Expenditure:	<u>Year Effective</u>
Other Exempted Deeds or Trust Documents	1968
Mortgage Foreclosure Exemption	1986

Revenue Source and Annual Receipts: Riverboat Gambling Admission Tax

Expenditure:	<u>Year Effective</u>
Tax Free Admission Passes	1991

TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Commerce Commission

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

Expenditure:	<u>Year Effective</u>
Enterprise Zone Revenue Exemption	1988

Environmental Protection Agency

Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee

Expenditure:	<u>Year Effective</u>
State and Local Government Exemption	1991

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

Expenditure:	<u>Year Effective</u>
State and Local Government Exemption	1990

Revenue Source and Annual Receipts: Air Pollution Site Fee

Expenditure:	<u>Year Effective</u>
Retail Liquid Dispensing Facility Exemption	1989

Revenue Source and Annual Receipts: Title V Permit Fee

Expenditure:	<u>Year Effective</u>
Phase I Acid Rain Sources Exemption	1995

Racing Board

Revenue Source and Annual Receipts: Admission Tax

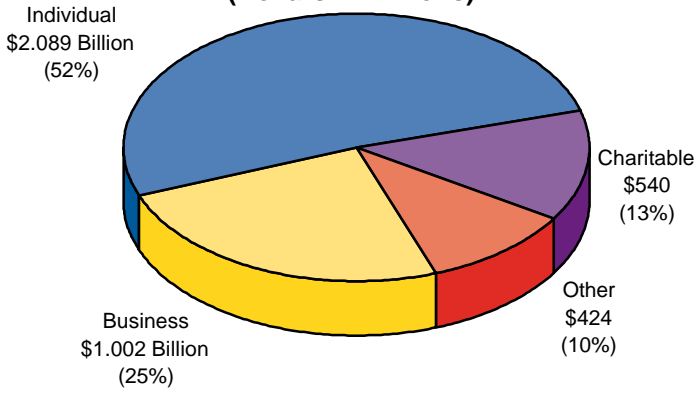
Expenditure:	<u>Year Effective</u>
Free General Admission	1975

Revenue Source and Annual Receipts: Racing Privilege Tax

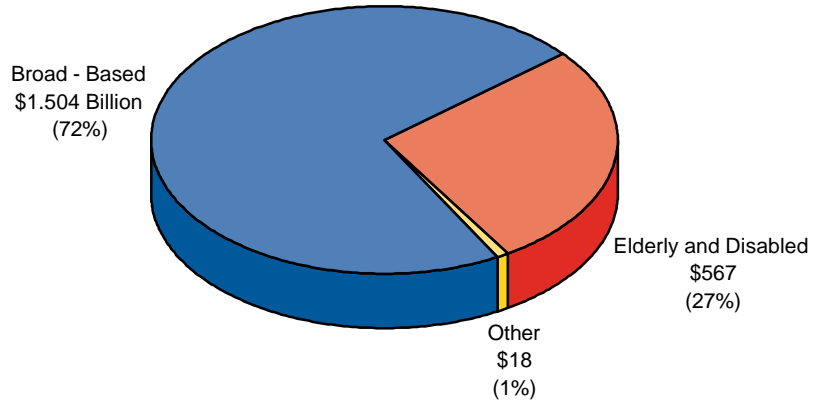
Expenditure:	<u>Year Effective</u>
Variable Rates for Tracks and Off Track Betting Parlors	1985

* 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.

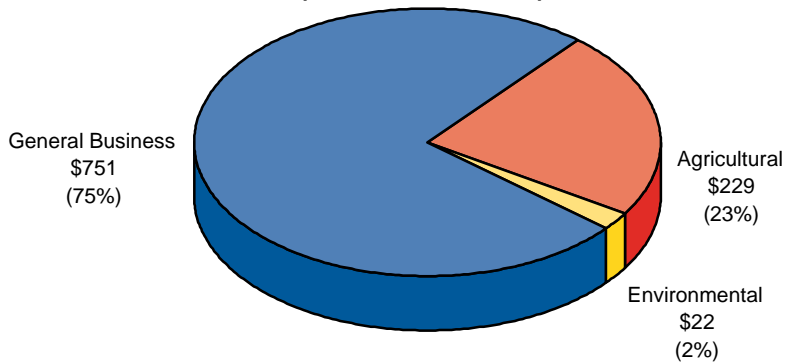
**Tax Expenditures by Purpose
(Dollars in Millions)**



**Individual Expenditures
(Dollars in Millions)**



**Business Expenditures
(Dollars in Millions)**



TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

<u>Agricultural Expenditures</u>		
	<u>Fiscal Year 1997</u>	<u>Fiscal Year 1998</u>
	<u>Annual Impact</u>	<u>Annual Impact</u>
Tax: Sales Tax		
Farm Chemicals (Includes Feed and Seed) Exemption	\$ 151,000	\$ 158,000
Farm Machinery and Equipment Exemption	35,982	37,700
Gasohol Discount	30,495	33,100
Total	<u>\$ 217,477</u>	<u>\$ 228,800</u>
Total, Agricultural Expenditures	<u>\$ 217,477</u>	<u>\$ 228,800</u>

<u>Environmental Expenditures</u>		
	<u>Fiscal Year 1997</u>	<u>Fiscal Year 1998</u>
	<u>Annual Impact</u>	<u>Annual Impact</u>
Tax: Sales Tax		
Pollution Control Facilities Exemption	\$ 2,615	\$ 2,700
Total	<u>\$ 2,615</u>	<u>\$ 2,700</u>
Tax: Corporate Income Tax		
Coal Research and Coal Utilization Investment Credits	\$ 3,900	\$ 703
Total	<u>\$ 3,900</u>	<u>\$ 703</u>
Tax: Other		
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	\$ 12,171	\$ 17,888
Phase I Acid Rain Sources Exemption	1,000	1,000
Total	<u>\$ 13,171</u>	<u>\$ 18,888</u>
Total, Environmental Expenditures	<u>\$ 19,686</u>	<u>\$ 22,291</u>

<u>Business Expenditures</u>		
	<u>Fiscal Year 1997</u>	<u>Fiscal Year 1998</u>
	<u>Annual Impact</u>	<u>Annual Impact</u>
Tax: Sales Tax		
Manufacturing and Assembling Machinery and Equipment Exemption	\$ 117,000	\$ 122,000
Retailer's Discount	85,600	87,800
Rolling Stock Exemption	50,000	85,000
Newsprint and Ink to Newspapers and Magazines Exemption	40,000	40,000
Designated Tangible Personal Property within Enterprise Zone Exemption	26,900	27,500
Building Materials within Enterprise Zone Exemption	10,450	10,940
Interim Use Prior to Sale Exemption	8,200	9,000
Manufacturer's Purchase Credit	8,000	8,599
Sales of Vehicles to Automobile Rentors Exemption	5,000	7,600
Graphic Arts Machinery and Equipment Exemption	5,850	6,125
Coal, Oil, and Distillation Machinery and Equipment Exemption	3,645	3,815
Total	<u>\$ 360,645</u>	<u>\$ 408,379</u>
Tax: Individual Income Tax		
Income Tax Credits	\$ 2,600	\$ 2,683
Total	<u>\$ 2,600</u>	<u>\$ 2,683</u>

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Business Expenditures (Concluded)

	Fiscal Year 1997 <u>Annual Impact</u>	Fiscal Year 1998 <u>Annual Impact</u>
Tax: Corporate Income Tax		
Illinois Net Operating Loss Deduction	\$ 152,500	\$ 129,559
Research and Development Credit	27,800	35,158
Training Expense Credit	17,400	17,675
Enterprise Zone Investment Credit	10,000	8,434
Standard Exemption	5,500	5,479
Enterprise and Foreign Trade Zone Dividend Subtractions	120	4,333
Life and Health Insurance Guarantee Association Tax Offset	2,700	4,132
Enterprise Zone and High Economic Impact Interest Subtractions	1,600	1,971
High Economic Impact Business Investment Credit	400	1,147
Job Training Contribution Subtraction	120	253
TECH-PREP Youth Vocational Program Credit	1	14
Jobs Tax Credit	14	6
Total	\$ 218,155	\$ 208,161
Tax: Other ¹		
Sales for Use Other Than in Motor Vehicles Exemption	\$ 58,607	\$ 57,576
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	19,049	23,516
Timely Filing and Full Payment Discount	21,481	22,075
Airport Exemption	9,062	8,167
Cost of Collection Discount	6,487	7,233
Cost of Collection Discount	3,748	4,190
One Million Dollar Cap on Franchise Tax for Corporations	3,000	3,000
Rail Carrier Exemption	2,280	2,286
Timely Filing and Full Payment Discount	1,328	1,232
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1,562	1,226
Timely Filing and Full Payment Discount	455	475
Enterprise Zone Revenue Exemption	437	458
Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers	219	382
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	104	132
Business Reorganization Preferential Tax Rate	116	93
Aviation Purposes Exemption	77	69
Life and Health Guaranty Assessments Credit	3,951	0
Life and Health Guaranty Assessments Credit	21,937	0
Total	\$ 153,900	\$ 132,110
Total, Business Expenditures	\$ 735,300	\$ 751,333

Individual Expenditures - Broad Based

	Fiscal Year 1997 <u>Annual Impact</u>	Fiscal Year 1998 <u>Annual Impact</u>
Tax: Sales Tax		
Food, Drugs, and Medical Appliances Rate Reduction	\$ 864,000	\$ 904,500
Total	\$ 864,000	\$ 904,500

¹ Refer to Appendix D for specific receipt sources for tax expenditures.

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Individual Expenditures - Broad Based (Concluded)

	Fiscal Year 1997 Annual Impact	Fiscal Year 1998 Annual Impact
Tax: Individual Income Tax		
Standard Exemption: Taxpayers and Dependents	\$ 317,000	\$ 319,805
Tax Credit for Residential Real Property Taxes	253,000	279,400
Total	\$ 570,000	\$ 599,205
Total, Individual Expenditures - Broad Based	\$ 1,434,000	\$ 1,503,705

Individual Expenditures - Elderly and Disabled

	Fiscal Year 1997 Annual Impact	Fiscal Year 1998 Annual Impact
Tax: Individual Income Tax		
Federally Taxed Retirement and Social Security Subtractions	\$ 450,000	\$ 527,760
Additional Exemptions: Blind and Elderly	30,000	30,282
Total	\$ 480,000	\$ 558,042
Tax: Other		
Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount	\$ 5,025	\$ 5,813
Senior Citizen Plate Renewal Reduction	1,833	1,935
Reduced Renewal Fee for Senior Citizens	870	824
Duplicated/Corrected ID Senior Citizen/Handicapped	351	321
Disabled Veteran Vehicle Registration Exemption	96	100
Duplication of Stolen Licenses for Senior Citizens	4	6
Total	\$ 8,179	\$ 8,999
Total, Individual Expenditures - Elderly and Disabled	\$ 488,179	\$ 567,041

Individual Expenditures - Other

	Fiscal Year 1997 Annual Impact	Fiscal Year 1998 Annual Impact
Tax: Individual Income Tax		
Military Pay Subtraction	\$ 16,000	\$ 15,263
Total	\$ 16,000	\$ 15,263
Tax: Other		
Population With High Incidence of Sexually Transmitted Diseases Exemption	0	2,273
Department Funded HIV Counseling and Testing Site and HIV Seroprevalence Exemption	0	588
X-POW Vehicle Registration Exemption	\$ 106	\$ 104
Total	\$ 106	\$ 2,965
Total, Individual Expenditures - Other	\$ 16,106	\$ 18,228

Charitable Expenditures

	Fiscal Year 1997 Annual Impact	Fiscal Year 1998 Annual Impact
Tax: Sales Tax		
Sales to Exempt Organizations ²	\$ 512,000	\$ 536,000
Total	\$ 512,000	\$ 536,000

² The Department of Revenue estimates that government purchases, including public schools, account for \$335 million in fiscal 1998 and charity, religious, private school, and foreign consulate purchases account for the remaining \$201 million.

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Charitable Expenditures (Concluded)

	<u>Fiscal Year 1997</u> <u>Annual Impact</u>	<u>Fiscal Year 1998</u> <u>Annual Impact</u>
Tax: Corporate Income Tax		
Dependent Care Assistance Credit	\$ 32	\$ 1,018
Enterprise Zone Charitable Contribution Subtraction	800	816
Total	\$ 832	\$ 1,834
Tax: Other		
Low Income Family Waiver	\$ 1,464	\$ 725
Charitable Organization Vehicle Exemption	68	515
Exempt Organization Rentals	200	207
Government, Charitable, Educational, Religious Entities Exemption	159	174
Other	126	141
Total	\$ 2,017	\$ 1,762
Total, Charitable Expenditures	\$ 514,849	\$ 539,596

Other Expenditures

	<u>Fiscal Year 1997</u> <u>Annual Impact</u>	<u>Fiscal Year 1998</u> <u>Annual Impact</u>
Tax: Sales Tax		
Traded-In Property Exemption	\$ 300,000	\$ 300,000
Sales of Motor Vehicles to Non-Residents Exemption	62,100	42,600
Property Acquired by Non-Resident before Relocating in Illinois Exemption	10,500	5,100
Replacement Vehicles Exemption	1,618	2,000
Legal Tender, Medallions, and Bullion Exemption	1,300	1,399
Total	\$ 375,518	\$ 351,099
Tax: Individual Income Tax		
Other Subtractions	\$ 18,000	\$ 21,000
Total	\$ 18,000	\$ 21,000
Tax: Corporate Income Tax		
Replacement Taxes Paid Credit	\$ 9,300	\$ 10,916
Total	\$ 9,300	\$ 10,916
Tax: Other		
Other	\$ 94,814	\$ 41,315
Total	\$ 94,814	\$ 41,315
Total, Other Expenditures	\$ 497,632	\$ 424,330

TECHNICAL APPENDIX

● *Tax Incentives Included in This Report*

The Comptroller's Office decided to limit required agency reporting to those tax expenditures which 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 1998 or Fiscal 1999 (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 the 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.

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.

Items that 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 arising for federal constitutional reasons are also excluded from this report. An example would be items exempt from state taxation due to the Commerce Clause of the federal Constitution.

● *Alternative 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 Further Information*

Agency tax expenditure submissions are provided to the Comptroller using the Comptroller's Automated Tax Expenditure Reporting System. Copies of these detailed agency responses will be made available on the at the Comptroller's web address <http://www.comptroller.state.il.us> or can be obtained by contacting Loren Iglarsh (217) 782-7921.