

The Proposed Illinois Gross Receipts Tax and the Insurance Tax Assessment Plans are not fair to Illinoisans and discriminates against those that create 8 out of 10 jobs in Illinois, Small Business People.

The Gross Receipts Tax discriminates against Low Margin Services Businesses

A Small Business with \$2,000,000 in Gross Receipts would pay \$36,000 in Taxes.

- Business A has Profit \$20,000 or 1%, Effective State Tax Rate = 180%
- Business B has Profit of \$40,000 or 2%, Effective State Tax Rate = 90%
 - Add Federal Alternative Minimum Tax = Total Rate of 118%
- Business C has Profit of \$1,000,000 or 50%, Effective State Tax Rate = 3.6%

The Gross Receipts Tax discriminates against People the same earnings.

Profession	Company Size	Earnings	IL Taxes with GRT
Self-Employed Accountant	\$200,000	\$100,000	\$3,000 (3%)
Government Employee	na	\$100,000	\$3,000 (3%)
Small Business Person	\$4,000,000	\$100,000	\$72,000 (72%)

The Gross Receipts Tax discriminates against the Small Business Person

Profession	Company Size	Earnings	IL Taxes with GRT
Small Business Person	\$4,000,000	\$100,000	\$72,000 (72%)
Professional Trader	\$900,000	\$750,000	\$22,500 (3%)
Professional Athlete	na	\$2,400,000	\$72,000 (3%)

The Small Business Person would pay a Tax Rate 24X higher than other state residents.

Revenue	\$ 2,000,000	100.0%	\$ 2,000,000	100.0%	\$ 2,000,000	100.0%	\$ 2,000,000	100.0%
Net Profit	\$ 20,000	1.0%	\$ 40,000	2.0%	\$ 60,000	3.0%	\$ 100,000	5.0%
State Taxes	\$ 36,000	180.0%	\$ 36,000	90.0%	\$ 36,000	60.0%	\$ 36,000	36.0%
Federal Taxes	\$ 5,600	28.0%	\$ 11,200	28.0%	\$ 16,800	28.0%	\$ 28,000	28.0%
Total Taxes	\$ 41,600	208.0%	\$ 47,200	118.0%	\$ 52,800	88.0%	\$ 64,000	64.0%
Revenue	\$ 5,000,000	100.0%	\$ 5,000,000	100.0%	\$ 5,000,000	100.0%	\$ 5,000,000	100.0%
Net Profit	\$ 50,000	1.0%	\$ 100,000	2.0%	\$ 150,000	3.0%	\$ 250,000	5.0%
State Taxes	\$ 90,000	180.0%	\$ 90,000	90.0%	\$ 90,000	60.0%	\$ 90,000	36.0%
Federal Taxes	\$ 14,000	28.0%	\$ 28,000	28.0%	\$ 42,000	28.0%	\$ 70,000	28.0%
Revenue	\$ 10,000,000	100.0%	\$ 10,000,000	100.0%	\$ 10,000,000	100.0%	\$ 10,000,000	100.0%
Net Profit	\$ 100,000	1.0%	\$ 200,000	2.0%	\$ 300,000	3.0%	\$ 500,000	5.0%
State Taxes	\$ 180,000	180.0%	\$ 180,000	90.0%	\$ 180,000	60.0%	\$ 180,000	36.0%
Federal Taxes	\$ 28,000	28.0%	\$ 56,000	28.0%	\$ 84,000	28.0%	\$ 140,000	28.0%
Total Taxes	\$ 208,000	208.0%	\$ 236,000	118.0%	\$ 264,000	88.0%	\$ 320,000	64.0%

"Once upon a time there lived a State who had a goose that each day laid a large golden egg. The State Department of Revenue could hardly wait for the new day to come, it was so eager to get the golden egg.

Then there was a great idea, "I will kill the goose and get the gold all at once." But unfortunately the **dead Goose** could not produce any Gold. In the Government's haste to become rich, it may become poor and take a look of innocent people down with it.

Moral: Greed destroys the source of Good.

What is fairer raising the Income Tax from 3.0% to 3.7% or imposing a Gross Receipts Taxes of 1.8%? They both have the potential to give the State \$2,000,000 in new revenues for Education.

Raising the State Income Tax from 3.0% to 3.7% would cost a person making \$100,000 an extra \$700 per year.

Implementing the Gross Receipts Tax would cost the Small Businessperson making \$100,000 an extra \$72,000 per year. $72,000/700 = 103$

Is it fair to ask the Small Business Person to bear the responsibility of 103 people that make exactly the earnings?

Is it fair that the Small Business Person who makes \$100,000 pays the same increase in Tax that someone who made \$10.3M/Yr would pay in when comparing the GRT to an increase of the Income Tax?

If we have to share pain we have to share it equally. It is not fair to ask one person to take on the responsibility of 103 well-paid people.

\$700 for someone who makes \$100,000 is an Inconvenience, \$72,000 for someone who makes \$100,000 is a Catastrophe.

Profession	Company Size	Earnings	GRT	Increase in State Taxes
Self-Employed Accountant	\$200,000	\$100,000	na	\$700
Government Employee	na	\$100,000	na	\$700
Small Business Person	\$4,000,000	\$100,000	\$72,000	
Athlete	na	\$10,300,000		\$72,000

Don't Texas and Ohio have Gross Receipts Taxes?

	Ohio		Texas		Illinois	
Gross Receipts	\$ 2,000,000	100%	\$ 2,000,000	100%	\$ 2,000,000	100%
Cost of Goods Sold	\$ 1,300,000	65%	\$ 1,300,000	65%	\$ 1,300,000	65%
Gross Profit	\$ 700,000	35%	\$ 700,000	35%	\$ 700,000	35%
SG&A	\$ 420,000	21%	\$ 420,000	21%	\$ 420,000	21%
Other Expense	\$ 240,000	12%	\$ 240,000	12%	\$ 240,000	12%
Net Income	\$ 40,000	2%	\$ 40,000	2%	\$ 40,000	2%
Total Margin See Calculation			\$ 200,000	10%		
Gross Receipts Tax	\$ 3,200	0.160%	\$ 2,000	0.10%	\$ 36,000	1.8%
Effective State Tax Rate		8.0%		5.0%		90.0%
Estimated Federal Tax	\$ 11,200	28.0%	\$ 11,200	28.0%	\$ 11,200	28.0%
Total State and Federal Taxes	\$ 14,400	36.0%	\$ 13,200	33.0%	\$ 47,200	118.0%

Is The Illinois Insurance Assessment Discriminatory?

The Illinois Insurance Assessment Program would force employers to give wealthy employees much more insurance than lower wage workers.

Company A has workers that make \$25,000 and workers that make \$125,000.

Under the proposed rules of the Illinois Insurance Assessment the company would have to pay an average of the 4% payroll or be charged an assessment fee by the State of 3% of payroll. Should Illinois mandate that a person earning \$125,000 get 5 times the coverage of the person making \$25,000?

Getting hit Twice

What happens if a company already gives its employees health care but they are highly compensated and therefore would not meet the 4% payroll threshold? If the employees wanted to stay with their current insurance company then the company would be forced to keep paying the health insurance they currently offer AND pay the State 3% of Payroll.

The Combined Financial Hit of the Gross Receipts Tax and the Insurance Assessment

A Small Business Person with a payroll of \$1,000,000 could be driven to bankruptcy between the increased taxes and being forced to give the State an interest free loan (Insurance Assessment).

Revenue	\$	2,000,000	100.0%	\$	2,000,000	100.0%	\$	2,000,000	100.0%
Net Profit	\$	20,000	1.0%	\$	40,000	2.0%	\$	60,000	3.0%
State Taxes	\$	36,000	180.0%	\$	36,000	90.0%	\$	36,000	60.0%
Federal Taxes	\$	5,600	28.0%	\$	11,200	28.0%	\$	16,800	28.0%
Total Taxes	\$	41,600	208.0%	\$	47,200	118.0%	\$	52,800	88.0%
State Insurance Deposit (Assumes Payroll = Rev * 60%)	\$	36,000	180.0%	\$	36,000	90.0%	\$	36,000	60.0%
Total Cash Sent to State	\$	72,000	360.0%	\$	72,000	180.0%	\$	72,000	120.0%
Total Cash Sent to State and Federal Government	\$	113,600	568.0%	\$	119,200	298.0%	\$	124,800	208.0%

Can't the Business Person just pass on the Costs?

The economics further hurt the small business as a larger business can avoid the cost by taking the matter in house by purchasing a supplier or growing their own. So, a service supplier to a larger organization **will just be discarded**. The weaker business will also 1) not be able to push it through and 2) will have their suppliers pushing it through.

How much more business would the Small Business have to bring to keep the \$40,000 assuming his Profit Margin stays the same?

Revenue	\$	2,000,000	100.0%	\$	20,000,000	100.0%
Net Profit before GRT	\$	40,000	2.0%	\$	400,000	2.0%
Gross Receipts Tax	\$	36,000	90.0%	\$	360,000	90.0%
Net Profit After GRT	\$	4,000	0.2%	\$	40,000	0.2%