



# Illinois Mechanical & Specialty Contractors Association

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## LEGISLATIVE REPRESENTATION FOR OVER 2000 CONSTRUCTION EMPLOYERS

*(Presented by the Illinois Mechanical & Specialty Contractors Association  
for its Membership)*

### Gross Receipts Tax

The Governor has proposed a Gross Receipts Tax (GRT) to be applied to all businesses with over \$1,000,000 in gross revenues. In addition to GRT, the Governor has proposed a 3% healthcare payroll tax for companies of 10 employees or more. This tax must be paid but will be refunded the following tax year if your company pays for employee healthcare. The following calculations show the impact of these new taxes on businesses in Illinois that operate on a net margin of 2.5%:

The proposed GFT is 1.8% on services and .5% on goods sold.

BUSINESS SERVICES ONLY	#1	#2	#3
Gross Receipts	\$1,500,000	\$2,000,000	\$5,000,000
Net Margin	<u>2.5%</u>	<u>2.5%</u>	<u>2.5%</u>
	\$37,500	\$50,000	\$125,000
Gross Receipts	\$1,500,000	\$2,000,000	\$5,000,000
GRT Rate	<u>1.8%</u>	<u>1.8%</u>	<u>1.8%</u>
	\$27,000	\$36,000	\$90,000
Net Profit	\$37,000	\$50,000	\$125,000
Less New Tax	<u>\$27,000</u>	<u>\$36,000</u>	<u>\$90,000</u>
Net New Profit	\$10,000	\$14,000	\$35,000



In addition to these figures, you now have to pay a 3% healthcare payroll tax if you have 10 or more employees (28.5 hours a week is full time employment). If in each example the payroll is \$500,000 you now owe the State \$15,000.

<b>BUSINESS</b>	<b>#1</b>	<b>#2</b>	<b>#3</b>
Net New Profit	\$10,000	\$14,000	\$35,000
Payroll Tax	<u>\$15,000</u>	<u>\$15,000</u>	<u>\$15,000</u>
Net Profit	(\$5,000)	(\$1,000)	\$20,000

Remember you are still responsible for the current State of Illinois Income Tax 7.3% (Corporate) and 3% (Personal). The Governor proposed to phase out the income tax over the next 4 (four) years for businesses making over \$1,000,000 gross receipts.

The last example is to calculate the impact of GRT on a \$5,000,000 business with \$3,000,000 in goods sold (or construction) and \$2,000,000 in services (or labor).

<b>BUSINESS (MIXED)</b>	<b>SERVICES</b>	<b>GOODS SOLD</b>	<b>TOTAL</b>
Gross Revenues	\$2,000,000	\$3,000,000	\$5,000,000
Net Margin	<u>2.5%</u>	<u>2.5%</u>	
Net Profit	\$50,000	\$75,000	\$125,000
Gross Revenues	\$2,000,000	\$3,000,000	\$5,000,000
GRT Rate	<u>1.8%</u>	<u>0.5%</u>	
GRT	\$36,000	\$15,000	<u>\$51,000</u>
<b>NEW Net Profit</b>			<b>\$74,000</b>
Gross Payroll			\$1,500,000
Healthcare Payroll Tax			<u>3%</u> <b>\$45,000</b>
Profit after GRT			<b>\$29,000</b>

We are assuming that to have \$2,000,000 in services, 75% of that amount will probably be payroll. There still remains the corporate income tax of 7.3% to be paid.

In essence, a business that has under \$5,000,000 in gross receipts cannot survive in this tax climate.