



ILLINOIS
MANUFACTURERS'
ASSOCIATION

GOVERNMENT AFFAIRS

BOLDLY MOVING MAKERS **FORWARD**

House & Senate Convene in Springfield

The House and Senate will convene session in Springfield this week, marking the first time the two chambers have been in Springfield together since the inauguration and swearing in of the 102nd General Assembly nearly a month ago. Floor and committee action are expected to be light in both chambers this week. The Senate will hold only a handful of committees on Tuesday and Wednesday while the House holds two subject matter hearings.

The Senate is quickly approaching their bill introduction deadline which is scheduled for this Friday, February 10. From there, the Chamber will take three weeks to move substantive bills through committees. The House bill introduction deadline is still two weeks away.

While the Legislature gets off to its typically slow start, the Governor's Office is preparing for Governor's State of the State & Budget Address next Wednesday, February 15, in a joint session of both Houses. The State of the State/Budget Address is often seen as the unofficial kick-off to budget negotiation between the Governor and legislative leaders.

IMA 2023 Legislative Agenda

As with every session, the IMA has filed and intends to file numerous bills this session that protect and support manufacturers across the state. Hearing issues from our members and responding to the needs of industry in Illinois, the following issues will make up the core of the IMA's 2023 legislative agenda:

Research & Development Credit: Research and Development (R&D) is the lifeblood of manufacturers who are constantly creating and improving products. However, Illinois' R&D credit is outdated and expires without state intervention. This IMA initiative increases the R&D credit by providing that the increase in research and development activities shall be based on an increase over 50% of the average of the qualifying expenditures for each year in the base period. Currently, the credit is based on an increase over 100 percent of the average of the

qualifying expenditures for each year in the base period. This change modernizes the bill to match changes to the R&D credit at the federal level. Additionally, the bill makes the R&D credit permanent moving forward.

BIPA Reform: One of the cornerstones of the IMA's legislative agenda is reform to Illinois' Biometric Information Privacy Act (BIPA). BIPA is being constantly misused in the courts to extort businesses for financial gain. This IMA initiative exempts employers from BIPA if the employer is using biometric identifiers and/or information for recording an employee's work hours, security purposes, or use by HR employees.

Reciprocal Taxation: This IMA initiative provides that, when calculating the taxpayer's base income, the taxpayer's federal adjusted gross income shall be modified to exclude the portion of the income or loss received from a trade or business conducted within and without Illinois or from a pass-through entity conducting business within and without Illinois that is not derived from or connected with Illinois sources. This proposal will ensure that Illinois manufacturers are not getting doubled taxed on income generated from out-of-state and in-state sales.

Quarterly UI Payments: In an effort to help small businesses avoid large, once-annually UI payments. This IMA initiative provides that for an annual fee of not more than \$100, an employer may pay its quarterly contributions due for wages in equal installments based on a set schedule.

Critical Infrastructure: In an effort to support our state's critical infrastructure, this IMA initiative allows Illinois government to partner with critical infrastructure owners and operators to help manage risk and strengthen security of the state's critical infrastructure. The legislation creates a new criminal penalty for persons who intentionally damage, destroy or tamper with critical infrastructure facilities as defined by the federal government under President Obama in 2013. Critical infrastructure facilities include energy facilities, ports, railroads, military facilities, pipelines, dams, water systems, telecommunication facilities, refineries, and manufacturing facilities.

Reversal of Pritzker Tax Incentive Cuts: In 2019, the IMA championed several significant tax reforms while working with the Pritzker Administration on a capital infrastructure plan. While Governor Pritzker signed many of the tax reforms into law, he reversed his decision in 2021 and paused and/or reinstated several taxes. This initiative reverses Governor Pritzker's decision to eliminate important business incentives that he himself signed into law by removing the cap that was placed on Net Operating Losses that was extended to 2024 and reestablishing the phase out to Corporate Franchise Tax.

Prejudgment Interest Reduction: In order to protect Illinois manufacturers from frivolous fees associated with money awarded in a court's decision, this initiative provides that in provisions concerning actions brought to recover damages for personal injury or wrongful death, the amount a court can add to a judgment interest is reduced from 6% to 5% per annum.

Student Loan Employer Tax Credit: This initiative is an attempt to help with two issues: student loan debt and workforce shortages. This bill would provide employers with a tax credit if they were to help employees by paying their student loan debt. This proposal, modeled off the federal Employer Participation in Repayment Act which was passed into law as part of the CARES Act, will help employees while also acting as a tool to attract employees to manufacturers.

Combined Heat and Power/Self Direct: The IMA is seeking changes to the Climate and Equity Jobs Act with several changes including separating combined heat-power facilities from traditional base load generation. CHP plants which are specialized facilities should not be forced to close on the same schedule as base load generation. Secondly, the legislation aims to streamline the self-direct program for large energy users (10MW or more) so that they get full credit for their efforts to use RECs. This language is similar to SB 3866 (amendment 8) that the IMA introduced last year. The IMA is working closely with the Chicagoland Chamber of Commerce on this legislative fix and it's not the final language.

Sales Tax on Natural Gas/Electricity: This IMA initiative would eliminate the state sales tax on natural gas and electricity to promote additional economic development by manufacturers. Legislation enacted nearly two years ago has resulted in significant price hikes for consumers and businesses.

Car Dealer Repair Payments: In 2021, legislation that requires auto manufacturers to pay car dealers for labor hours far in excess of what is required to fix a vehicle passed out of the General Assembly and was signed into law by Governor Pritzker as P.A. 102-0232. Since being signed into law, P.A. 102-0232 has had direct negative consequences on job growth in the state. The IMA proposes completely repealing P.A. 102-0232 and allowing manufacturers and dealers to have uniform agreements on repair payments.

High School Graduation Requirements: This IMA initiative will allow high school students to take career and technical education courses in place of the two years of foreign language that will be required for all high school graduates beginning in the 2028 school year.

Education Package: This IMA initiative includes nine pieces of legislation aimed to provide support and incentives for the education and manufacturing communities looking to improve their talent pipeline.

1. Advanced Manufacturing Academies. The IMA will be requesting an additional three advanced manufacturing training programs similar to the academies that were awarded in May of 2021.
2. State stipends for manufacturing employees who teach at the high school or community college. To help relieve the cost barrier for schools looking to match business sector salaries, the IMA is asking the State to support a stipend in order to pay half of the salary of an employee that is employed by a manufacturing company and working within a school district or community college.
3. Capital Dollars for Regional Career Development Facilities. The IMA is asking the State to create a fund to support capital needs of regional career development facilities.
4. Manufacturing Line Item. The IMA is requesting the establishment of a manufacturing line item in DCEO's budget for public schools in order to ensure that an adequate supply of trained and skilled individuals.
5. Stipends for teacher externships. The IMA is asking the State to provide stipends for teachers who participate in externships with a manufacturing company in the State of Illinois.
6. Tax incentives for career development experiences. The IMA is seeking legislation that would allow employers a tax credit for qualified educational expenses associated with qualifying Supervised Career Development Experiences for up to \$500 per student or up to \$1,000 per student if the

student resides in an underserved area or the employer's principal place of business is located in an underserved area.

7. Student Transportation Relief. The IMA is seeking legislation that will require the Illinois Workforce Innovation Board to create a public report to identify strategies to address transportation access barriers for secondary and community college students when trying to access career development experiences of apprenticeships.
8. Liability Insurance. The IMA is asking for DCEO, CMS, ISBE and ICCB to establish a system that will provide liability insurance for high school and community college students who are participating in a career development experience or an apprenticeship.
9. Regional Manufacturing Technical Assistance Support. The IMA is seeking for the State to develop and fund a centralized system that will help develop regional manufacturing partnerships that include secondary, postsecondary, and workforce stakeholders that is administered by a collaboration between an employer association representing manufacturers and a public university.

Employee Classification

Illinois Attorney General Kwame Raoul indicated to the IMA late last week that his office intends to explore changes to the state's worker classification regulations. The AG's draft proposal, [found here](#), appears to be extremely expansive in nature. The draft proposal creates a new Act outside of the state's current Employee Classification Act. The new Act, entitled the "Illinois Truth in Classification Act," states that workers are often misclassified in order to enrich companies at the expense of working people. Further, the proposed Act blames misclassification for the erosion of the middle class.

The proposal would affect nearly all independent contractors and determine, with exceptions and exemptions, that those independent contractors are in fact, employees of the companies using their services.

The proposal determines that an individual performing work for remuneration or the promise of remuneration shall be considered an employee of the hiring entity for which the work is performed, rather than an independent contractor, unless the hiring entity can demonstrate that all of the following conditions are satisfied:

- The individual has been and will continue to be free from control or direction over the performance of the service for the hiring entity, both under the individual's contract or agreement of service and in fact;
- the service performed by the individual is outside the usual course of services performed by the hiring entity; and
- the individual is engaged in an independently established trade, occupation, profession or business; or
- the individual qualifies as a bona fide sole proprietor, partnership, limited liability company, or corporation based on a long list of requirements.

The IMA is meeting with the AG's staff next week to discuss the proposal.

Clean Car Standards Introduced

The Illinois Environmental Council (IEC) introduced legislation last week calling for clean car standards. Modeled to endorse California's clean car standards, [HB 1634](#) (Gonzalez-D) provides that, by December 1, 2023, the Illinois EPA shall adopt rules to implement the motor vehicle emission standards of the State of California, including, but not limited to the (1) zero-emission vehicle program, (2) low-emission vehicle program, (3) advanced clean trucks program, and (4) heavy-duty low NOx omnibus program.

The California clean car standards require all new cars, SUVs and passenger trucks sold in the state to be zero-emitting by 2035. To date, fourteen states have fully adopted California's clean car standards, including, Colorado, Connecticut, Maine, Maryland, Massachusetts, Minnesota, New Jersey, Nevada, New Mexico, New York, Oregon, Rhode Island, Vermont, Virginia, and Washington. Importantly, each state has developed their electric vehicle infrastructure to various degrees. A strong electric vehicle infrastructure is critical to state's with clean car standards.

In 2021, Illinois, Indiana, Michigan, Minnesota, and Wisconsin signed a memorandum of understanding to create the [Regional Electric Vehicle Midwest Coalition \(REV Midwest\)](#) with the goals of accelerating vehicle electrification.

The IMA will be meeting with Representative Gonzalez and stakeholders in the coming days to discuss the proposal and the Representative's intent with the bill this session.

Recently Filed Important Legislation

Having surpassed 4,000 bills and resolutions introduced in the first month of session, the Illinois legislature shows no slowing down on bringing fourth legislation for both chambers to consider. Here is a small sample of bills filed last week that may have an impact on manufacturing:

[HB 1578 \(Walker-D\)](#) - Provides that the research and development credit applies for taxable years ending prior to January 1, 2037 (currently, January 1, 2027). Provides that, in the case of qualifying quantum information science expenditures, the research and development credit shall be equal to 13% of the qualifying expenditures for increasing research activities in this State (currently, 6.5%). Provides that certain qualified startup taxpayers may elect to claim the credit against their obligation to pay withholding taxes.

[HB 1608 \(Mayfield-D\)](#) - Provides that owners and operators of CCR surface impoundments at electric generating plants that are bordering Lake Michigan shall close the CCR surface impoundment by removal by off-site disposal, pursuant to specified provisions and requirements. In additional provisions, requires an owner or operator to remove from his or her site, for off-site disposal, all CCR generated by a facility that is not disposed of, treated, stored, or abandoned in a CCR surface impoundment, and remediate all soil and groundwater impacted by that CCR, in accordance with specified requirements.

HB 2051 (Costa Howard-D) - Creates the Hydrogen Fuel Replacement Tax Credit Act. Creates an income tax credit for eligible taxpayers in an amount equal to \$1 per kilogram of eligible zero-carbon hydrogen used by the eligible taxpayer during the tax year for which a credit is sought. Provides for additional credits if the use of the zero-carbon hydrogen by the eligible taxpayer occurs in an equity investment eligible community.

HB 2068 (Mah-D) - Requires all covered employers to provide a program that allows a covered employee to elect to exclude from taxable wages and compensation the employee's commuting costs incurred for the purchase of a transit pass to use public transit or for the purchase of qualified parking, up to a maximum level allowed by federal tax law. Provides that all transit agencies shall market the existence of this program and the Act to their riders in order to inform affected employees and their employers.

SB 171 (Villivalam-D) - Amends the Use Tax Act, the Service Use Tax Act, the Service Occupation Tax Act, and the Retailers' Occupation Tax Act. Provides that diapers, baby wipes, and infant formula are exempt from the taxes imposed under the Acts.

SB 173 (Feigenholtz-D) - Provides that an employer who engages in any type of electronic monitoring of its employees shall give each employee who may be affected prior written notice of the types of electronic monitoring that may be used by the employer. Requires written notice to be given to an employee upon hiring or before an employer uses electronic monitoring equipment on the employer's premises. Requires the written notice to be acknowledged by the employee either in writing or electronically. Provides that when an employer has reasonable grounds to believe that an employee is engaged in conduct that either violates the law, violates the legal rights of the employer or the employer's other employees, or creates a hostile workplace environment, and electronic monitoring may produce evidence of this misconduct, the employer may conduct electronic monitoring without giving the required notice.

SB 291 (Villanueva-D) - Creates the Secure Jobs Act. Establishes a framework for employee discipline and discharge. Prohibits the unjust discharge of an employee. Contains provisions concerning factors to be considered when determining whether an employee has been discharged for just cause and the conditions that allow for a discharge based on bona fide economic reasons. Requires employers to use progressive discipline measures. Limits the use of electronic monitoring. Provides for severance pay.

SB 324 (Fine-D) - Provides that all individual and small group accident and health policies written subject to certain federal standards must file rates with the Department of Insurance for approval. Provides that unreasonable rate increases or inadequate rates shall be disapproved. Provides that when an insurer files a schedule or table of premium rates for individual or small employer health benefit plans, the Department of Insurance shall post notice of the premium rate filings, rate filing summaries, and other information about the rate increase or decrease online on the Department's website. Provides that the Department shall open a 30-day public comment period on the date that a rate filing is posted on the website.

SB 1305 (Murphy-D) - Amends the Workers' Compensation Act and provides that an accidental injury that results from repetitive or cumulative trauma and occurs within 6 months after the employee begins employment shall not be considered by a workers' compensation insurer in setting rates. Provides for contribution by prior employers with respect to awards for repetitive or cumulative injuries.

Senate Committees

The **Senate Public Health Committee** is scheduled to meet Tuesday afternoon and could hear [SB 152](#) (Anderson-R) that amends the Illinois Food, Drug and Cosmetic Act and creates an exemption from the Act's milk manufacturing and processing facility permitting requirements to allow a dairy farm to sell, distribute, or offer to sell or distribute unpasteurized milk or milk product for human use or consumption without being issued a permit under the Act if the animal that produces the milk or milk product is housed at the dairy farm.

The **Senate Insurance Committee** is scheduled to meet after the Public Health Committee and could hear a couple bills that provide insurance coverage mandates. [SB 54](#) (Fine-D) provides that coverage for self-management training and education, equipment, and supplies for diabetes treatment shall include insulin pumps and medical supplies required for the use of an insulin pump when medically necessary and prescribed by a physician licensed to practice medicine in all of its branches. [SB 101](#) (Fine-D) provides that no group or individual policy of accident and health insurance or managed care plan shall deny or delay coverage for medically necessary treatment because the insured, enrollee, or beneficiary previously received any treatment, including the same or similar treatment, for pediatric autoimmune neuropsychiatric disorders associated with streptococcal infections or pediatric acute onset neuropsychiatric syndrome, or because the insured, enrollee, or beneficiary has been diagnosed with or receives treatment for an otherwise diagnosed condition

House Committees

The House will hold two subject matter hearings this week. The House Appropriations - Elementary & Secondary Education Committee will hold a subject matter hearing on the success of evidence-based funding while the Personnel & Pensions Committee will hold a subject matter hearing on the status of TRS, SURS.

IMA Launches Makers Madness for 2023

Last week, the IMA kicked off our fourth annual contest to celebrate Illinois' incredible manufacturing sector and officially opened nominations to this year's [Makers Madness: The Coolest Thing Made In Illinois, presented by Comcast Business](#).

Makers Madness is an online contest highlighting amazing manufacturers and their fantastic products made in our state. The contest is presented by [Comcast Business](#), an innovation champion and technology provider to manufacturers across Illinois. Illinoisans will be able to nominate and vote for their favorite thing made in Illinois with a winner announced on March 29.

Please share this contest within your company and make sure the cool products your company makes are nominated!

Makers Madness Timeline:

Nomination Period | February 2 – February 19

Nomination Voting | February 21 – March 5

First Round Voting | March 7 – March 12

Second Round Voting | March 14 – March 19

Final Round Voting | March 21 – March 26

Winner Announced | March 29

Third House New Member Reception

The Third House New Member Reception, hosted by IMA President and CEO Mark Denzler, the 2023 "Speaker" of the Third House, will be held in Springfield on Tuesday, February 21 from 5:00pm to 7:00pm CST at the Illinois State Library. The reception is an opportunity for Illinois lobbyists to network and meet dozens of newly elected members of the Illinois House and Senate. Mark your calendars and plan to attend!

You can register for the Illinois Third House New Member Reception [HERE](#).

IMA Business Day 2023

The IMA's Business Day at the Capitol will be held this year on Wednesday, April 26, 2023. This event is the largest gathering of business leaders at the Capitol and provides an opportunity for IMA members to hear from leading policymakers in Illinois, help the IMA deliver our message of job growth and prosperity, and help legislators understand the impact of their actions on Illinois manufacturing.

This is our opportunity to speak with one voice and make sure that Illinois' elected officials hear directly from the manufacturing sector.

Register [HERE](#)

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