Debt-burdened Illinois gives tax breaks to large corporations

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Two major corporations based in Illinois have been granted hundreds of millions of dollars in tax breaks by the state, despite the state's record budget deficit. The Democrat-controlled state government simultaneously decided on budget cuts to social services.

The tax breaks passed the state legislature with bipartisan support earlier this month, and Democratic governor Pat Quinn added his signature December 16.

The CME Group, which operates the Chicago Board of Trade and Chicago Mercantile Exchange, will be reclassified under the state tax code. As a result, only 27 percent of its revenues, derived from commodity speculation and derivatives trading, will be subject to state taxes, compared with 100 percent at present. This will amount to $85 million dollars in lost state revenue.

Sears Holding Company, which operates more than 4,000 Kmart and Sears department stores, is headquartered in Hoffman Estates, Illinois, a suburb of Chicago. The company will receive tax credits worth $15 million a year for a decade, in addition to property tax reductions.

No guarantee was given that the companies would maintain employment levels, or, in the case of the CME Group, even remain in the state. On December 27, just two weeks after the tax breaks were passed, Sears Holding Companies announced it will close 100 to 120 stores nationwide in response to poor holiday season sales.

In defending the decision to grant Sears deep tax breaks, Governor Quinn stated, "the fact that they have to close some stores around the country, that isn't good news but it doesn't directly affect this agreement," which concerns only the staffing levels at the Hoffman Estates headquarters. In the midst of record levels of persistent unemployment, the governor's indifference to the retail job losses, both in Illinois and other states, speaks volumes about the real concerns of the Democratic Party.

Lawmakers have said that the tax breaks were passed in response to pressure from neighboring states like Wisconsin, Indiana, and Ohio, the governments of which are actively courting Illinois companies.

Brook Anderson, Quinn's press secretary, told the *Columbus Dispatch* that Ohio governor John Kasich offered "basically about four times" what Illinois was planning to give Sears to have the company move its headquarters. Sears acknowledged that it had received relocation proposals from several states.

Illinois faces a state budget shortfall of more than $8 billion. The tax breaks of the CME Group and Sears will add an estimated $325 million to that figure. More than $5 billion is owed to vendors statewide who provide services to hospitals, prisons, and schools.

At the beginning of 2011, the state passed a 67 percent increase in personal income tax and a 46 percent increase in corporate income tax. The latter increase has been bitterly opposed by businesses, and given as a reason why business should flee Illinois. With the passage of tax breaks for the CME Group and Sears, the increased corporate taxes are effectively side-stepped. Hundreds of other large employers in Illinois will undoubtedly pressure for their own exemptions or threaten to leave, while the state legislature is likely to remove the increased corporate tax entirely.

The regressive 67 percent increase on personal income taxes remains untouched, while social spending cuts are having a devastating impact. Mass closures of mental health facilities have been announced, which will affect the most vulnerable populations, such as the chronically mentally ill, the elderly, and struggling households.

In July, Illinois passed its 2011 budget, which contained $1.5 billion in spending cuts. The Department of Human Services lost $312.6 million, or nearly 8 percent of its funding, which will affect programs for the mentally ill and developmentally disabled. Primary and secondary education were cut by $241 million, while colleges and universities saw a reduction of $100 million in funding.

More recently, the Democratic mayor of Chicago, Rahm Emanuel, announced a combination of cuts and fee increases. Water and sewage fees will double by 2015, and hospitals, schools and non-profits will no longer be exempt. City vehicle stickers will increase sharply for all drivers, and a range of fees for minor offenses—playing loud music from a car, expired vehicle registration, and tampering with parking meters—will double.

The case of Sears is a prime example of the putrefaction of American social and economic life. The once-iconic company is being dismantled by its majority owner, ESL Investments, a hedge fund run by the billionaire investor Edward S. Lampert, who acquired Kmart out of its bankruptcy in 2003 and subsequently used it to buy Sears. Under Lampert's watch, Sears stores have been allowed to deteriorate in order to save money, and they are now closing "marginally performing" stores in order to liquidate their inventory, sell off their real estate, and fire employees.