

Date: Thu, 29 Mar 2007

From: Steve Morrill <steve@smorrill.com>
Subject: GRT/Payroll Tax

Dear Friends,

More developments on the Illinois tax front.

As you know, Friday March 30 is the Third Reading deadline for Senate Bills in the Senate. After Friday, both chambers are in recess until April 18. The Third Reading deadline for House Bills in the House is April 27.

Among the most recent developments:

1. a new draft amendment was distributed to legislative staff by the Governor's office yesterday (Wednesday March 28). It makes three changes (a) clarifies that eligible medicinal goods distributed by pharmacies are eligible for the GRT exemption; (b) clarifies the definition of a "broker," to serve as an agent and charges a commission, as part of the GRT exemption granted to certain returns of investment Capital; (c) changes the definition of service end-user from "customer" to "purchaser." This latest draft is 134 pages. While we have a copy of this document in non-electronic form, we will not circulate it as part of this email since yet another draft may emerge before the end of the week.
2. This morning (Thursday March 29) a House committee advanced HB 750 (the "tax swap" bill) to the House floor. The roll call vote in committee 12-3-6, with two House Republicans (Roger Eddy and Bill Mitchell) voting "yes" for the purpose of advancing the debate and not with the intention of formally endorsing the bill.
3. In the Senate, several Senate Democrats are in the process of sending a letter that they term "joint legislative statement on tax policy debate." The signers at this juncture include Senators Willie Delgado, Marty Sandoval, Tony Munoz, Michael Frerichs and James Meeks. The letter urges consideration of HB750/SB750, which increase income and sales taxes by some \$7 billion and reduce property taxes by \$2 billion, as part of the ongoing tax debate in Springfield. While impliedly critical of the GRT, the letter neither formally endorses HB750/SB750 nor formally opposes the GRT, but it is clearly a negative event in the effort to pass the GRT.
4. While the rumor has persisted the GRT bill might be voted on this week in the Senate, there is little evidence that such a vote would actually occur. Most Senate democrats have yet to endorse the GRT (privately many express current opposition to the proposal), and Senate President Jones has been absent from Springfield for part of this week due to a minor "pinched nerve" medical issue.
5. The AHEAD coalition of construction industry trade associations has put up a website to assist its members in becoming educated about the GRT and Payroll Tax issues and advocating against

them. The web address is www.BuildingIllinois.com. Other websites include the Illinois Chamber of Commerce site at www.largesttaxincreaseever.com.

We will continue to keep you updated.

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