

TAX EXPENDITURE REPORT

Fiscal Year 2004

ISSUES



DANIEL W. HYNES
COMPTROLLER

www.ioc.state.il.us

Comptroller Daniel W. Hynes is the Chief Fiscal Officer for the State of Illinois, managing its financial accounts, processing more than 18 million transactions a year, and performing a watchdog role to assure that all payments meet the requirements of the law. The Comptroller's Office also provides timely and accurate fiscal information and analysis to the Governor, the Illinois General Assembly, and Local Government Officials so they can make informed budget decisions. In addition, the Office oversees the state's private cemetery and funeral home industry.

COVER PHOTO

Illinois Wildlife — Pheasant



The adult pheasant is 50-90 cm in length with a long tail, often accounting for half the total length. The male has barred bright brown plumage and green, purple and white markings, often including a white ring around the neck, and the head is green with distinctive red patches. The female is much less showy, with a duller brown plumage all over. They feed and nest on the ground, but roost in trees at night. Each year the Illinois Department of Natural Resources awards grants to not-for-profit organizations for the purpose of wild pheasant conservation projects. Thirty percent of the revenues derived from the sale of Habitat Stamps are deposited in the State Pheasant Fund to support the project grants.

Photo courtesy of the Illinois Department of Natural Resources



DANIEL W. HYNES

September, 2005

A Message to Illinois Taxpayers

One of the functions of this Office is to collect tax expenditure information from state agencies. This report is a compilation of the information collected for fiscal year 2004. Tax expenditures are tax breaks, such as exemptions, credits, or abatements, given to individuals, corporations, or other organizations. In fiscal year 2004, an estimated \$6.1 billion in forgone revenues resulted from 218 tax and fee breaks reported by state agencies.

Tax expenditures are enacted for a number of reasons. Illinois tax expenditures have been used to implement tax fairness (e.g., food and prescription drug exemption from sales taxes), education policy (e.g., tuition tax credits), and economic development (e.g., tax exemptions for Enterprise Zone businesses).

The series of special studies included in previous years' editions of the *Tax Expenditure Report* continues with a look at using tax expenditures to provide incentives to businesses that invest and increase employment in Illinois. In fiscal year 2004, Illinois offered \$328 million in business incentive tax expenditures. The largest tax incentive benefiting businesses was the manufacturing and assembling equipment exemption from the state sales tax.

New tax expenditures included in this report are identified and described. Additional analyses list the ten largest tax expenditures, examine growth trends for the four largest tax expenditures, compare the value of tax expenditures with receipts from major revenue sources, and distinguish between tax expenditures that primarily benefit individuals and tax expenditures that primarily benefit businesses.

If you have any comments or suggestions regarding this report, or any other report of this Office, please contact us at (217)782-6000, (312)814-2451, or www.ioc.state.il.us.

Sincerely,

Daniel W. Hynes
Comptroller

TABLE OF CONTENTS

INTRODUCTION

Page

What is a Tax Expenditure?	1
What's New in Fiscal Year 2004?	1

SPECIAL STUDY: PROVIDING BUSINESS INCENTIVES THROUGH THE GRANTING OF TAX EXPENDITURES

Illinois Offers \$328 Million in Business Incentive Tax Expenditures.	4
Incentive Changes for Fiscal Year 2004	5
Cuno v. DaimlerChrysler	5

A REVIEW OF FISCAL YEAR 2004 TAX EXPENDITURES

The Impact of Tax Expenditures	7
The Ten Largest Tax Expenditures	7
The Four Largest Tax Expenditures, Fiscal Years 1993 to 2004	8
A \$6.1 Billion Impact on Reported Tax Receipts	9
A \$991 Million Impact on Education Funds	9
Who Received Tax Expenditures?	10
The Impact of Tax Expenditures on Revenue Sharing	10

APPENDICES

Appendix A: Tax Expenditures by Fund Group and Fund	A1
Appendix B: Tax Expenditures by Revenue Source	B1-B4
Appendix C: Summary of Tax Expenditures by Agency, Revenue Source and Fund	C1-C6
Appendix D: Detail of Tax Expenditures by Agency, Revenue Source and Fund	D1-D22
Appendix E: Tax Expenditures Where Impact Was Not Reported	E1-E3
Appendix F: Tax Expenditures by Agency, Revenue Source and Effective Date	F1-F10
Appendix G: Tax Expenditures by Purpose	G1-G4
Technical Appendix	H1-H2



What is a Tax Expenditure?

A tax expenditure is any exemption, exclusion, deduction, allowance, credit, preferential tax rate, abatement, or other device that reduces the amount of tax revenue that would otherwise accrue to the state. Tax expenditures are used to provide a means of benefiting “selected” groups or providing an incentive for the performance of desired activities. Numerous expenditures have been implemented over the years benefiting individuals and business.

The total impact of tax expenditures in Illinois (as reported by state agencies) was estimated at \$6.1 billion in fiscal year 2004, with the major portion derived from income and sales tax expenditures.

Tax expenditures have been used since the early 1930’s; however, it was the decade of the 1980’s that saw an explosive growth in their use. During that decade, 73 of the existing tax expenditures were enacted. Of these, at least 31 were related to economic development efforts.

For fiscal year 2004, agencies identified 218 tax expenditures; 170 were associated with taxes and 48 with licenses or fees.

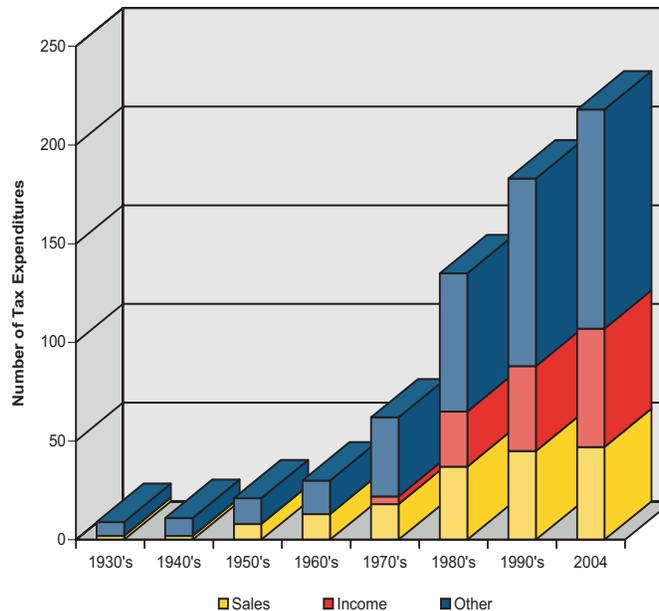
WHAT’S NEW IN FISCAL YEAR 2004?

Tax Expenditures up 4.2%

Reported tax expenditures of \$6.067 billion in fiscal year 2004 were up \$245 million or 4.2% from reported tax expenditures of \$5.822 billion in fiscal year 2003. Tax expenditures from the sales tax of \$3.379 billion were up \$74 million or 2.2% from fiscal year 2003 tax expenditures of \$3.305 billion compared to a 4.5% increase in sales tax collections. Primary factors affecting the sales tax expenditures were the increase in the estimated cost of the largest tax expenditure, the food, drugs, and medical appliances rate reduction (up \$54

million from \$1.169 billion to \$1.223 billion) and the new Commercial Distribution Fee tax expenditure which had a \$38 million value during fiscal year 2004. The value of sales tax expenditures were reduced by changes in eligibility standards for the rolling stock exemption whose cost declined from \$104 million to \$42 million.

Number of Tax Expenditures in Effect
1930 - 2004



Tax expenditures from the individual income tax of \$2.078 billion were up \$83 million or 4.2% from fiscal year 2003 expenditures of \$1.995 billion, slightly greater than the 3.2% increase in individual income tax revenues. The bulk of the increase was

attributable to the retirement and social security subtraction (up \$26 million to \$758 million), property tax credit (up \$28 million to \$384 million), and earned income credit (up \$15 million to \$66 million).

Tax expenditures from the corporate income tax had declined \$52 million to \$172 million in fiscal year 2003. These tax expenditures increased \$62 million or 36.0% to \$234 million in fiscal year 2004. Fluctuations in tax expenditures from the corporate income tax largely reflect changes in the cost of the largest corporate income tax expenditure, the Illinois net operating loss deduction. The cost of this tax expenditure dropped from \$145 million in fiscal year 2002 to \$103 million in fiscal year 2003 before increasing to \$163 million in fiscal year 2004.

The fund experiencing the greatest impact from tax expenditures outside the General Funds group is the Income Tax Refund Fund. A percentage of collections from each of the income taxes is deposited into this fund for tax refund payments. Tax expenditures

charged against the Income Tax Refund Fund increased \$112 million to \$318 million in fiscal year 2004. This was due to increases in the annual percentages set aside from 8% to 11.7% for the individual income tax and from 27% to 32% for the corporate income tax, combined with a 3.2% increase in individual income tax revenues and a 40.9% increase in corporate tax revenues.

Revoked Tax Expenditures, Modified Tax Expenditures, and New Tax Expenditures

The fiscal year 2004 budget package eliminated and modified several long established tax expenditures as well as added several new tax expenditures to the list contained in this report. Five tax expenditures were revoked from the income taxes: the training expense credit, the research and development credit, the credit against replacement taxes paid, the standard deduction for corporate income tax payers, and the life and health insurance assessment offset which also could be taken against the insurance retaliatory tax. Since tax expenditures impacting the corporate income tax are based on fiscal year 2002 returns in this report, these tax expenditures will be eliminated in future tax expenditure reports. In this report, these tax expenditures had a combined cost of \$37.4 million with the largest portion \$14.2 million from the training expense credit. In addition, the Department of Insurance reported \$12.3 million deducted from insurance taxes for the revoked life and health insurance offset for fiscal year 2003. The research and development credit which had a cost of \$8.2 million and ended on December 30, 2003 was later reinstated effective for tax years ending on or after December 31, 2004.

Several tax expenditures charged against the sales tax were also revoked. These include the machinery and equipment exemptions for graphic arts, coal, oil, ethanol distillation, and aggregate manufacturing, the exemption for replacement vehicles (which is partially offset by the elimination of the replacement vehicle tax), property used in pollution control facilities and vending machines, and the manufacturer's purchase credit. In fiscal year 2003, the cost of the manufacturer's purchase credit was \$28.0 million. Reported man-

ufacturer's credits of \$21.5 million during fiscal year 2004 reflect credits taken prior to the October 1, 2003 abolition day. The combined value for the remaining revoked tax expenditures was \$10.8 million during fiscal year 2003. As was the case with the revoked income tax expenditures, lawmakers had second thoughts about some elements of the revenue enhancement program during fiscal year 2004 and the manufacturer's purchase credit was restored effective September 1, 2004.

Several tax expenditures were also modified to reduce their fiscal impact. The foreign insurance rate reduction sets a limit on the Illinois taxes paid by out-of-state based insurers. Illinois domiciled insurance companies benefit because the retaliatory taxes that would be owed to other states are reduced. The sum of income and selected insurance taxes paid by an out-of-state based insurer to Illinois is limited to the amount that would be collected from those taxes in the base state with a 1.25% of net premiums minimum that was raised to 1.75% of premiums for tax years ending on or after December 31, 2003. The Illinois net operating loss deduction allowed corporations operating in Illinois to apply losses against profits earned during the prior two years or during the following twenty years. After December 31, 2003, corporations may only carry losses forward for 12 years. By eliminating the carryback, formerly profitable companies that suffer losses will no longer be able to immediately adjust their tax burden for those losses. Instead they will have to wait until they return to a profit situation to balance those losses against profits.

Vehicles and parts purchased for interstate commerce are exempt from the sales tax. The question is how to determine when they are used in interstate commerce. The determination of being in interstate commerce was tightened from vehicles used in interstate commerce more than fifteen times a year to vehicles where 51% of the trips are in interstate commerce and to trailers used regularly and frequently in interstate commerce. Also, the maximum amount payable on the annual corporate franchise tax imposed on the capital structure and changes in the capital structure of corporations operating in Illinois was raised from \$1 million to \$2 million.

Most of the new tax expenditures included in this report are elements of the package of new taxes and fees implemented as part of the fiscal year 2004 revenue

package. The commercial distribution fee is a surcharge to the flat weight or mileage weight taxes paid by most second division vehicles with gross weights in excess of 8,000 lbs. The Secretary of State reported \$88.5 million in commercial distribution fees in fiscal year 2004. Vehicles that pay the commercial distribution fee are now largely exempt from the sales tax and vehicle use tax with a reported cost of \$44.5 million for these new tax expenditures.

The additional tax payments by transportation companies are also in part offset by a new income tax credit. The credit is \$50 for each qualified Illinois resident employed by a payer of the commercial distribution fee. The credit is effective for the 2004 tax year and will first have a fiscal impact in fiscal year 2005.

The two new taxes imposed in fiscal year 2004 spawned several new tax expenditures. Gas used in the production of electric energy, in petroleum refinery operations, in gas liquefaction processes, or in the production of fertilizer is exempt from the new gas use tax levied on gas used in Illinois that is not purchased through a utility. The aircraft use tax was imposed effective June 20,

2003, followed by the watercraft use tax imposed effective July 30, 2004. Aircraft and watercraft cannot be registered in Illinois unless either the sales or use tax has been paid. Sales to exempt organizations, rolling stock, transfers to surviving spouses, and watercraft temporarily used in Illinois are exempt from these taxes. The Environmental Protection Agency's new national pollutant discharge elimination permit fee for wastewater discharge permits included a state government and school district exemption with an estimated cost of \$500 thousand.

The remaining new tax expenditures for the fiscal year 2004 *Tax Expenditure Report* are cost of collection discounts for the gas use tax and the telecommunications excise tax, and an exemption for nonsalary ride sharing payments from the income tax. The telecommunications cost of collection discount increased the cost of telecommunications tax expenditures from \$44 thousand in fiscal year 2003 to \$8.6 million in fiscal year 2004. The film production services tax credit from the income tax available beginning in January 2004 will first be claimed on fiscal year 2005 returns.

SPECIAL STUDY: PROVIDING BUSINESS INCENTIVES THROUGH THE GRANTING OF TAX EXPENDITURES

Many tax expenditures have been created to provide incentives for businesses to invest and increase employment in Illinois. The first state tax expenditure specifically designed to make Illinois more attractive to business was enacted in 1979. It was the exemption from the sales tax of the purchase of machinery and equipment used in manufacturing and assembling. This was followed by a number of new tax expenditures created during the 1980's that expanded the sales tax exemption to additional types of equipment (such as graphic arts and pollution control equipment), reduced the tax burden of operating within enterprise zones, and provided job training and research incentives. The addition of business incentive tax expenditures has continued with: 1) the manufacturer's purchase credit effective in 1995 to provide an additional use tax credit to offset the sales tax on production related items; 2) the economic development for a growing economy (EDGE) tax credit effective in 2000 to provide credits related to employment growth to companies that agree to invest in Illinois or relocate their corporate headquarters in Illinois; and 3) the film production services tax credit in 2004 designed to reduce the cost of film making in Illinois.

The pattern of steadily expanding the list of tax expenditures ended during fiscal year 2004 and recent court cases may put new limits on this type of tax expenditure in future years. During the year, several long-established Illinois business tax incentives were eliminated (though in some cases later restored) as part of the revenue enhancement program for the fiscal year 2004 budget. Nationally, attention has been focused on tax expenditures with a federal appeals court's finding in Cuno v. DaimlerChrysler, Inc. [386 F.3d 738, U.S. App. Lexis 21821 (6th Cir. Ohio, 2004)] that certain tax incentives violate the commerce clause of the U.S. Constitution.

Illinois Offers \$328 Million in Business Incentive Tax Expenditures

More than half of the value of business incentive tax expenditures was related to machinery and equipment purchases in fiscal year 2004, with a combined \$183 million from the machinery and assembling equipment exemption and associated manufacturer's purchase credit from the sales tax. Second in value were the various exemptions, subtractions, and credits available to businesses in enterprise zones and foreign trade zones

or classified as high impact businesses. This cluster of tax expenditures had a cost of \$79 million in fiscal year 2004 with the largest portion the enterprise zone exemption from the electricity excise tax (\$35 million) and the sales tax exemption for designated property used or consumed in enterprise zones (\$27 million). Smaller amounts were available as employment incentives (\$15 million) or research incentives (\$8 million). Due to overlaps of tax years and fiscal years and delays in filing final returns for corporate income tax filers, the elimination of corporate income tax incentives will not be reported until future tax expenditure reports.

Incentives that did not fall into the above groups include the credit to electric utilities for the purchase of electricity generated by a solid waste energy facility. This incentive encourages the development of gas collection networks at waste disposal sites. The EDGE credit is project focused. The actual credit taken depends upon jobs created in Illinois, but the criteria used by the Department of Commerce and Economic Opportunity (DCEO) for approving projects combines value of investment and new jobs. The coal research and coal utilization investment credits apply to both research and equipment including a 20% credit on donations to the Illinois Center for Research on Sulfur in Coal and a 5% credit for equipment purchases for maintaining or increasing the use of Illinois coal.

The business incentive tax expenditures represent a variety of strategies intended to use the tax code to make Illinois a more attractive location for business. Enterprise zone tax expenditures are focused on bringing jobs to specific depressed areas. Coal and motion picture incentives are focused on helping specific industries. Research, training, and machinery and equipment purchase incentives are all designed to reduce the cost of various factors of production. Some of the tax incentives are general in that any firm purchasing the item for manufacturing or having qualified training or research expenditures is eligible to claim the incentive. Other incentives, such as the EDGE or enterprise zone incentives, are targeted and require the interested firm or government unit to file an application with the Department of Commerce and Economic Opportunity.

Each business incentive strategy favors a particular kind of economic development. With the largest portion of economic development tax expenditures arising from

machinery and equipment purchases and investment, it appears that Illinois' tax incentive strategy is of greater aid to manufacturing companies than service or high tech companies that are less capital intensive in their operations.

Tax incentives from state taxes are only a part of the financial incentives offered by Illinois governments to attract business activity. The investment tax credit is charged against the corporate personal property replacement tax collected by the state for local governments. This credit, which is either .5% or 1% of the investment in qualified machinery and equipment depending on whether the company also expands employment, cost \$24.7 million for the 2002 tax year. The state also offers, through DCEO, the Department of Agriculture, the Department of Transportation, the Treasurer, the Illinois Finance Authority, and the Community College Board, a variety of grant, loan, and job training programs to promote business activity within the state.

Local governments have their own options for providing tax relief as a business incentive. General authority property tax abatements can be offered for economic development purposes such as commercial and industrial expansion, sports or recreation facilities, academic or research institutes, or relocated corporate headquarters. Units of local government have the authority to abate property taxes on improvements or renovations to business real estate in enterprise zones. Through the creation of Tax Increment Finance (TIF) districts, local governments dedicate sales tax and incremental property tax revenues generated within the TIF for improvements designed to encourage new economic development and jobs.

Incentive Changes for Fiscal Year 2004

For fiscal year 2004, many of the incentive offerings outside of the enterprise zone and manufacturing machinery exemptions were eliminated. The training expense and the research and development income tax credits were both eliminated, as were the machinery purchase exemptions for graphic arts, pollution control, coal, oil, ethanol, and aggregate machinery and the manufacturer's purchase credit. In fiscal year 2003, these tax expenditures had a combined cost of \$56 million.

Later legislation reversed the elimination of some of these incentives. The research and development credit was reinstated for tax years ending on or after December 31, 2004 and the manufacturer's purchase credit was restored effective September 1, 2004. Also, the film production services credit against the income tax is effective for tax years beginning on or after January 1, 2004.

Cuno v. DaimlerChrysler

A recent federal court challenge to business incentives, Cuno v. DaimlerChrysler, may set some limits on governments' ability to provide favored tax treatment to potential new and expanding projects in their communities. Originally brought in 1998, local businesses sued the state of Ohio contending that tax incentives provided to DaimlerChrysler for constructing a new plant were discriminatory and violated the Interstate Commerce Clause of the U.S. Constitution. In a decision in September 2004, a three-judge panel of the federal Court of Appeals struck down an investment tax credit as a violation of the Commerce Clause. The U.S. Supreme Court has agreed to review this decision. Suits also have been filed challenging tax incentives in at least four other states.

In Cuno v. DaimlerChrysler, the court struck down a tax credit against the Ohio corporate franchise tax based on purchasing and installing machinery at an Ohio production facility. The court held that the credit discriminated against interstate commerce by biasing businesses subject to the franchise tax to expand in Ohio instead of in another state. This is because Ohio businesses could reduce tax liability by making major machinery and equipment investments within the state, but receive no equivalent benefit if the investments were made elsewhere. The court did not strike down property tax incentives included in the package. Even if the Ohio franchise tax incentive is struck down, governments will still have options for attracting business either through grants or tax incentives that are not considered discriminatory and in violation of the Commerce Clause.

The economic value of investment incentives has long been subject to debate. In discussing the merits of the Cuno decision, opponents of incentives have argued

Tax Source and Incentive			Cost (In Thousands)	
			FY 2003	FY 2004
Machinery and Equipment Incentives	Sales and Use Tax	Manufacturing and Assembling Machinery and Equipment Exemption	\$ 158,333	\$ 161,816
	Sales and Use Tax	Manufacturer's Purchase Credit	28,000	21,534
	Sales and Use Tax	Graphic Arts Machinery and Equipment Exemption	4,086	0
	Sales and Use Tax	Coal, Oil, and Distillation Machinery and Equipment Exemption	715	0
	Sales and Use Tax	Pollution Control Facilities Exemption	3,575	0
Enterprise Zone Incentives	Electricity Revenue Tax	Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	\$ 22,645	\$ 34,875
	Sales and Use Tax	Designated Tangible Personal Property within Enterprise Zone Exemption	32,000	26,678
	Corporate Income Tax	Enterprise Zone Investment Credit	7,530	6,520
	Sales and Use Tax	Building Materials within Enterprise Zone Exemption	4,086	4,176
	Gas Revenue Tax	Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1,910	1,748
	Corporate Income Tax	High Economic Impact Business Investment Credit	200	1,540
	Corporate Income Tax	Enterprise Zone and High Economic Impact Interest Subtractions	2,139	1,431
	Corporate Income Tax	Enterprise and Foreign Trade Zone Dividend Subtractions	5,224	1,000
	Corporate Income Tax	Enterprise Zone Charitable Contribution Subtraction	111	938
	Telecommunications Tax	Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	33	32
	Commerce Commission Tax	Enterprise Zone Revenue Exemption	34	26
	Corporate Income Tax	Jobs Tax Credit	14	6
	Employment Incentives	Corporate Income Tax	Training Expense Credit	\$ 12,700
Corporate Income Tax		Job Training Contribution Subtraction	256	417
Corporate Income Tax		TECH-PREP Youth Vocational Program Credit	1	0
Research Incentives	Corporate Income Tax	Research and Development Credit	\$ 6,670	\$ 8,180
Other Incentives	Electricity Revenue Tax	Purchase of Electricity Generated by Solid Waste Energy Facility Credit	\$ 24,200	\$ 29,400
	Corporate Income Tax	Economic Development for a Growing Economy Tax Credit	3,300	5,200
	Individual Income Tax	Income Tax Credits *	7,551	4,226
	Corporate Income Tax	Coal Research and Coal Utilization Investment Credits	1,100	3,750
Total			\$ 326,413	\$ 327,673

* Includes enterprise zone, high impact business investment, jobs and training, and environment remediation incentives as well as the dependent care credit.

how they distort business decision making, erode the tax system, and penalize companies who cannot take advantage of the incentives. Arguing against Cuno, proponents of incentives maintain that incentives

encourage economic development and can be a tool to attract and retain businesses in economically disadvantaged areas.

A REVIEW OF FISCAL YEAR 2004

TAX EXPENDITURES

The Impact of Tax Expenditures

Although tax expenditures were reported for 42 revenue sources in fiscal year 2004, the four largest tax sources accounted for \$5.836 billion or 96% of the \$6.067 billion in reported tax expenditures. Well over half of the value of tax expenditures (\$3.379 billion or 56%) were attributed to state sales taxes.

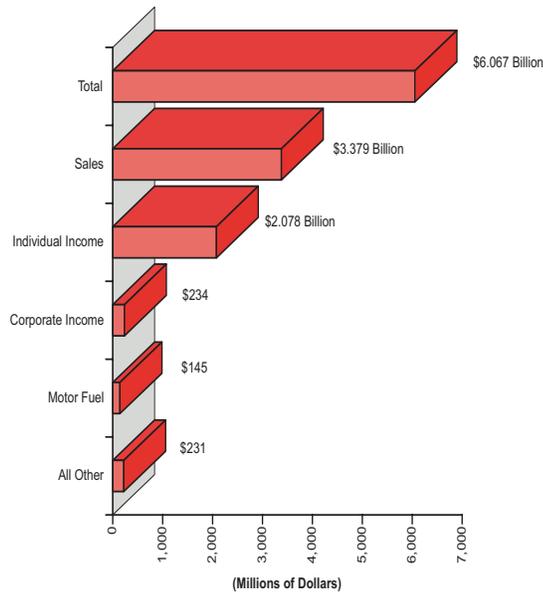
Another 38% was associated with income taxes with \$2.078 billion or 34% from the individual income tax and \$234 million or 4% from the corporate income tax. The motor fuel tax accounted for \$145 million or 2% of reported tax expenditures leaving only \$231 million or 4% for tax expenditures from the remaining revenue sources.

The Ten Largest Tax Expenditures

There were eleven tax expenditures with estimated costs in excess of \$100 million. These included

the ten tax expenditures listed in the table and the retailer's discount from the sales tax that had a cost of \$113 million in fiscal year 2004. Five of the ten largest tax expenditures were from the sales tax, with three from the individual income tax, and one each from the corporate income tax and the motor fuel tax. The food,

Impact of Tax Expenditures



The Ten Largest Tax Expenditures - Fiscal Year 2004

(Millions of Dollars)

Amount	Expenditure	Applied Against
\$1,223	Food, Drugs, Medical Appliances	Sales Tax
930	Sales to Exempt Organizations	Sales Tax
758	Retirement and Social Security Deductions	Individual Income Tax
690	Standard Deduction	Individual Income Tax
384	Property Tax Credit	Individual Income Tax
343	Exemption for Trade-Ins	Sales Tax
209	Farm Chemical Exemption	Sales Tax
163	Illinois Net Operating Loss Deduction	Corporate Income Tax
162	Manufacturing Machinery Exemption	Sales Tax
117	Non Motor Vehicle Use	Motor Fuel Tax
\$4.979 Billion	Total Impact of Largest Ten Expenditures	
\$6.067 Billion	Total Impact of All Tax Expenditures	
82%	Percent of Total Impact	

The *Tax Expenditure Report* only identifies tax expenditures that reduce state revenues. When local taxes are piggy-backed onto state taxes, tax expenditures also reduce local government tax revenues. Sales tax expenditures that also apply to the additional portion of sales tax collections distributed to local governments are a prime example.

One prominent tax expenditure has been designed to exclusively impact local government revenues. The investment tax credit is applied against the personal property replacement income tax which is distributed to local governments. This tax expenditure includes a base 0.5% credit for buying equipment used in retailing, manufacturing, and mining. An additional 0.5% credit is allowed if the company's Illinois employment has increased by 1%. The cost to local governments for this tax expenditure for the 2002 tax year was \$24.7 million.

Four Largest Tax Expenditures, Fiscal Year 1993 to 2004

Reported tax expenditures of \$6.1 billion for fiscal year 2004 were \$3.0 billion or 97.8% greater than the \$3.1 billion reported for fiscal year 1993, the first year that the *Tax Expenditure Report* was issued. The change in the value of reported tax expenditures reflects improved reporting and new expenditures, as well as the impact of inflation and economic growth. Of particular interest are the trends in growth for the four largest expenditures which have accounted for over half of the total reported.

Retirement subtractions from the Illinois individual income tax apply to all retirement income including IRA, disability, social security, and railroad retirement income that is subject to the federal income tax. The estimated cost of this tax expenditure of \$758 million for fiscal year 2004 was \$474 million greater or 2.7 times its cost of \$284 million in fiscal year 1993. The substantial growth in this expenditure in part reflects the increase in income that has become subject to the federal tax, such as the increase in the maximum percentage of federally taxable social security income from 50% to 85% effective for the 1994 tax year.

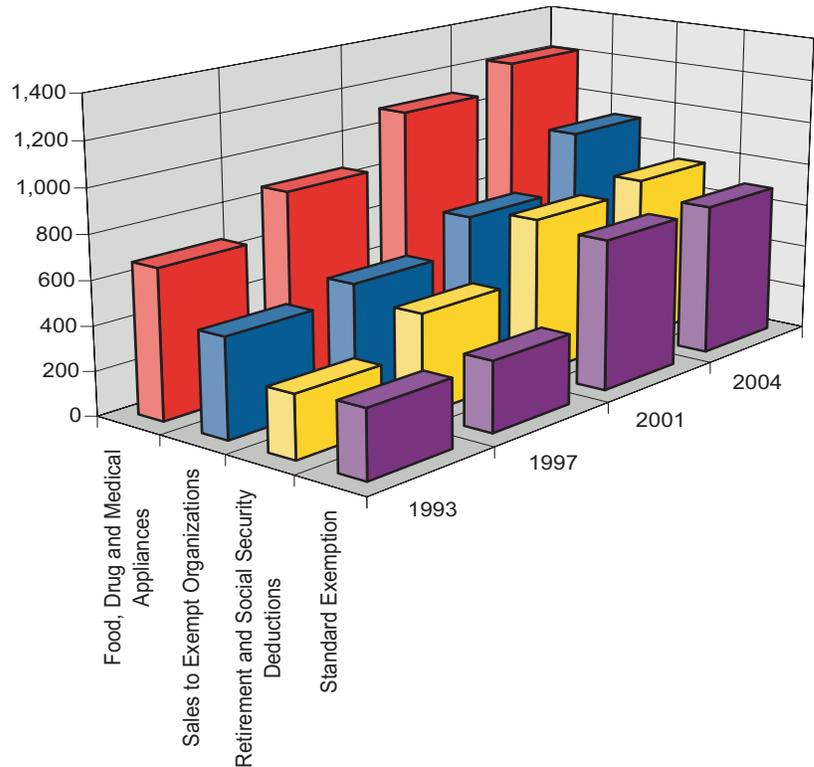
Demographers are projecting a sizable increase in Illinois' population over 65. According to the U.S. Census Bureau's interim population projections from the 2000 census, there will be 2.4 million senior citizens in Illinois in 2030, up 60.8% from the number of seniors (1.5 million) in 2000. Over that same period, the total Illinois population is projected to increase 8.2%. The result should be a continued rapid increase in the cost of the retirement income tax expenditure.

The \$1,000 standard deduction from the state individual income tax had been one of the slowest growing tax expenditures increasing only \$14 million from \$306 million to \$320 million between fiscal year 1993 and fiscal year 1998. With the

doubling in the value of this tax expenditure (to \$1,300 for the 1998 tax year, \$1,650 for the 1999 tax year, and \$2,000 for years beginning with the 2000 tax year), its cost has increased a further \$370 million to \$690 million for fiscal 2004.

The largest tax expenditure, the reduced sales tax rate for food, drugs, and medical appliances, is the only \$1 billion tax expenditure. Between fiscal 1993 and fiscal 2004, its cost increased \$548 million or 81.2% from \$675 million to \$1.223 billion reflecting inflation and increased consumer purchases of exempted items. The other major tax expenditure from the sales tax is the exemption for sales to exempt organizations such as local governments and charities which more than doubled from \$450 million to \$930 million during this eleven-year period.

**Four Largest Tax Expenditures
Fiscal Years 1993 to 2004
(Dollars in Millions)**



A \$6.1 Billion Impact on Reported Tax Receipts

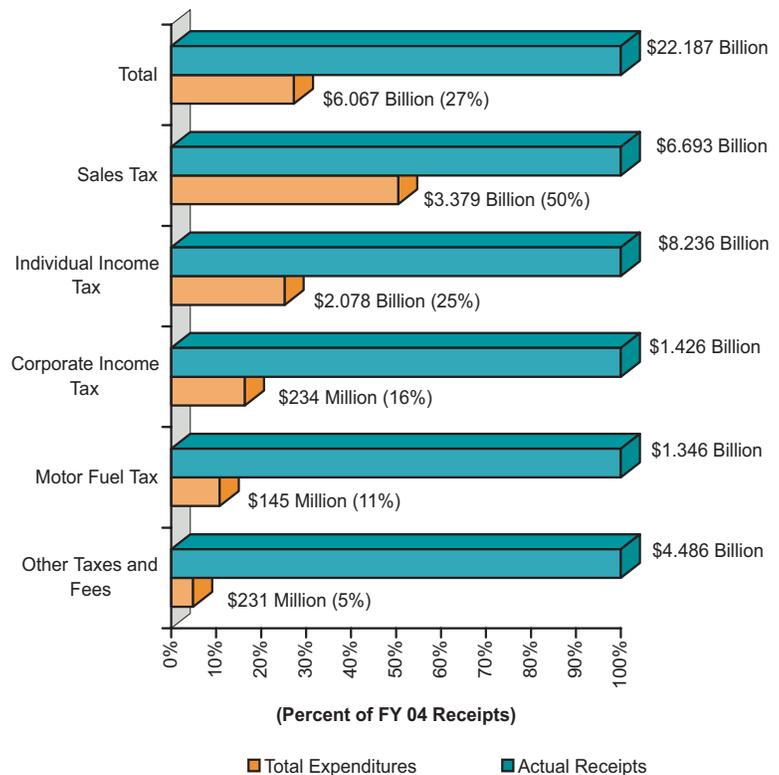
The \$6.1 billion in tax expenditures were applied against revenue sources that brought in a reported \$22.2 billion in fiscal year 2004. This amounts to 27% of reported receipts. Of the major revenue sources, tax expenditures had the greatest impact on the sales tax followed by the individual income tax, corporate income tax and motor fuel tax.

All other expenditures had a combined impact of \$231 million, or 5% of other receipts of \$4.5 billion. Within other sources, there were several for which tax expenditures had a substantial impact. These include - fishing licenses (\$13 million impact, total receipts of \$9 million); the electricity excise tax (\$64 million in tax expenditures, total receipts of \$355 million); the insurance retaliatory tax (\$28 million in tax expenditures, total receipts of \$159 million); the underground storage tank tax (\$19 million in tax expenditures, total receipts of \$78 million); and the racing parimutuel tax (\$4 million in tax expenditures, total receipts of \$12 million).

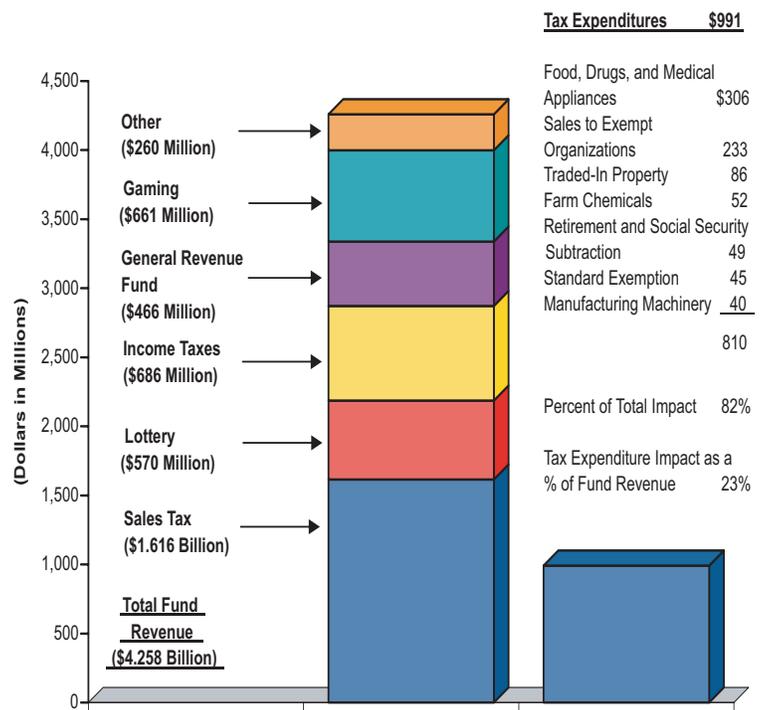
A \$991 Million Impact on Education Funds

Tax expenditures of \$991 million from monies that would have been deposited into the Education Funds were the equivalent of 23% of revenues. The Common School, General Revenue - Common School Special Account, and Education Assistance Funds receive dedicated lottery, income tax, gaming tax, and sales tax monies as well as General Revenue Fund transfers and portions of certain other dedicated revenues (cigarette tax, public utility tax, bingo tax, etc.) for use exclusively for elementary, secondary, and higher education. In fiscal year 2004, the Education Funds received \$4.3 billion from dedicated sources - \$1.6 billion from the sales tax, \$570 million in lottery transfers, \$686 million from income taxes, \$661 million from gaming taxes, and \$260 million from other sources

Impact of Tax Expenditures on Tax Receipts



Education Funds Receipts and Tax Expenditures*



* Includes Common School, General Revenue - Common School Special Account and Education Assistance Funds.

(including \$141 million from cigarette taxes and \$112 million from the communications excise tax) plus \$466 million in General Revenue Fund transfers.

Who Received Tax Expenditures?

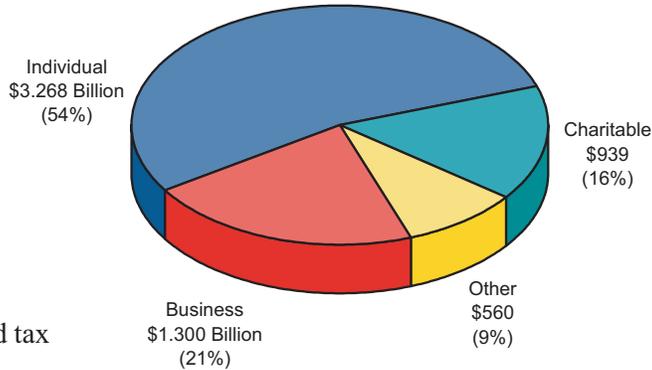
Tax expenditures for individuals totaled \$3.3 billion while businesses received \$1.3 billion, charities \$939 million and other \$560 million.

Individuals received \$2.4 billion in broad-based tax expenditures. The two largest were the food and drug rate reduction and the standard exemption from the individual income tax.

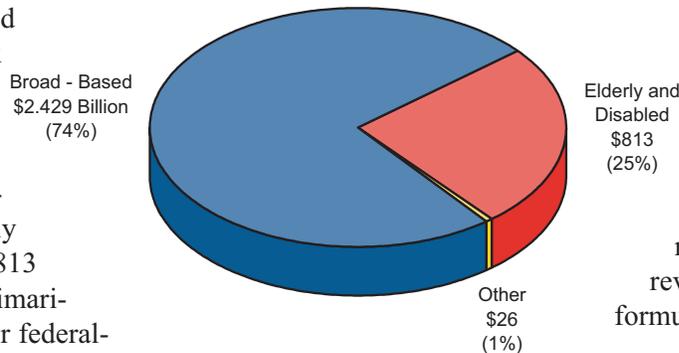
Other broadbased tax expenditures included the property tax credit, the education expense credit, and the earned income credit. The expenditures for the elderly and disabled of \$813 million consisted primarily of \$758 million for federally taxed retirement and social security subtractions.

The impact of general business expenditures was \$947 million, while agricultural expenditures were \$319 million and environmental expenditures totaled \$33 million. The manufacturing machinery exemption, net operating loss deduction, retailer's sales tax discount, and sales of motor fuel for use other than in motor vehicles were the largest general business expenditures. Sales to exempt organizations were \$930 million of the \$939 million worth of expenditures for charities (99%). The largest of the \$560 million in other expenditures was the \$343 million impact of the traded-in property exemption primarily attributable to new and used car sales.

Tax Expenditures by Purpose
(Dollars in Millions)



Individual Expenditures
(Dollars in Millions)

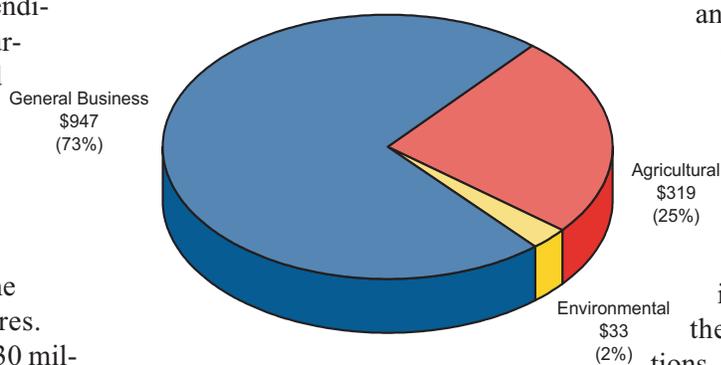


The Impact of Tax Expenditures on Revenue Sharing

Normally it is difficult to measure the impact of tax expenditures on spending. One case where such a relationship can be made occurs when a portion of tax revenues is automatically granted by formula to local governments.

During fiscal year 2004, \$1.7 billion was distributed in income, sales, and motor fuel tax revenue sharing. Tax expenditures had an estimated \$369 million impact on these distributions.

Business Expenditures
(Dollars in Millions)

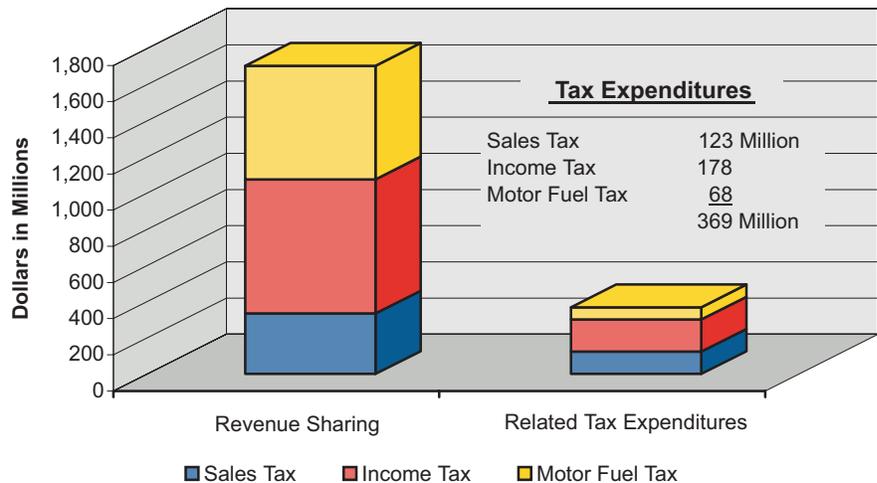


A fixed percent of net income tax revenue is granted to counties and municipalities as state revenue sharing. Distribution is based on their shares of the state's population. The distribution is cur-

rently 1/10 of revenues net of deposits into the Refund Fund. In fiscal year 2004, the Local Government Distributive Fund received \$742 million in transfers from the General Revenue Fund related to income tax receipts. Based on a 24% ratio of tax expenditures to combined income tax receipts, distributions were \$178 million less than they would have been without tax expenditures.

There are several programs which share sales tax revenue with local governments. The Public Transportation Fund receives General Revenue Fund transfers equal to 25% of net revenue collected from the local RTA sales tax. The Downstate Public and Metro-East Public Transportation Funds receive a General Revenue Fund transfer based on a percentage of state sales taxes paid in their districts. The Illinois Tax Increment Fund receives 0.27% of state sales taxes. In fiscal year 2004, these programs received \$334 million in direct receipts and General Revenue Fund transfers. Distributions were \$123 million less than they would have been without tax expenditures.

Revenue Sharing and Tax Expenditures



State motor fuel taxes are used for state purposes and shared with counties, municipalities, townships, and road districts. During fiscal year 2004, local government funds received \$628 million in motor fuel tax revenues. Based on an 11% ratio of tax expenditures to motor fuel tax receipts, distributions were \$68 million less than they would have been without tax expenditures.

This page intentionally blank.

TAX EXPENDITURES BY FUND GROUP AND FUND

(IN THOUSANDS)

Fund Group: General

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 4,427,594	\$ 4,533,885
General Revenue - Common School Special Account Fund	0005	826,312	844,681
Education Assistance Fund	0007	143,150	145,537
Common School Fund	0412	7	1,228
Total Impact, General		\$ 5,397,063	\$ 5,525,331

Fund Group: Highway

Fund Name and Code:		FY 03	FY 04
Motor Fuel Tax - State Fund	0012	\$ 145,045	\$ 145,261
Road Fund	0011	8,283	10,014
State Construction Account Fund	0902	4,396	5,343
Total Impact, Highway		\$ 157,724	\$ 160,618

Fund Group: Special State

Fund Name and Code:		FY 03	FY 04
Income Tax Refund Fund	0278	\$ 205,978	\$ 317,937
Underground Storage Tank Fund	0072	19,208	18,576
Wildlife and Fish Fund	0041	13,008	13,008
Long Term Care Provider Fund	0345	10,059	10,155
Build Illinois Fund	0960	6,274	6,295
Horse Racing Fund	0632	3,926	3,853
Public Health Services Revolving Fund	0340	3,504	3,524
Public Utility Fund	0059	1,439	1,954
School Infrastructure Fund	0568	7	1,228
Environmental Protection Permit and Inspection Fund	0944	975	1,200
Local Tourism Fund	0969	1,004	1,007
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	773	612
International Tourism Fund	0621	565	566
Drivers Education Fund	0031	473	558
Illinois Clean Water Fund	0731	0	500
Health Facility Plan Review Fund	0524	74	132
Corporate Franchise Tax Refund Fund	0380	171	127
Metabolic Screening and Treatment Fund	0920	95	125
Illinois School Asbestos Abatement Fund	0175	3	3
Pesticide Control Fund	0576	1	2
Long Term Care Monitor/Receiver Fund	0285	37	0
Total Impact, Special State		\$ 267,574	\$ 381,362

GRAND TOTAL, IMPACT		\$ 5,822,361	\$ 6,067,311
----------------------------	--	---------------------	---------------------

TAX EXPENDITURES BY REVENUE SOURCE

(IN THOUSANDS)

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:	FY 03	FY 04
Food, Drugs, and Medical Appliances Rate Reduction	\$ 1,169,000	\$ 1,222,500
Sales to Exempt Organizations	892,791	930,356
Traded-In Property Exemption	339,147	343,283
Farm Chemicals (Includes Feed and Seed) Exemption	204,300	208,795
Manufacturing and Assembling Machinery and Equipment Exemption	158,332	161,816
Retailer's Discount	107,300	113,363
Sales of Motor Vehicles to Non-Residents Exemption	72,040	70,474
Gasohol Discount	60,000	62,539
Farm Machinery and Equipment Exemption	45,968	46,979
Rolling Stock Exemption	104,133	42,225
Newsprint and Ink to Newspapers and Magazines Exemption	40,000	40,880
Commercial Distribution Fee (CDF) Exemption	0	37,734
Sales of Vehicles to Automobile Rentors Exemption	23,640	29,034
Designated Tangible Personal Property within Enterprise Zone Exemption	32,000	26,678
Manufacturer's Purchase Credit	28,000	21,534
All Other	28,592	20,545
Total Impact	\$ 3,305,243	\$ 3,378,735

Revenue Source and Annual Receipts: Individual Income Tax

Expenditure:	FY 03	FY 04
Federally Taxed Retirement and Social Security Subtractions	\$ 732,055	\$ 757,659
Standard Exemption: Taxpayers and Dependents	680,399	690,357
Tax Credit for Residential Real Property Taxes	355,552	383,615
Education Expense Credit	66,518	67,140
Earned Income Tax Credit	50,830	65,746
Other Subtractions	48,781	55,004
Additional Exemptions: Blind and Elderly	31,325	31,237
Military Pay Subtraction	22,181	22,757
Income Tax Credits	7,551	4,226
Total Impact	\$ 1,995,192	\$ 2,077,741

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:	FY 03	FY 04
Illinois Net Operating Loss Deduction	\$ 102,943	\$ 162,938
Training Expense Credit	12,700	14,180
Foreign Insurer Rate Reduction	9,396	12,055
Research and Development Credit	6,670	8,180
Enterprise Zone Investment Credit	7,530	6,520
Replacement Taxes Paid Credit	5,986	6,389
Economic Development for a Growing Economy Tax Credit	3,300	5,200
Standard Exemption	4,973	5,021
Coal Research and Coal Utilization Investment Credits	1,100	3,750
Life and Health Insurance Guarantee Association Tax Offset	6,150	3,640
All Other	10,980	6,012
Total Impact	\$ 171,728	\$ 233,885

TAX EXPENDITURES BY REVENUE SOURCE (IN THOUSANDS)

Revenue Source and Annual Receipts: Motor Fuel Taxes

Expenditure:	FY 03	FY 04
Sales for Use Other Than in Motor Vehicles Exemption	\$ 115,332	\$ 117,220
Timely Filing and Full Payment Discount	23,779	21,545
Municipal Corporation or Private Utility Local Transportation System Exemption	5,896	6,455
Aviation Purposes Exemption	38	41
Total Impact	\$ 145,045	\$ 145,261

Revenue Source and Annual Receipts: Electricity Excise Tax

Expenditure:	FY 03	FY 04
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	\$ 22,645	\$ 34,875
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	24,200	29,400
Total Impact	\$ 46,845	\$ 64,275

Revenue Source and Annual Receipts: Insurance Retaliatory Tax

Expenditure:	FY 03	FY 04
Replacement Income Tax Credit	\$ 13,212	\$ 17,378
Fire Department Tax Credit	9,589	10,803
Life and Health Guaranty Assessments Credit	12,293	0
Total Impact	\$ 35,094	\$ 28,181

Revenue Source and Annual Receipts: Vehicle Use Tax

Expenditure:	FY 03	FY 04
Commercial Distribution Fee Exemption	\$ 0	\$ 6,821
Family Member Preferential Tax Rate	4,200	4,359
Rolling Stock Exemption	5,400	3,343
Government, Charitable, Educational, Religious Entities Exemption	173	3,282
Farm Implement - Ready Mix Exemption	0	1,054
Out-of-State Resident Exemption	1,000	910
Estate Gift to Beneficiary Preferential Tax Rate	135	141
Surviving Spouse Exemption	138	128
Business Reorganization Preferential Tax Rate	57	68
Total Impact	\$ 11,103	\$ 20,106

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Expenditure:	FY 03	FY 04
Airport Exemption	\$ 14,717	\$ 13,965
Rail Carrier Exemption	2,569	2,759
Timely Filing and Full Payment Discount	1,451	1,311
Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers	422	492
Liquefied Propane Gas Exemption	49	49
Total Impact	\$ 19,208	\$ 18,576

TAX EXPENDITURES BY REVENUE SOURCE

(IN THOUSANDS)

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Expenditure:	FY 03	FY 04
Senior Citizen Plate Renewal Reduction	\$ 8,123	\$ 8,949
Municipality Owned Passenger Vehicle Exemption	3,060	2,990
Charitable Organization Vehicle Exemption	269	1,966
Disabled Veteran Vehicle Registration Exemption	227	216
Drivers Education Vehicles	10	174
POW Vehicle Registration Exemption	123	101
Sheriff Plates	67	50
Total Impact	\$ 11,879	\$ 14,446

Revenue Source and Annual Receipts: Insurance Privilege Tax

Expenditure:	FY 03	FY 04
Fire Department Tax Credit	\$ 9,275	\$ 11,106
Replacement Income Tax Credit	2,672	2,378
Total Impact	\$ 11,947	\$ 13,484

Revenue Source and Annual Receipts: Fishing Licenses

Expenditure:	FY 03	FY 04
Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount	\$ 13,008	\$ 13,008
Total Impact	\$ 13,008	\$ 13,008

Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax

Expenditure:	FY 03	FY 04
Permanent Residents Exemption	\$ 7,999	\$ 8,045
Cost of Collection Discount	4,550	4,543
Total Impact	\$ 12,549	\$ 12,588

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:	FY 03	FY 04
Cost of Collection Discount	\$ 10,059	\$ 10,155
Total Impact	\$ 10,059	\$ 10,155

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:	FY 03	FY 04
Cost of Collection Discount	\$ 0	\$ 8,544
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	33	32
Coin-Operated Telecommunications Devices Exemption	11	11
Total Impact	\$ 44	\$ 8,587

Revenue Source and Annual Receipts: Annual Reports of Corporations

Expenditure:	FY 03	FY 04
Two Million Dollar Cap on Franchise Tax for Corporations	\$ 8,724	\$ 6,474
Total Impact	\$ 8,724	\$ 6,474

TAX EXPENDITURES BY REVENUE SOURCE (IN THOUSANDS)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Expenditure:	<u>FY 03</u>	<u>FY 04</u>
Claims for Loss or Damage Deduction	\$ 1,225	\$ 1,234
Exempt Organization Rentals	1,174	1,183
Insurance Coverage Deduction	888	895
Timely Filing and Full Payment Discount	501	569
Refueling Deduction	348	351
Other/Miscellaneous Deductions	<u>69</u>	<u>69</u>
Total Impact	\$ 4,205	\$ 4,301

Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax

Expenditure:	<u>FY 03</u>	<u>FY 04</u>
Real Estate Tax Credit	\$ 3,926	\$ 3,853
Total Impact	\$ 3,926	\$ 3,853

Revenue Source and Annual Receipts: Gas Revenue Tax

Expenditure:	<u>FY 03</u>	<u>FY 04</u>
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	\$ 1,910	\$ 1,748
Purchase From Out-of-State Supplier Exemption	5,469	1,251
Cost of Collection Discount (Gas Use Tax)	<u>0</u>	<u>567</u>
Total Impact	\$ 7,379	\$ 3,566

Revenue Source and Annual Receipts: Sexually Transmitted Disease Test Fee

Expenditure:	<u>FY 03</u>	<u>FY 04</u>
Population With High Incidence of Sexually Transmitted Diseases Exemption	\$ 3,099	\$ 3,159
Dept. Funded HIV Counseling & Testing Site and HIV Seroprevalence Exemption	<u>405</u>	<u>365</u>
Total Impact	\$ 3,504	\$ 3,524

Revenue Source and Annual Receipts: All Other

Expenditure:	<u>FY 03</u>	<u>FY 04</u>
All Other	\$ 5,679	\$ 6,565
Total Impact	\$ 5,679	\$ 6,565

GRAND TOTAL, IMPACT	\$ 5,822,361	\$ 6,067,311
----------------------------	---------------------	---------------------

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Secretary of State

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Road Fund	0011	\$ 7,483	\$ 9,103
State Construction Account Fund	0902	4,396	5,343

Revenue Source and Annual Receipts: Standard Identification Card Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Road Fund	0011	\$ 327	\$ 352

Revenue Source and Annual Receipts: Duplicated/Corrected Driver's License

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Road Fund	0011	\$ 4	\$ 4
Drivers Education Fund	0031	3	3

Revenue Source and Annual Receipts: Driver's License Four Year Renewal Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Road Fund	0011	\$ 469	\$ 555
Drivers Education Fund	0031	470	555

Revenue Source and Annual Receipts: Annual Reports of Corporations

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 8,553	\$ 6,347
Corporate Franchise Tax Refund Fund	0380	171	127

Natural Resources

Revenue Source and Annual Receipts: Fishing Licenses

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Wildlife and Fish Fund	0041	\$ 13,008	\$ 13,008

Insurance

Revenue Source and Annual Receipts: Insurance Privilege Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 11,947	\$ 13,484

Revenue Source and Annual Receipts: Retaliatory Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 35,094	\$ 28,181

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND

(IN THOUSANDS)

Professional Regulation

Revenue Source and Annual Receipts: Boxing/Wrestling Athletic Events Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 101	\$ 101

Public Health

Revenue Source and Annual Receipts: Vital Records Fees

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 4	\$ 4

Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Metabolic Screening and Treatment Fund	0920	\$ 95	\$ 125

Revenue Source and Annual Receipts: Private Sewage Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 22	\$ 21

Revenue Source and Annual Receipts: Pesticide Control Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Pesticide Control Fund	0576	\$ 1	\$ 2

Revenue Source and Annual Receipts: Recreational Area Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 37	\$ 38

Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 94	\$ 97

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Continued)

Revenue Source and Annual Receipts: Long Term Care Facility Fee

Fund Name and Code:			FY 03		FY 04
Long Term Care Monitor/Receiver Fund	0285	\$	37	\$	0

Revenue Source and Annual Receipts: Childhood Lead Screening Fee

Fund Name and Code:			FY 03		FY 04
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	\$	763	\$	602

Revenue Source and Annual Receipts: Automated Lab Tests - HIV (ELISA) Test and STD Test

Fund Name and Code:			FY 03		FY 04
Public Health Services Revolving Fund	0340	\$	3,504	\$	3,524

Revenue Source and Annual Receipts: Youth Camp License Application Fee

Fund Name and Code:			FY 03		FY 04
General Revenue Fund	0001	\$	1	\$	1

Revenue Source and Annual Receipts: Water Pump Contractor Fee

Fund Name and Code:			FY 03		FY 04
General Revenue Fund	0001	\$	14	\$	14

Revenue Source and Annual Receipts: Environmental Lead License Application Fee

Fund Name and Code:			FY 03		FY 04
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	\$	10	\$	10

Revenue Source and Annual Receipts: Salvage Warehouse and Salvage Warehouse Store Act

Fund Name and Code:			FY 03		FY 04
General Revenue Fund	0001	\$	10	\$	2

Revenue Source and Annual Receipts: Asbestos Abatement License Fee

Fund Name and Code:			FY 03		FY 04
Illinois School Asbestos Abatement Fund	0175	\$	3	\$	3

Revenue Source and Annual Receipts: Plan Review Fee - Hospitals

Fund Name and Code:			FY 03		FY 04
Health Facility Plan Review Fund	0524	\$	0	\$	0

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Concluded)

Revenue Source and Annual Receipts: Plan Review Fee - LTC Facilities

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Health Facility Plan Review Fund	0524	\$ 74	\$ 132

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 2,478,931	\$ 2,534,054
General Revenue - Common School Special Account Fund	0005	826,312	844,681

Revenue Source and Annual Receipts: Individual Income Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 1,701,581	\$ 1,700,718
Education Assistance Fund	0007	133,998	133,929
Income Tax Refund Fund	0278	159,613	243,094

Revenue Source and Annual Receipts: Corporate Income Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 116,211	\$ 147,434
Education Assistance Fund	0007	9,152	11,608
Income Tax Refund Fund	0278	46,365	74,843

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 4,205	\$ 4,301

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Long Term Care Provider Fund	0345	\$ 10,059	\$ 10,155

Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
General Revenue Fund	0001	\$ 4,706	\$ 4,720
International Tourism Fund	0621	565	566
Build Illinois Fund	0960	6,274	6,295
Local Tourism Fund	0969	1,004	1,007

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Concluded)

Revenue Source and Annual Receipts: Liquor Gallonage Tax

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,556	\$ 1,960

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Fund Name and Code:		FY 03	FY 04
Underground Storage Tank Fund	0072	\$ 19,208	\$ 18,576

Revenue Source and Annual Receipts: Motor Fuel Taxes

Fund Name and Code:		FY 03	FY 04
Motor Fuel Tax - State Fund	0012	\$ 145,045	\$ 145,261

Revenue Source and Annual Receipts: Electricity Excise Tax

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 45,440	\$ 62,347
Public Utility Fund	0059	1,405	1,928

Revenue Source and Annual Receipts: Gas Revenue Tax

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 7,379	\$ 3,566

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 30	\$ 6,131
Common School Fund	0412	7	1,228
School Infrastructure Fund	0568	7	1,228

Revenue Source and Annual Receipts: Vehicle Use Tax

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 11,103	\$ 20,106

Revenue Source and Annual Receipts: Admission Tax

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 575	\$ 258

Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax

Fund Name and Code:		FY 03	FY 04
Horse Racing Fund	0632	\$ 3,926	\$ 3,853

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Commerce Commission

Revenue Source and Annual Receipts: Gross Receipts Tax (Public Utility Fund)

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Public Utility Fund	0059	\$ 34	\$ 26

Environmental Protection Agency

Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Environmental Protection Permit and Inspection Fund	0944	\$ 600	\$ 750

Revenue Source and Annual Receipts: Water Main Construction Permit Application Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Environmental Protection Permit and Inspection Fund	0944	\$ 375	\$ 450

Revenue Source and Annual Receipts: NPDES Permit Discharge Fee

Fund Name and Code:		<u>FY 03</u>	<u>FY 04</u>
Illinois Clean Water Fund	0731	\$ 0	\$ 500

GRAND TOTAL, IMPACT		\$ 5,822,361	\$ 6,067,311
----------------------------	--	--------------	--------------

TABLE OF CONTENTS

APPENDIX D

	<u>Page</u>
Secretary of State.....	D - 1
Department of Natural Resources.....	D - 3
Department of Insurance.....	D - 3
Department of Professional Regulation.....	D - 4
Department of Public Health.....	D - 4
Department of Revenue.....	D - 8
Sales and Use Tax.....	D - 8
Individual Income Tax.....	D-12
Corporate Income Tax.....	D-13
Automobile Renting Occupation and Use Tax.....	D-16
Cigarette and Cigarette Use Taxes.....	D-17
Hotel Operators' Occupation and Use Tax.....	D-17
Liquor Gallonage Tax.....	D-18
Underground Storage Tank Tax.....	D-18
Motor Fuel Taxes.....	D-18
Electricity Excise Tax.....	D-19
Gas Revenue Tax.....	D-20
Telecommunications Excise Tax.....	D-20
Vehicle Use Tax.....	D-20
Racing Admission Tax.....	D-21
Racing Pari-mutuel (Privilege) Tax.....	D-21
Illinois Commerce Commission.....	D-22
Environmental Protection Agency.....	D-22

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Secretary of State

		FY 03	FY 04
Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)	\$	556,215	\$ 563,157
Expenditure: Charitable Organization Vehicle Exemption			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 169	\$ 1,239
State Construction Account Fund	0902	100	727
Total		\$ 269	\$ 1,966
Expenditure: Disabled Veteran Vehicle Registration Exemption			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 143	\$ 136
State Construction Account Fund	0902	84	80
Total		\$ 227	\$ 216
Expenditure: Drivers Education Vehicles			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 6	\$ 110
State Construction Account Fund	0902	4	64
Total		\$ 10	\$ 174
Expenditure: Municipality Owned Passenger Vehicle Exemption			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 1,928	\$ 1,884
State Construction Account Fund	0902	1,132	1,106
Total		\$ 3,060	\$ 2,990
Expenditure: Senior Citizen Plate Renewal Reduction			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 5,118	\$ 5,638
State Construction Account Fund	0902	3,005	3,311
Total		\$ 8,123	\$ 8,949
Expenditure: Sheriff Plates			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 42	\$ 32
State Construction Account Fund	0902	25	18
Total		\$ 67	\$ 50
Expenditure: POW Vehicle Registration Exemption			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 77	\$ 64
State Construction Account Fund	0902	46	37
Total		\$ 123	\$ 101
Total Tax Impact per Revenue Source		\$ 11,879	\$ 14,446

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Secretary of State (Concluded)

		FY 03	FY 04
Revenue Source and Annual Receipts: Standard Identification Card Fee		\$ 2,898	\$ 3,005
Expenditure: Duplicated/Corrected ID Senior Citizen/Handicapped			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 327	\$ 352
Total		\$ 327	\$ 352
Total Tax Impact per Revenue Source		\$ 327	\$ 352
		FY 03	FY 04
Revenue Source and Annual Receipts: Duplicated/Corrected Driver's License		\$ 3,583	\$ 3,691
Expenditure: Duplication of Stolen Licenses for Senior Citizens			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 4	\$ 4
Drivers Education Fund	0031	3	3
Total		\$ 7	\$ 7
Total Tax Impact per Revenue Source		\$ 7	\$ 7
		FY 03	FY 04
Revenue Source and Annual Receipts: Driver's License Four Year Renewal Fee		\$ 16,530	\$ 16,290
Expenditure: Reduced Renewal Fee for Senior Citizens			
Fund Name and Code:		FY 03	FY 04
Road Fund	0011	\$ 469	\$ 555
Drivers Education Fund	0031	470	555
Total		\$ 939	\$ 1,110
Total Tax Impact per Revenue Source		\$ 939	\$ 1,110
		FY 03	FY 04
Revenue Source and Annual Receipts: Annual Reports of Corporations		\$ 150,575	\$ 175,497
Expenditure: Two Million Dollar Cap on Franchise Tax for Corporations			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 8,553	\$ 6,347
Corporate Franchise Tax Refund Fund	0380	171	127
Total		\$ 8,724	\$ 6,474
Total Tax Impact per Revenue Source		\$ 8,724	\$ 6,474
Total Tax Impact, Secretary of State		\$ 21,876	\$ 22,389

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Natural Resources

	FY 03	FY 04
Revenue Source and Annual Receipts: Fishing Licenses	\$ 6,034	\$ 8,553
Expenditure: Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount		
Fund Name and Code:	FY 03	FY 04
Wildlife and Fish Fund 0041	\$ 13,008	\$ 13,008
Total	\$ 13,008	\$ 13,008
Total Tax Impact per Revenue Source	\$ 13,008	\$ 13,008
Total Tax Impact, Natural Resources	\$ 13,008	\$ 13,008

Insurance

	FY 03	FY 04
Revenue Source and Annual Receipts: Insurance Privilege Tax	\$ 149,729	\$ 160,288
Expenditure: Fire Department Tax Credit		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 9,275	\$ 11,106
Total	\$ 9,275	\$ 11,106
Expenditure: Replacement Income Tax Credit		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 2,672	\$ 2,378
Total	\$ 2,672	\$ 2,378
Total Tax Impact per Revenue Source	\$ 11,947	\$ 13,484
Revenue Source and Annual Receipts: Retaliatory Tax		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 9,589	\$ 10,803
Total	\$ 9,589	\$ 10,803
Expenditure: Life and Health Guaranty Assessments Credit ¹		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 12,293	\$ 0
Total	\$ 12,293	\$ 0
Expenditure: Replacement Income Tax Credit		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 13,212	\$ 17,378
Total	\$ 13,212	\$ 17,378
Total Tax Impact per Revenue Source	\$ 35,094	\$ 28,181
Total Tax Impact, Insurance	\$ 47,041	\$ 41,665

¹ Revoked for fiscal year 2004.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Professional Regulation

	FY 03	FY 04
Revenue Source and Annual Receipts: Boxing/Wrestling Athletic Events Tax	\$ 43	\$ 43
Expenditure: Premises with Indoor Capacity of More Than 17,000 Exemption		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 101	\$ 101
Total	\$ 101	\$ 101
Total Tax Impact per Revenue Source	\$ 101	\$ 101
Total Tax Impact, Professional Regulation	\$ 101	\$ 101

Public Health

	FY 03	FY 04
Revenue Source and Annual Receipts: Vital Records Fees	\$ 1,730	\$ 1,598
Expenditure: Groups Chartered by U.S. Congress Exemption		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 2	\$ 2
Total	\$ 2	\$ 2
Expenditure: U.S. Veterans Administration Exemption		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund 0001	\$ 2	\$ 2
Total	\$ 2	\$ 2
Total Tax Impact per Revenue Source	\$ 4	\$ 4
Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee		
	\$ 6,322	\$ 8,790
Expenditure: State Agency Lab Exemption		
Fund Name and Code:	FY 03	FY 04
Metabolic Screening and Treatment Fund 0920	\$ 95	\$ 125
Total	\$ 95	\$ 125
Total Tax Impact per Revenue Source	\$ 95	\$ 125

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Continued)

		FY 03	FY 04
Revenue Source and Annual Receipts: Private Sewage Fee		\$ 141	\$ 132
Expenditure: Plumbing License Exemption			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 22	\$ 21
Total		\$ 22	\$ 21
Total Tax Impact per Revenue Source		\$ 22	\$ 21
		FY 03	FY 04
Revenue Source and Annual Receipts: Pesticide Control Fee		\$ 143	\$ 138
Expenditure: State Agency Employee Exemption			
Fund Name and Code:		FY 03	FY 04
Pesticide Control Fund	0576	\$ 1	\$ 2
Total		\$ 1	\$ 2
Total Tax Impact per Revenue Source		\$ 1	\$ 2
		FY 03	FY 04
Revenue Source and Annual Receipts: Recreational Area Fee		\$ 36	\$ 34
Expenditure: Not-for-Profit and Governmental Agency Construction Application Fee Waiver			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1	\$ 1
Total		\$ 1	\$ 1
Expenditure: Not-for-Profit Organization and Governmental Agency License Renewal Fee Waiver			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 35	\$ 36
Total		\$ 35	\$ 36
Expenditure: Not-for-Profit Organization and Governmental Agency Original License Application Fee Waiver			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1	\$ 1
Total		\$ 1	\$ 1
Total Tax Impact per Revenue Source		\$ 37	\$ 38
		FY 03	FY 04
Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee		\$ 120	\$ 133
Expenditure: Not-for-Profit and Governmental Facility Construction Application Fee Waiver			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 2	\$ 2
Total		\$ 2	\$ 2

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Continued)

Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee (Concluded)

Expenditure: Not-for-Profit and Governmental Facility License Renewal Fee Waiver

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 90	\$ 93
Total		\$ 90	\$ 93

Expenditure: Not-for-Profit Organization and Governmental Facility License Original License Fee Waiver

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 2	\$ 2
Total		\$ 2	\$ 2

Total Tax Impact per Revenue Source \$ 94 \$ 97

FY 03 **FY 04**

Revenue Source and Annual Receipts: Long Term Care Facility Fee \$ 211 \$ 595

Expenditure: Home for the Aged Exemption

Fund Name and Code:		FY 03	FY 04
Long Term Care Monitor/Receiver Fund	0285	\$ 37	\$ 0
Total		\$ 37	\$ 0

Total Tax Impact per Revenue Source \$ 37 \$ 0

FY 03 **FY 04**

Revenue Source and Annual Receipts: Childhood Lead Screening Fee \$ 2,017 \$ 1,856

Expenditure: Low Income Family Waiver

Fund Name and Code:		FY 03	FY 04
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	\$ 763	\$ 602
Total		\$ 763	\$ 602

Total Tax Impact per Revenue Source \$ 763 \$ 602

FY 03 **FY 04**

Revenue Source and Annual Receipts: Automated Lab Tests - HIV (ELISA) and STD Test \$ 34 \$ 48

Expenditure: Department Funded HIV Counseling and Testing site and HIV Seroprevalence Exemption

Fund Name and Code:		FY 03	FY 04
Public Health Services Revolving Fund	0340	\$ 405	\$ 365
Total		\$ 405	\$ 365

Expenditure: Population With High Incidence of Sexually Transmitted Diseases Exemption

Fund Name and Code:		FY 03	FY 04
Public Health Services Revolving Fund	0340	\$ 3,099	\$ 3,159
Total		\$ 3,099	\$ 3,159

Total Tax Impact per Revenue Source \$ 3,504 \$ 3,524

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Continued)

		FY 03	FY 04
Revenue Source and Annual Receipts: Youth Camp License Application Fee		\$ 3	\$ 3
Expenditure: Governmental Agency Waiver			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1	\$ 1
Total		\$ 1	\$ 1
Total Tax Impact per Revenue Source		\$ 1	\$ 1
		FY 03	FY 04
Revenue Source and Annual Receipts: Water Pump Contractor Fee		\$ 21	\$ 20
Expenditure: Licensed Plumber Exemption			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 14	\$ 14
Total		\$ 14	\$ 14
Total Tax Impact per Revenue Source		\$ 14	\$ 14
		FY 03	FY 04
Revenue Source and Annual Receipts: Environmental Lead License Application Fee		\$ 293	\$ 279
Expenditure: Department of Public Health and Delegate Agency Employee Waiver			
Fund Name and Code:		FY 03	FY 04
Lead Poisoning, Screening, Prevention and Abatement Fund	0360	\$ 10	\$ 10
Total		\$ 10	\$ 10
Total Tax Impact per Revenue Source		\$ 10	\$ 10
		FY 03	FY 04
Revenue Source and Annual Receipts: Salvage Warehouse and Salvage Warehouse Store Act		\$ 13	\$ 12
Expenditure: Not-for-Profit Organization Waiver			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 10	\$ 2
Total		\$ 10	\$ 2
Total Tax Impact per Revenue Source		\$ 10	\$ 2
		FY 03	FY 04
Revenue Source and Annual Receipts: Asbestos Abatement License Fee		\$ 589	\$ 547
Expenditure: Governmental Employee Waiver			
Fund Name and Code:		FY 03	FY 04
Illinois School Asbestos Abatement Fund	0175	\$ 3	\$ 3
Total		\$ 3	\$ 3
Total Tax Impact per Revenue Source		\$ 3	\$ 3

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Public Health (Concluded)

	FY 03	FY 04
Revenue Source and Annual Receipts: Plan Review Fee - Hospitals	\$ 1,500	\$ 1,177
Expenditure: Projects Costing Less than \$100,000 Waiver		
Fund Name and Code:	FY 03	FY 04
Health Facility Plan Review Fund	0524 \$ 0	\$ 0
Total	\$ 0	\$ 0
Total Tax Impact per Revenue Source	\$ 0	\$ 0
<hr/>		
	FY 03	FY 04
Revenue Source and Annual Receipts: Plan Review Fee - LTC Facilities	\$ 309	\$ 298
Expenditure: Projects Costing Less than \$100,000 Waiver		
Fund Name and Code:	FY 03	FY 04
Health Facility Plan Review Fund	0524 \$ 74	\$ 132
Total	\$ 74	\$ 132
Total Tax Impact per Revenue Source	\$ 74	\$ 132
Total Tax Impact, Public Health	\$ 4,669	\$ 4,575

Revenue

	FY 03	FY 04
Revenue Source and Annual Receipts: Sales and Use Tax	\$ 6,405,723	\$ 6,693,013
Expenditure: Building Materials within Enterprise Zone Exemption		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund	0001 \$ 3,065	\$ 3,132
General Revenue - Common School Special Account Fund	0005 1,021	1,044
Total	\$ 4,086	\$ 4,176
Expenditure: Coal, Oil, and Distillation Machinery and Equipment Exemption ¹		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund	0001 \$ 536	\$ 0
General Revenue - Common School Special Account Fund	0005 179	0
Total	\$ 715	\$ 0
Expenditure: Commercial Distribution Fee (CDF) Exemption		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund	0001 \$ 0	\$ 28,301
General Revenue - Common School Special Account Fund	0005 0	9,433
Total	\$ 0	\$ 37,734
Expenditure: Designated Tangible Personal Property within Enterprise Zone Exemption ²		
Fund Name and Code:	FY 03	FY 04
General Revenue Fund	0001 \$ 24,000	\$ 20,009
General Revenue - Common School Special Account Fund	0005 8,000	6,669
Total	\$ 32,000	\$ 26,678

² Tangible personal property used or consumed within an enterprise zone, including any High Impact Business, in the process of manufacturing or assembling or by producers of graphic arts. Includes sales or purchases of building material or machinery and equipment to or by a High Impact Business.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Sales and Use Tax (Continued)

Expenditure: Farm Chemicals (Includes Feed and Seed) Exemption³

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 153,225	\$ 156,596
General Revenue - Common School Special Account Fund	0005	51,075	52,199
Total		\$ 204,300	\$ 208,795

Expenditure: Farm Machinery and Equipment Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 34,476	\$ 35,234
General Revenue - Common School Special Account Fund	0005	11,492	11,745
Total		\$ 45,968	\$ 46,979

Expenditure: Food, Drugs, and Medical Appliances Rate Reduction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 876,750	\$ 916,875
General Revenue - Common School Special Account Fund	0005	292,250	305,625
Total		\$ 1,169,000	\$ 1,222,500

Expenditure: Gasohol Discount

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 45,000	\$ 46,904
General Revenue - Common School Special Account Fund	0005	15,000	15,635
Total		\$ 60,000	\$ 62,539

Expenditure: Graphic Arts Machinery and Equipment Exemption¹

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 3,065	\$ 0
General Revenue - Common School Special Account Fund	0005	1,021	0
Total		\$ 4,086	\$ 0

Expenditure: Interim Use Prior to Sale Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 3,559	\$ 5,264
General Revenue - Common School Special Account Fund	0005	1,186	1,754
Total		\$ 4,745	\$ 7,018

Expenditure: Legal Tender, Medallions, and Bullion Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,226	\$ 1,253
General Revenue - Common School Special Account Fund	0005	408	417
Total		\$ 1,634	\$ 1,670

³ Includes race horses, semen for the artificial insemination of livestock, and birds at game birding and hunting preserves.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Sales and Use Tax (Continued)

Expenditure: Manufacturer's Purchase Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 21,000	\$ 16,151
General Revenue - Common School Special Account Fund	0005	7,000	5,383
Total		\$ 28,000	\$ 21,534

Expenditure: Manufacturing and Assembling Machinery and Equipment Exemption ⁴

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 118,750	\$ 121,362
General Revenue - Common School Special Account Fund	0005	39,583	40,454
Total		\$ 158,333	\$ 161,816

Expenditure: Newsprint and Ink to Newspapers and Magazines Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 30,000	\$ 30,660
General Revenue - Common School Special Account Fund	0005	10,000	10,220
Total		\$ 40,000	\$ 40,880

Expenditure: Pollution Control Facilities Exemption ¹

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 2,681	\$ 0
General Revenue - Common School Special Account Fund	0005	894	0
Total		\$ 3,575	\$ 0

Expenditure: Property Acquired by Non-Resident before Relocating in Illinois Exemption ⁵

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 5,498	\$ 5,761
General Revenue - Common School Special Account Fund	0005	1,832	1,920
Total		\$ 7,330	\$ 7,681

Expenditure: Replacement Vehicles Exemption ¹

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,813	\$ 0
General Revenue - Common School Special Account Fund	0005	604	0
Total		\$ 2,417	\$ 0

⁴ Includes the Photo Processing Machinery and Equipment exemption.

⁵ Applies to property acquired outside Illinois by a non-resident and brought to Illinois after being used at least 3 months outside of Illinois. Tax expenditure estimate only applies to motor vehicles.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Sales and Use Tax (Concluded)

Expenditure: Retailer's Discount

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 80,475	\$ 85,022
General Revenue - Common School Special Account Fund	0005	26,825	28,341
Total		\$ 107,300	\$ 113,363

Expenditure: Rolling Stock Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 78,100	\$ 31,669
General Revenue - Common School Special Account Fund	0005	26,033	10,556
Total		\$ 104,133	\$ 42,225

Expenditure: Sales of Motor Vehicles to Non-Residents Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 54,030	\$ 52,856
General Revenue - Common School Special Account Fund	0005	18,010	17,618
Total		\$ 72,040	\$ 70,474

Expenditure: Sales of Vehicles to Automobile Rentors Exemption⁶

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 17,730	\$ 21,776
General Revenue - Common School Special Account Fund	0005	5,910	7,258
Total		\$ 23,640	\$ 29,034

Expenditure: Sales to Exempt Organizations⁷

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 669,593	\$ 697,767
General Revenue - Common School Special Account Fund	0005	223,198	232,589
Total		\$ 892,791	\$ 930,356

Expenditure: Traded-In Property Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 254,360	\$ 257,462
General Revenue - Common School Special Account Fund	0005	84,787	85,821
Total		\$ 339,147	\$ 343,283

Total Tax Impact per Revenue Source		\$ 3,305,240	\$ 3,378,735
--	--	---------------------	---------------------

⁶ Tax Expenditure is net of Automobile Rental Tax receipts.

⁷ Sales to government bodies, organizations operated exclusively for charitable, religious, or educational purposes, not-for-profit organizations for the recreation of persons 55 or older, county fair associations, teacher sponsored student organizations, not-for-profit artistic organizations, meals for the Nutrition Programs for the Elderly, nursing home food and drugs, and certain licensed day care centers.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

		FY 03	FY 04
Revenue Source and Annual Receipts: Individual Income Tax ⁸		\$ 7,979,328	\$ 8,236,113
Expenditure: Additional Exemptions: Blind and Elderly			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 26,715	\$ 25,569
Education Assistance Fund	0007	2,104	2,013
Income Tax Refund Fund	0278	2,506	3,655
Total		\$ 31,325	\$ 31,237
Expenditure: Earned Income Tax Credit			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 43,350	\$ 53,816
Education Assistance Fund	0007	3,414	4,238
Income Tax Refund Fund	0278	4,066	7,692
Total		\$ 50,830	\$ 65,746
Expenditure: Education Expense Credit			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 56,730	\$ 54,957
Education Assistance Fund	0007	4,467	4,328
Income Tax Refund Fund	0278	5,321	7,855
Total		\$ 66,518	\$ 67,140
Expenditure: Federally Taxed Retirement and Social Security Subtractions			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 624,326	\$ 620,175
Education Assistance Fund	0007	49,165	48,838
Income Tax Refund Fund	0278	58,564	88,646
Total		\$ 732,055	\$ 757,659
Expenditure: Income Tax Credits ⁹			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 6,440	\$ 3,460
Education Assistance Fund	0007	507	272
Income Tax Refund Fund	0278	604	494
Total		\$ 7,551	\$ 4,226
Expenditure: Military Pay Subtraction			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 18,917	\$ 18,628
Education Assistance Fund	0007	1,490	1,467
Income Tax Refund Fund	0278	1,774	2,662
Total		\$ 22,181	\$ 22,757

⁸ Derived from 2003 tax year returns.

⁹ Enterprise zone, high impact business investment, jobs and training, research and development, dependent care, EDGE, affordable housing, transportation employee, and environmental remediation credits.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Individual Income Tax (Concluded)

Expenditure: Other Subtractions ¹⁰

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 41,603	\$ 45,023
Education Assistance Fund	0007	3,276	3,546
Income Tax Refund Fund	0278	3,902	6,435
Total		\$ 48,781	\$ 55,004

Expenditure: Standard Exemption: Taxpayers and Dependents

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 580,271	\$ 565,085
Education Assistance Fund	0007	45,696	44,500
Income Tax Refund Fund	0278	54,432	80,772
Total		\$ 680,399	\$ 690,357

Expenditure: Tax Credit for Residential Real Property Taxes

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 303,229	\$ 314,005
Education Assistance Fund	0007	23,879	24,727
Income Tax Refund Fund	0278	28,444	44,883
Total		\$ 355,552	\$ 383,615

Total Tax Impact per Revenue Source	\$ 1,995,192	\$ 2,077,741
--	---------------------	---------------------

	FY 03	FY 04
Revenue Source and Annual Receipts: Corporate Income Tax ¹¹	\$ 1,011,587	\$ 1,426,026

Expenditure: Affordable Housing Donations

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 4	\$ 171
Education Assistance Fund	0007	0	13
Income Tax Refund Fund	0278	1	86
Total		\$ 5	\$ 270

Expenditure: Coal Research and Coal Utilization Investment Credits

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 744	\$ 2,364
Education Assistance Fund	0007	59	186
Income Tax Refund Fund	0278	297	1,200
Total		\$ 1,100	\$ 3,750

Expenditure: Dependent Care Assistance Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 14	\$ 32
Education Assistance Fund	0007	1	2
Income Tax Refund Fund	0278	5	16
Total		\$ 20	\$ 50

¹⁰ Includes subtractions for a variety of items, many of which (enterprise zone and foreign trade zone dividends, interest expenses, job training contributions, acceleration of life insurance benefits for a terminal illness, Persian Gulf War bonuses, medical care savings accounts, college savings accounts, self-employed health insurance, Roth IRA conversions, compensation of Nazi victims, and nonsalary ride sharing compensation) are tax expenditures.

¹¹ Derived from 2002 tax year returns.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Corporate Income Tax (Continued)

Expenditure: Economic Development for a Growing Economy Tax Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 2,233	\$ 3,278
Education Assistance Fund	0007	176	258
Income Tax Refund Fund	0278	891	1,664
Total		\$ 3,300	\$ 5,200

Expenditure: Employee Child Care Tax Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 2,037	\$ 227
Education Assistance Fund	0007	160	18
Income Tax Refund Fund	0278	813	115
Total		\$ 3,010	\$ 360

Expenditure: Enterprise and Foreign Trade Zone Dividend Subtractions

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 3,536	\$ 630
Education Assistance Fund	0007	278	50
Income Tax Refund Fund	0278	1,410	320
Total		\$ 5,224	\$ 1,000

Expenditure: Enterprise Zone and High Economic Impact Interest Subtractions

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,448	\$ 902
Education Assistance Fund	0007	114	71
Income Tax Refund Fund	0278	577	458
Total		\$ 2,139	\$ 1,431

Expenditure: Enterprise Zone Charitable Contribution Subtraction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 75	\$ 592
Education Assistance Fund	0007	6	46
Income Tax Refund Fund	0278	30	300
Total		\$ 111	\$ 938

Expenditure: Enterprise Zone Investment Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 5,096	\$ 4,110
Education Assistance Fund	0007	401	324
Income Tax Refund Fund	0278	2,033	2,086
Total		\$ 7,530	\$ 6,520

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Corporate Income Tax (Continued)

Expenditure: Foreign Insurer Rate Reduction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 6,358	\$ 7,599
Education Assistance Fund	0007	501	598
Income Tax Refund Fund	0278	2,537	3,858
Total		\$ 9,396	\$ 12,055

Expenditure: High Economic Impact Business Investment Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 135	\$ 971
Education Assistance Fund	0007	11	76
Income Tax Refund Fund	0278	54	493
Total		\$ 200	\$ 1,540

Expenditure: Illinois Net Operating Loss Deduction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 69,662	\$ 102,710
Education Assistance Fund	0007	5,486	8,088
Income Tax Refund Fund	0278	27,795	52,140
Total		\$ 102,943	\$ 162,938

Expenditure: Job Training Contribution Subtraction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 173	\$ 263
Education Assistance Fund	0007	14	21
Income Tax Refund Fund	0278	69	133
Total		\$ 256	\$ 417

Expenditure: Jobs Tax Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 9	\$ 4
Education Assistance Fund	0007	1	0
Income Tax Refund Fund	0278	4	2
Total		\$ 14	\$ 6

Expenditure: Life and Health Insurance Guarantee Association Tax Offset

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 4,162	\$ 2,294
Education Assistance Fund	0007	328	181
Income Tax Refund Fund	0278	1,660	1,165
Total		\$ 6,150	\$ 3,640

Expenditure: Replacement Taxes Paid Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 4,051	\$ 4,028
Education Assistance Fund	0007	319	317
Income Tax Refund Fund	0278	1,616	2,044
Total		\$ 5,986	\$ 6,389

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Corporate Income Tax (Concluded)

Expenditure: Research and Development Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 4,514	\$ 5,156
Education Assistance Fund	0007	355	406
Income Tax Refund Fund	0278	1,801	2,618
Total		\$ 6,670	\$ 8,180

Expenditure: Standard Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 3,365	\$ 3,165
Education Assistance Fund	0007	265	249
Income Tax Refund Fund	0278	1,343	1,607
Total		\$ 4,973	\$ 5,021

Expenditure: TECH-PREP Youth Vocational Program Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1	\$ 0
Education Assistance Fund	0007	0	0
Income Tax Refund Fund	0278	0	0
Total		\$ 1	\$ 0

Expenditure: Training Expense Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 8,594	\$ 8,938
Education Assistance Fund	0007	677	704
Income Tax Refund Fund	0278	3,429	4,538
Total		\$ 12,700	\$ 14,180

Total Tax Impact per Revenue Source	\$ 171,728	\$ 233,885
--	-------------------	-------------------

	FY 03	FY 04
Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax	\$ 26,464	\$ 28,519

Expenditure: Claims for Loss or Damage Deduction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,225	\$ 1,234
Total		\$ 1,225	\$ 1,234

Expenditure: Exempt Organization Rentals ¹²

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,174	\$ 1,183
Total		\$ 1,174	\$ 1,183

Expenditure: Insurance Coverage Deduction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 888	\$ 895
Total		\$ 888	\$ 895

¹² Includes government, charitable, religious, and not-for-profit senior citizen entities.

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax (Concluded)

Expenditure: Other/Miscellaneous Deductions

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 69	\$ 69
Total		\$ 69	\$ 69

Expenditure: Refueling Deduction

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 348	\$ 351
Total		\$ 348	\$ 351

Expenditure: Timely Filing and Full Payment Discount

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 501	\$ 569
Total		\$ 501	\$ 569

Total Tax Impact per Revenue Source		\$ 4,205	\$ 4,301
--	--	-----------------	-----------------

FY 03 **FY 04**

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes	\$	624,855	\$	741,793
--	----	---------	----	---------

Expenditure: Cost of Collection Discount

Fund Name and Code:		FY 03	FY 04
Long Term Care Provider Fund	0345	\$ 10,059	\$ 10,155
Total		\$ 10,059	\$ 10,155

Total Tax Impact per Revenue Source		\$ 10,059	\$ 10,155
--	--	------------------	------------------

FY 03 **FY 04**

Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax	\$	145,622	\$	156,053
--	----	---------	----	---------

Expenditure: Cost of Collection Discount

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,706	\$ 1,704
International Tourism Fund	0621	205	204
Build Illinois Fund	0960	2,275	2,272
Local Tourism Fund	0969	364	363
Total		\$ 4,550	\$ 4,543

Expenditure: Permanent Residents Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 3,000	\$ 3,016
International Tourism Fund	0621	360	362
Build Illinois Fund	0960	3,999	4,023
Local Tourism Fund	0969	640	644
Total		\$ 7,999	\$ 8,045

Total Tax Impact per Revenue Source		\$ 12,549	\$ 12,588
--	--	------------------	------------------

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

		FY 03	FY 04
Revenue Source and Annual Receipts: Liquor Gallonage Tax		\$ 122,767	\$ 126,770
Expenditure: Cost of Collection Discount			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 517	\$ 792
Total		\$ 517	\$ 792
Expenditure: Non-Beverage User Exemption			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,029	\$ 1,156
Total		\$ 1,029	\$ 1,156
Expenditure: Sacramental Wine Exemption			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 10	\$ 12
Total		\$ 10	\$ 12
Total Tax Impact per Revenue Source		\$ 1,556	\$ 1,960
		FY 03	FY 04
Revenue Source and Annual Receipts: Underground Storage Tank Tax		\$ 66,286	\$ 78,146
Expenditure: Airport Exemption			
Fund Name and Code:		FY 03	FY 04
Underground Storage Tank Fund	0072	\$ 14,717	\$ 13,965
Total		\$ 14,717	\$ 13,965
Expenditure: Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers			
Fund Name and Code:		FY 03	FY 04
Underground Storage Tank Fund	0072	\$ 422	\$ 492
Total		\$ 422	\$ 492
Expenditure: Liquefied Propane Gas Exemption			
Fund Name and Code:		FY 03	FY 04
Underground Storage Tank Fund	0072	\$ 49	\$ 49
Total		\$ 49	\$ 49
Expenditure: Rail Carrier Exemption			
Fund Name and Code:		FY 03	FY 04
Underground Storage Tank Fund	0072	\$ 2,569	\$ 2,759
Total		\$ 2,569	\$ 2,759
Expenditure: Timely Filing and Full Payment Discount			
Fund Name and Code:		FY 03	FY 04
Underground Storage Tank Fund	0072	\$ 1,451	\$ 1,311
Total		\$ 1,451	\$ 1,311
Total Tax Impact per Revenue Source		\$ 19,208	\$ 18,576
Revenue Source and Annual Receipts: Motor Fuel Taxes		\$ 1,322,029	\$ 1,345,698
Expenditure: Aviation Purposes Exemption			
Fund Name and Code:		FY 03	FY 04
Motor Fuel Tax - State Fund	0012	\$ 38	\$ 41
Total		\$ 38	\$ 41

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Motor Fuel Taxes (Concluded)

Expenditure: Municipal Corporation or Private Utility Local Transportation System Exemption

Fund Name and Code:		FY 03	FY 04
Motor Fuel Tax - State Fund	0012	\$ 5,896	\$ 6,455
Total		\$ 5,896	\$ 6,455

Expenditure: Sales for Use Other Than in Motor Vehicles Exemption

Fund Name and Code:		FY 03	FY 04
Motor Fuel Tax - State Fund	0012	\$ 115,332	\$ 117,220
Total		\$ 115,332	\$ 117,220

Expenditure: Timely Filing and Full Payment Discount

Fund Name and Code:		FY 03	FY 04
Motor Fuel Tax - State Fund	0012	\$ 23,779	\$ 21,545
Total		\$ 23,779	\$ 21,545

Total Tax Impact per Revenue Source	\$ 145,045	\$ 145,261
--	-------------------	-------------------

	FY 03	FY 04
Revenue Source and Annual Receipts: Electricity Excise Tax	\$ 346,665	\$ 355,153

Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 21,966	\$ 33,829
Public Utility Fund	0059	679	1,046
Total		\$ 22,645	\$ 34,875

Expenditure: Purchase of Electricity Generated by Solid Waste Energy Facility Credit

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 23,474	\$ 28,518
Public Utility Fund	0059	726	882
Total		\$ 24,200	\$ 29,400

Total Tax Impact per Revenue Source	\$ 46,845	\$ 64,275
--	------------------	------------------

	FY 03	FY 04
Revenue Source and Annual Receipts: Gas Revenue Tax	\$ 140,548	\$ 168,130

Expenditure: Cost of Collection Discount (Gas Use Tax)

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 0	\$ 567
Total		\$ 0	\$ 567

Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,910	\$ 1,748
Total		\$ 1,910	\$ 1,748

Expenditure: Purchase From Out-of-State Supplier Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 5,469	\$ 1,251
Total		\$ 5,469	\$ 1,251

Total Tax Impact per Revenue Source	\$ 7,379	\$ 3,566
--	-----------------	-----------------

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

		FY 03	FY 04
Revenue Source and Annual Receipts: Telecommunications Excise Tax		\$ 618,738	\$ 662,510
Expenditure: Coin-Operated Telecommunications Devices Exemption			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 7	\$ 7
Common School Fund	0412	2	2
School Infrastructure Fund	0568	2	2
Total		\$ 11	\$ 11
Expenditure: Cost of Collection Discount			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 0	\$ 6,102
Common School Fund	0412	0	1,221
School Infrastructure Fund	0568	0	1,221
Total		\$ 0	\$ 8,544
Expenditure: Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 23	\$ 22
Common School Fund	0412	5	5
School Infrastructure Fund	0568	5	5
Total		\$ 33	\$ 32
Total Tax Impact per Revenue Source		\$ 44	\$ 8,587
		FY 03	FY 04
Revenue Source and Annual Receipts: Vehicle Use Tax		\$ 39,210	\$ 40,282
Expenditure: Business Reorganization Preferential Tax Rate			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 57	\$ 68
Total		\$ 57	\$ 68
Expenditure: Commercial Distribution Fee Exemption			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 0	\$ 6,821
Total		\$ 0	\$ 6,821
Expenditure: Estate Gift to Beneficiary Preferential Tax Rate			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 135	\$ 141
Total		\$ 135	\$ 141
Expenditure: Family Member Preferential Tax Rate			
Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 4,200	\$ 4,359
Total		\$ 4,200	\$ 4,359

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Revenue (Continued)

Revenue Source and Annual Receipts: Vehicle Use Tax (Concluded)

Expenditure: Farm Implement Exemption - Ready Mix Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 0	\$ 1,054
Total		\$ 0	\$ 1,054

Expenditure: Government, Charitable, Educational, Religious Entities Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 173	\$ 3,282
Total		\$ 173	\$ 3,282

Expenditure: Out-of-State Resident Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 1,000	\$ 910
Total		\$ 1,000	\$ 910

Expenditure: Rolling Stock Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 5,400	\$ 3,343
Total		\$ 5,400	\$ 3,343

Expenditure: Surviving Spouse Exemption

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 138	\$ 128
Total		\$ 138	\$ 128

Total Tax Impact per Revenue Source	\$ 11,103	\$ 20,106
--	-----------	-----------

	FY 03	FY 04
Revenue Source and Annual Receipts: Admission Tax	\$ 127	\$ 126

Expenditure: Free General Admission

Fund Name and Code:		FY 03	FY 04
General Revenue Fund	0001	\$ 575	\$ 258
Total		\$ 575	\$ 258

Total Tax Impact per Revenue Source	\$ 575	\$ 258
--	--------	--------

Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax	\$ 11,916	\$ 12,021
---	-----------	-----------

Expenditure: Real Estate Tax Credit

Fund Name and Code:		FY 03	FY 04
Horse Racing Fund	0632	\$ 3,926	\$ 3,853
Total		\$ 3,926	\$ 3,853

Total Tax Impact per Revenue Source	\$ 3,926	\$ 3,853
--	----------	----------

Total Tax Impact, Revenue	\$ 5,734,654	\$ 5,983,847
----------------------------------	--------------	--------------

DETAIL OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND FUND (IN THOUSANDS)

Commerce Commission

	FY 03	FY 04
Revenue Source and Annual Receipts: Gross Receipts Tax (Public Utility Fund)	\$ 7,938	\$ 8,439
Expenditure: Enterprise Zone Revenue Exemption		
Fund Name and Code:	FY 03	FY 04
Public Utility Fund 0059	\$ 34	\$ 26
Total	\$ 34	\$ 26
Total Tax Impact per Revenue Source	\$ 34	\$ 26
Total Tax Impact, Commerce Commission	\$ 34	\$ 26

Environmental Protection Agency

	FY 03	FY 04
Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee	\$ 1,409	\$ 1,500
Expenditure: State and Local Government Exemption		
Fund Name and Code:	FY 03	FY 04
Environmental Protection Permit and Inspection Fund 0944	\$ 600	\$ 750
Total	\$ 600	\$ 750
Total Tax Impact per Revenue Source	\$ 600	\$ 750

	FY 03	FY 04
Revenue Source and Annual Receipts: Water Main Construction Permit Application Fee	\$ 917	\$ 900
Expenditure: State and Local Government Exemption		
Fund Name and Code:	FY 03	FY 04
Environmental Protection Permit and Inspection Fund 0944	\$ 375	\$ 450
Total	\$ 375	\$ 450
Total Tax Impact per Revenue Source	\$ 375	\$ 450

	FY 03	FY 04
Revenue Source and Annual Receipts: NPDES Permit Discharge Fee	\$ 31,625	\$ 20,000
Expenditure: State Government and School District Exemption		
Fund Name and Code:	FY 03	FY 04
Illinois Clean Water Fund 731	\$ 0	\$ 500
Total	\$ 0	\$ 500
Total Tax Impact per Revenue Source	\$ 0	\$ 500
Total Tax Impact, Environmental Protection Agency	\$ 975	\$ 1,700

GRAND TOTAL, IMPACT	\$ 5,822,358	\$ 6,067,311
----------------------------	--------------	--------------

TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Secretary of State

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Expenditure:

Congressional Medal of Honor Recipients Vehicles

Natural Resources

Revenue Source and Annual Receipts: Watercraft Registration Fee

Expenditure:

Canoe or Kyak Owned by Non-Profit Organization

Revenue Source and Annual Receipts: Camping and Beach Fees

Expenditure:

Disabled Persons, Former POWs, and Illinois Residents Over 62

Revenue Source and Annual Receipts: Inland Trout Stamp

Expenditure:

Disabled, Under 16

Revenue Source and Annual Receipts: Hunting Licenses and Permits

Expenditure:

Disabled, 65 or Over, Landowners/Tenants

Revenue Source and Annual Receipts: Sportsman License

Expenditure:

Disabled, 65 or Over, Landowners/Tenants

Revenue Source and Annual Receipts: Trapping License

Expenditure:

Owners, Bona Fide Tenants and Their Children

Revenue Source and Annual Receipts: Salmon Stamp

Expenditure:

Disabled, Under 16

Revenue Source and Annual Receipts: Habitat Stamps

Expenditure:

Under 16

Revenue Source and Annual Receipts: Waterfowl Stamps

Expenditure:

Disabled, Landowners/Tenants

Public Aid

Revenue Source and Annual Receipts: Long Term Care Provider Assessment

Expenditure:

100% Contribution Homes Exemption

TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Public Health

Revenue Source and Annual Receipts: Health Care Facility Permit Application Fee

Expenditure:

Natural Disaster and Other Emergency Waiver

Revenue Source and Annual Receipts: Long Term Care Facility Fee

Expenditure:

Home for the Aged Exemption

Revenue Source and Annual Receipts: Plan Review Fee - Hosp. & Amb. Treatment Centers

Expenditure:

Projects Costing Less Than \$100,000 Waiver

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:

Demonstration Use Prior to Resale
Disaster Relief Donation and Infrastructure Repair Exemption
Fuel and Petroleum Products for International Flight Exemption
Graphic Arts Machinery and Equipment Exemption
Leased Property to Hospitals or Government Bodies
Low Sulfur Dioxide Emission Coal Fueled Device Exemption
Machinery/Equipment for Operation of High Economic Impact Service Facility
Occasional Sales
Photo Processing Machinery and Equipment Exemption
Property Used in the Operation of Pollution Control Facilities
Sales by Exempt Organizations ¹
Sales of Fuel to Vessels on Bordering Rivers
Sales of Machinery and Equipment in Operation of Aircraft Maintenance Facilities
Sales of Tangible Personal Property Used by Aircraft Maintenance Facilities
Sales Through Penny Bulk Vending Machines
Specified Photoprocessing Charges Exemption
Use by Nonresidents While Temporarily Passing Through Illinois

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:

Attorney-In-Fact Subtraction
Interest Expense Subtraction
Bonus Depreciation Adjustment
Transportation Employee Credit
Environmental Remediation Tax Credit
TECH-PREP Youth Vocational Program Credit

¹ Sales by a non-profit service enterprise operated exclusively for charitable, religious, or educational purposes are exempt when sales are 1) made to the organization's members, students, patients, or inmates when made primarily for the purpose of the organization; 2) noncompetitive with business establishments, and 3) occasional.

TAX EXPENDITURES WHERE IMPACT WAS NOT REPORTED

Revenue (Concluded)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Expenditure:

Loaner Vehicles on Warranty

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:

Prison and Mental Health Facility Exemption

Revenue Source and Annual Receipts: Electricity Excise Tax

Expenditure:

Sales to Municipal Transit Systems

Revenue Source and Annual Receipts: Gas Revenue Tax

Expenditure:

Gas Used in Production of Electric Energy
Gas Used in Production of Fertilizer
Gas Used in Liquefaction Process
Gas Used in Petroleum Refinery Operation

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:

State Universities Exemption

Revenue Source and Annual Receipts: Real Estate Transfer Tax

Expenditure:

Exempted Deeds or Trust Documents

Revenue Source and Annual Receipts: Riverboat Gambling Admission Tax

Expenditure:

Tax Free Admission Passes

Revenue Source and Annual Receipts: Aircraft/Watercraft Use Tax

Expenditure:

Watercraft Temporarily Used in Illinois Exemption
Production Agriculture Exemption
Surviving Spouse Exemption
Sales to Exempt Organizations
Rolling Stock Exemption

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Secretary of State

Revenue Source and Annual Receipts: Motor Vehicle Registration (1st Division)

Expenditure:	Year Effective
Drivers Education Vehicles	1957
Disabled Veteran Vehicle Registration Exemption	1970
Municipality Owned Passenger Vehicle Exemption	1970
Charitable Organization Vehicle Exemption	1976
Congressional Medal of Honor Winners Vehicles	1982
POW Vehicle Registration Exemption	1983
Senior Citizen Plate Renewal Reduction	1985
Sheriff Plates	1991

Revenue Source and Annual Receipts: Standard Identification Card Fee

Expenditure:	Year Effective
Duplicated/Corrected ID Senior Citizen/Handicapped	1978

Revenue Source and Annual Receipts: Duplicated/Corrected Driver's License

Expenditure:	Year Effective
Duplication of Stolen Licenses for Senior Citizens	1990

Revenue Source and Annual Receipts: Driver's License Four Year Renewal Fee

Expenditure:	Year Effective
Reduced Renewal Fee for Senior Citizens	1974

Revenue Source and Annual Receipts: Annual Reports of Corporations

Expenditure:	Year Effective
Two Million Dollar Cap on Franchise Tax for Corporations	1967

Natural Resources

Revenue Source and Annual Receipts: Watercraft Registration Fee

Expenditure:	Year Effective
Canoe or Kayak Owned by Non-Profit Organization	1989

Revenue Source and Annual Receipts: Camping and Beach Fees

Expenditure:	Year Effective
Disabled Persons, Former POWs, and Illinois Residents Over 62	1975

Revenue Source and Annual Receipts: Inland Trout Stamp

Expenditure:	Year Effective
Disabled, Under 16	1994

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Natural Resources (Concluded)

Revenue Source and Annual Receipts: Hunting Licenses and Permits *

Expenditure:	Year Effective
Disabled, 65 or Over, Landowners/Tenants	1975

Revenue Source and Annual Receipts: Fishing Licenses

Expenditure:	Year Effective
Disabled, Under 16, 65 or Over, Fee Fishing Areas, Owners/Tenants Discount	1975

Revenue Source and Annual Receipts: Sportsman License

Expenditure:	Year Effective
Disabled, 65 or Over, Landowners/Tenants	1979

Revenue Source and Annual Receipts: Trapping License *

Expenditure:	Year Effective
Owners, Bona Fide Tenants and Their Children	Unknown

Revenue Source and Annual Receipts: Salmon Stamp

Expenditure:	Year Effective
Disabled, Under 16	1976

Revenue Source and Annual Receipts: Habitat Stamps

Expenditure:	Year Effective
Under 16	1993

Revenue Source and Annual Receipts: Waterfowl Stamps

Expenditure:	Year Effective
Disabled, Landowners/Tenants	1975

Insurance

Revenue Source and Annual Receipts: Insurance Privilege Tax

Expenditure:	Year Effective
Fire Department Tax Credit	1937
Replacement Income Tax Credit	1980

Revenue Source and Annual Receipts: Retaliatory Tax

Expenditure:	Year Effective
Fire Department Tax Credit	1937
Replacement Income Tax Credit	1980

* A statutory search found the first reference to a hunting license exemption for land owners in 1913 and the first reference to a trapping license exemption for owners and tenants in 1919.

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Professional Regulation

Revenue Source and Annual Receipts: Boxing/Wrestling Athletic Events Tax

Expenditure:	Year Effective
Premises with Indoor Capacity of More Than 17,000 Exemption	1995

Public Aid

Revenue Source and Annual Receipts: Long Term Care Provider Assessment

Expenditure:	Year Effective
100% Contribution Homes Exemption	1994

Public Health

Revenue Source and Annual Receipts: Health Care Facility Permit Application Fee

Expenditure:	Year Effective
Natural Disaster and Other Emergency Waiver	1975

Revenue Source and Annual Receipts: Vital Records Fees

Expenditure:	Year Effective
U.S. Veterans Administration Exemption	1935
Groups Chartered by U. S. Congress Exemption	2001

Revenue Source and Annual Receipts: Metabolic Screening and Treatment Fee

Expenditure:	Year Effective
State Agency Lab Exemption	1990

Revenue Source and Annual Receipts: Private Sewage Fee

Expenditure:	Year Effective
Plumbing License Exemption	1973

Revenue Source and Annual Receipts: Pesticide Control Fee

Expenditure:	Year Effective
State Agency Employee Exemption	1975

Revenue Source and Annual Receipts: Recreational Area Fee

Expenditure:	Year Effective
Not-for-Profit and Governmental Agency Original License Application Fee Waiver	1972
Not-for-Profit and Governmental Agency Construction Application Fee Waiver	1972
Not-for-Profit and Governmental Agency License Renewal Waiver	1972

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Public Health (Concluded)

Revenue Source and Annual Receipts: Swimming Pool and Bathing Beach Fee

Expenditure:	Year Effective
Not-for-Profit and Governmental Facility Original License Fee Waiver	1974
Not-for-Profit and Governmental Facility Construction Application Fee Waiver	1974
Not-for-Profit and Governmental Facility License Renewal Fee Waiver	1974

Revenue Source and Annual Receipts: Long Term Care Facility Fee

Expenditure:	Year Effective
Homes for the Aged Exemption	1980

Revenue Source and Annual Receipts: Childhood Lead Screening Fee

Expenditure:	Year Effective
Low Income Family Waiver	1993

Revenue Source and Annual Receipts: HIV (ELISA) Test and STD Test

Expenditure:	Year Effective
Department Funded HIV Counseling and Testing Site and HIV Seroprevalence Exemption	1996
Population With High Incidence of Sexually Transmitted Diseases Exemption	1996

Revenue Source and Annual Receipts: Youth Camp License Application Fee

Expenditure:	Year Effective
Governmental Agency Exemption	1973

Revenue Source and Annual Receipts: Water Pump Contractor Fee

Expenditure:	Year Effective
Licensed Plumber Exemption	1999

Revenue Source and Annual Receipts: Environmental Lead License Application Fee

Expenditure:	Year Effective
Department of Public Health and Delegate Agency Employee Waiver	1993

Revenue Source and Annual Receipts: Salvage Warehouse and Salvage Warehouse Store Act

Expenditure:	Year Effective
Not-for-Profit Organization Waiver	1972

Revenue Source and Annual Receipts: Asbestos Abatement License Fee

Expenditure:	Year Effective
Governmental Employee Waiver	1984

Revenue Source and Annual Receipts: Plan Review Fee - Hosp. & Ambulatory Treatment Centers

Expenditure:	Year Effective
Projects Costing Less than \$100,000 Waiver	1998

Revenue Source and Annual Receipts: Plan Review Fee - LTC Facilities

Expenditure:	Year Effective
Projects Costing Less than \$100,000 Waiver	1998

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue

Revenue Source and Annual Receipts: Sales and Use Tax

Expenditure:	Year Effective
Feed and Seed Exemption	1933
Occasional Sales	1933
Charitable, Religious, Governmental, and Educational Exemption	1953
Demonstration Use Prior to Resale	1955
Interim Use Prior to Sale Exemption	1955
Property Acquired by Non-Resident before Relocating in Illinois Exemption	1955
Traded-In Property Exemption	1955
Use by Nonresidents While Temporarily Passing Through Illinois Exemption	1955
Retailer's Discount	1960
Sales by Exempt Organizations	1961
Newsprint and Ink to Newspapers and Magazines Exemption	1965
Sales of Fuel to Vessels on Bordering Rivers	1968
Rolling Stock Exemption	1968
Sales Through Penny Bulk Vending Machines	1972
Sales of Motor Vehicles to Non-Residents Exemption	1974
Farm Chemicals Exemption	1975
Nutrition Program for the Elderly Exemption	1975
Manufacturing and Assembling Machinery and Equipment Exemption	1979
Farm Machinery and Equipment Exemption	1980
Food, Drugs, and Medical Appliances Rate Reduction	1980
Gasohol Discount	1980
Low Sulfur Dioxide Emission Coal Fueled Device Exemption	1980
Graphic Arts Machinery and Equipment Exemption	1981
Building Materials within Enterprise Zone Exemption	1982
Teacher Sponsored Student Organization Exemption	1983
Sales to County Fair Association Exemption	1983
Property Used in the Operation of Pollution Control Facilities	1985
Designated Personal Property within Enterprise Zone Exemption	1985
Legal Tender, Medallions, and Bullion Exemption	1985
Building Materials to High Economic Impact Business Exemption	1986

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Sales and Use Tax (Concluded)

Expenditure:	Year Effective
Photo Processing Machinery and Equipment Exemption	1988
Sales of Vehicles to Automobile Rentors Exemption	1988
Sales to Not for Profit Music and Dramatic Arts Organization Exemption	1988
Senior Citizens Service Enterprises Exemption	1988
Specified Photoprocessing Charges Exemption	1988
Fuel and Petroleum Products for International Flight Exemption	1989
Machinery/Equipment for Operation of High Economic Impact Service Facility	1989
Nursing Homes Food Drugs and Medical Appliances Exemption	1991
Sales of Tangible Personal Property Used by Aircraft Maintenance Facilities	1991
Sales of Machinery and Equipment in Operation of Aircraft Maintenance Facilities	1991
Semen for Artificial Insemination of Livestock	1994
Manufacturer's Purchase Credit	1995
Race Horses	1995
Disaster Relief Donation and Infrastructure Repair Exemption	1996
Leased Property to Hospitals or Government Bodies	1996
Game or Game Birds sold at Hunting Area	2000
Commercial Distribution Fee (CDF) Exemption	2004

Revenue Source and Annual Receipts: Individual Income Tax

Expenditure:	Year Effective
Standard Exemption: Taxpayers and Dependents	1970
Military Pay Subtraction	1971
Federally Taxed Retirement	1972
Enterprise Zone Dividends Subtraction	1983
Enterprise Zone Investment Credit	1983
Interest Expense Subtraction	1984
Federally Taxed Social Security Subtraction	1985
Job Training Contribution Subtraction	1986
Jobs Tax Credit	1986
Foreign Trade Zone Dividends Subtraction	1986
High Impact Business Investment Credit	1986
Additional Exemptions: Blind and Elderly	1990
Research and Development Credit	1991
Acceleration of Life Insurance Benefits Subtraction	1992
Persian Gulf War Bonus Subtraction	1992
Tax Credit for Residential Real Property Taxes	1992
Dependent Care Assistance Credit	1995
Medical Care Savings Account Subtraction	1995
TECH-PREP Youth Vocational Program Credit	1995

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Individual Income Tax (Concluded)

Expenditure:	Year Effective
Self-Employed Health Insurance Subtraction	1996
IRA Converted to Roth IRA Subtraction	1999
Compensation of Nazi Victims	1999
Earned Income Tax Credit	2000
Education Expense Credit	2000
Economic Development for a Growing Economy Tax Credit	2000
Affordable Housing Donations	2001
Bonus Depreciation	2002
Capital Gain or Loss - Bonus Depreciation	2002
College Savings Pool Account	2002
Transportation Employee Credit	2003
Ride Sharing	2003
80/20 Rules	2005

Revenue Source and Annual Receipts: Corporate Income Tax

Expenditure:	Year Effective
Standard Exemption	1970
Life and Health Insurance Guarantee Association Tax Offset	1980
Enterprise Zone Charitable Contribution Subtraction	1983
Enterprise Zone Dividends Subtraction	1983
Enterprise Zone Interest Subtraction	1983
Enterprise Zone Investment Credit	1983
Interest Expense Subtraction	1984
Coal Research and Coal Utilization Investment Credits	1985
Foreign Trade Zone Dividends Subtraction	1986
High Economic Impact Business Interest Subtraction	1986
High Economic Impact Business Investment Credit	1986
Illinois Net Operating Loss Deduction	1986
Jobs Tax Credit	1986
Job Training Contribution Subtraction	1986
Replacement Taxes Paid Credit	1986
Training Expense Credit	1987
Health Maintenance Organization Guaranty Association Tax Offset	1988
Research and Development Credit	1991
Dependent Care Assistance Credit	1995
TECH-PREP Youth Vocational Program Credit	1995
Environmental Remediation Tax Credit	1998
Attorney-In-Fact Subtraction	2000
Foreign Insurer Rate Reduction	2000
Economic Development for a Growing Economy Tax Credit	2000
Employee Child Care Tax Credit	2001
Affordable Housing Donations	2001
Bonus Depreciation	2002
Capital Gain or Loss - Bonus Depreciation	2002
Transportation Employee Credit	2003

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Automobile Renting Occupation and Use Tax

Expenditure:	Year Effective
Claims for Loss or Damage Deduction	1982
Exempt Organization Rentals	1982
Insurance Coverage Deduction	1982
Other/Miscellaneous Deduction	1982
Refueling Deduction	1982
Timely Filing and Full Payment Discount	1982
Loaner Vehicles on Warranty	1999

Revenue Source and Annual Receipts: Cigarette and Cigarette Use Taxes

Expenditure:	Year Effective
Cost of Collection Discount	1942
Prison and Mental Health Facility Exemption	1982

Revenue Source and Annual Receipts: Hotel Operators' Occupation and Use Tax

Expenditure:	Year Effective
Permanent Residents Exemption	1962
Cost of Collection Discount	1988

Revenue Source and Annual Receipts: Liquor Gallonage Tax

Expenditure:	Year Effective
Non-Beverage User Exemption	1935
Sacramental Wine Exemption	1935
Cost of Collection Discount	2003

Revenue Source and Annual Receipts: Underground Storage Tank Tax

Expenditure:	Year Effective
Airport Exemption	1990
Liquefied Propane Gas Exemption	1990
Rail Carrier Exemption	1990
Timely Filing and Full Payment Discount	1990
Exemption for Ships, Barges, and Vessels Conducting Interstate Commerce on Border Rivers	1997

Revenue Source and Annual Receipts: Motor Fuel Taxes

Expenditure:	Year Effective
Timely Filing and Full Payment Discount	1930
Sales for Use Other Than in Motor Vehicles Exemption	1940
Aviation Purposes Exemption	1956
Municipal Corporation Owning Transportation System Exemption	1956
Privately Owned Transportation Utility Exemption	1962

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Continued)

Revenue Source and Annual Receipts: Electricity Excise Tax

Expenditure:	Year Effective
Sales to Municipal Transit Systems	1958
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	1987

Revenue Source and Annual Receipts: Gas Revenue Tax

Expenditure:	Year Effective
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
Purchase From Out-of-State Supplier Exemption	1996
Gas Used in Liquefaction Process	2004
Gas Used in Petroleum Refinery Operation	2004
Gas Used in Production of Electric Energy	2004
Cost of Collection Discount (Gas Use Tax)	2004
Gas Used in Production of Fertilizer	2004

Revenue Source and Annual Receipts: Telecommunications Excise Tax

Expenditure:	Year Effective
Enterprise Zone and Foreign Trade Zone High Economic Impact Business Exemption	1986
State Universities Exemption	1986
Coin-Operated Telecommunications Devices Exemption	1990
Cost of Collection Discount	2004

Revenue Source and Annual Receipts: Vehicle Use Tax

Expenditure:	Year Effective
Out-of-State Resident Exemption	1980
Rolling Stock Exemption	1980
Government, Charitable, Educational, Religious Entities Exemption	1980
Farm Implement - Ready Mix Exemption	1980
Business Reorganization Preferential Tax Rate	1988
Estate Gift to Beneficiary Preferential Tax Rate	1988
Family Member Preferential Tax Rate	1988
Surviving Spouse Exemption	1990
Commercial Distribution Fee Exemption	2004

Revenue Source and Annual Receipts: Real Estate Transfer Tax

Expenditure:	Year Effective
Other Exempted Deeds or Trust Documents	1968
Mortgage Foreclosure Exemption	1986

SUMMARY OF TAX EXPENDITURES BY AGENCY, REVENUE SOURCE AND EFFECTIVE DATE

Revenue (Concluded)

Revenue Source and Annual Receipts: Riverboat Gambling Admission Tax

Expenditure:	Year Effective
Tax Free Admission Passes	1991

Revenue Source and Annual Receipts: Racing Admission Tax

Expenditure:	Year Effective
Free General Admission	1975

Revenue Source and Annual Receipts: Racing Pari-mutuel (Privilege) Tax

Expenditure:	Year Effective
Real Estate Tax Credit	2000

Revenue Source and Annual Receipts: Aircraft/Aircraft Use Tax

Expenditure:	Year Effective
Surviving Spouse Exemption	2004
Rolling Stock Exemption	2004
Sales to Exempt Organizations	2004
Aircraft Temporarily Used in Illinois Exemption	2004

Commerce Commission

Revenue Source and Annual Receipts: Gross Receipts Tax (Public Utility Fund)

Expenditure:	Year Effective
Enterprise Zone Revenue Exemption	1988

Environmental Protection Agency

Revenue Source and Annual Receipts: Sewer Construction Permit Application Fee

Expenditure:	Year Effective
State and Local Government Exemption	1991

Revenue Source and Annual Receipts: Sewer Main Construction Permit Application Fee

Expenditure:	Year Effective
State and Local Government Exemption	1990

Revenue Source and Annual Receipts: NPDES Permit Discharge Fee

Expenditure:	Year Effective
State Government and School District Exemption	2004

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Agricultural Expenditures		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Sales Tax		
Farm Chemicals (Includes Feed and Seed) Exemption	\$ 204,300	\$ 208,795
Gasohol Discount	60,000	62,539
Farm Machinery and Equipment Exemption	45,968	46,979
Total	\$ 310,268	\$ 318,313
Tax: Other		
Farm Implement - Ready Mix Exemption	\$ 0	\$ 1,054
Total	\$ 0	\$ 1,054
Total, Agricultural Expenditures	\$ 310,268	\$ 319,367

Environmental Expenditures		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Sales Tax		
Pollution Control Facilities Exemption	\$ 3,575	\$ 0
Total	\$ 3,575	\$ 0
Tax: Corporate Income Tax		
Coal Research and Coal Utilization Investment Credits	\$ 1,100	\$ 3,750
Total	\$ 1,100	\$ 3,750
Tax: Other		
Purchase of Electricity Generated by Solid Waste Energy Facility Credit	\$ 24,200	\$ 29,400
Total	\$ 24,200	\$ 29,400
Total, Environmental Expenditures	\$ 28,875	\$ 33,150

Business Expenditures		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Sales Tax		
Manufacturing and Assembling Machinery and Equipment Exemption	\$ 158,332	\$ 161,816
Retailer's Discount	107,300	113,363
Rolling Stock Exemption	104,133	42,225
Newsprint and Ink to Newspapers and Magazines Exemption	40,000	40,880
Commercial Distribution Fee (CDF) Exemption	0	37,734
Sales of Vehicles to Automobile Rentors Exemption	23,640	29,034
Designated Tangible Personal Property within Enterprise Zone Exemption	32,000	26,678
Manufacturer's Purchase Credit	28,000	21,534
Interim Use Prior to Sale Exemption	4,745	7,018
Building Materials within Enterprise Zone Exemption	4,087	4,176
Graphic Arts Machinery and Equipment Exemption	4,087	0
Coal, Oil, and Distillation Machinery and Equipment Exemption	715	0
Total	\$ 507,039	\$ 484,458
Tax: Individual Income Tax		
Income Tax Credits	\$ 7,551	\$ 4,226
Total	\$ 7,551	\$ 4,226

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Business Expenditures (Concluded)		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Corporate Income Tax		
Illinois Net Operating Loss Deduction	\$ 102,943	\$ 162,938
Training Expense Credit	12,700	14,180
Foreign Insurer Rate Reduction	9,396	12,055
Research and Development Credit	6,670	8,180
Enterprise Zone Investment Credit	7,530	6,520
Economic Development for a Growing Economy Tax Credit	3,300	5,200
Standard Exemption	4,973	5,021
Life and Health Insurance Guarantee Association Tax Offset	6,150	3,640
High Economic Impact Business Investment Credit	200	1,540
Enterprise Zone and High Economic Impact Interest Subtractions	2,139	1,431
Enterprise and Foreign Trade Zone Dividend Subtractions	5,224	1,000
Job Training Contribution Subtraction	256	417
Jobs Tax Credit	14	6
TECH-PREP Youth Vocational Program Credit	1	0
Total	\$ 161,496	\$ 222,128
Tax: Other ¹		
Sales for Use Other Than in Motor Vehicles Exemption	\$ 115,332	\$ 117,220
Enterprise & Foreign Trade Zone High Economic Impact Business Exemption	22,645	34,875
Timely Filing and Full Payment Discount	23,779	21,545
Airport Exemption	14,717	13,965
Cost of Collection Discount - Cigarettes	10,059	10,155
Cost of Collection Discount - Telecommunications	0	8,544
Commercial Distribution Fee Exemption	0	6,821
Two Million Dollar Cap on Franchise Tax for Corporations	8,724	6,474
Cost of Collection Discount - Hotel	4,550	4,543
Real Estate Tax Credit	3,926	3,853
Rail Carrier Exemption	2,569	2,759
Enterprise & Foreign Trade Zone High Economic Impact Business Exemption	1,910	1,748
Timely Filing and Full Payment Discount	1,451	1,311
Cost of Collection Discount - Liquor	517	792
Timely Filing and Full Payment Discount	501	569
Cost of Collection Discount (Gas Use Tax)	0	567
Exemption for Vessels Conducting Interstate Commerce on Border Rivers	422	492
Business Reorganization Preferential Tax Rate	57	68
Aviation Purposes Exemption	38	41
Enterprise & Foreign Trade Zone High Economic Impact Business Exemption	33	32
Enterprise Zone Revenue Exemption	34	26
Life and Health Guaranty Assessments Credit	12,293	0
Total	\$ 223,557	\$ 236,400
Total, Business Expenditures	\$ 899,643	\$ 947,212

¹ Refer to Appendix D for specific receipt sources for other tax expenditures.

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Individual Expenditures -Bad Bed		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Sales Tax		
Food, Drugs, and Medical Appliances Rate Reduction	\$ 1,169,000	\$ 1,222,500
Total	\$ 1,169,000	\$ 1,222,500
Tax: Individual Income Tax		
Standard Exemption: Taxpayers and Dependents	\$ 680,399	\$ 690,357
Tax Credit for Residential Real Property Taxes	355,552	383,615
Education Expense Credit	66,518	67,140
Earned Income Tax Credit	50,830	65,746
Total	\$ 1,153,299	\$ 1,206,858
Total, Individual Expenditures -Bad Bed	\$ 2,322,299	\$ 2,429,358

Individual Expenditures -Elderly and Dabled		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Individual Income Tax		
Federally Taxed Retirement and Social Security Subtractions	\$ 732,055	\$ 757,659
Additional Exemptions: Blind and Elderly	31,325	31,237
Total	\$ 763,380	\$ 788,896
Tax: Other		
Disabled, Under 16, 65 & Over, Fee Fishing Area, Owner/Tenant Discount	\$ 13,008	\$ 13,008
Senior Citizen Plate Renewal Reduction	8,123	8,949
Reduced Renewal Fee for Senior Citizens	939	1,110
Duplicated/Corrected ID Senior Citizen/Handicapped	327	352
Disabled Veteran Vehicle Registration Exemption	227	216
Duplication of Stolen Licenses for Senior Citizens	7	7
Total	\$ 22,631	\$ 23,642
Total, Individual Expenditures -Elderly and Dabled	\$ 786,011	\$ 812,538

Individual Expenditures -Other		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Individual Income Tax		
Military Pay Subtraction	\$ 22,181	\$ 22,757
Total	\$ 22,181	\$ 22,757
Tax: Other		
Pop. With High Incidence of Sexually Transmitted Diseases Exemption	\$ 3,099	\$ 3,159
Dept. Funded HIV Counseling/Testing Site and HIV Seroprevalence Exemption	405	365
X-POW Vehicle Registration Exemption	123	101
Total	\$ 3,627	\$ 3,625
Total, Individual Expenditures -Other	\$ 25,808	\$ 26,382

TAX EXPENDITURES BY PURPOSE (IN THOUSANDS)

Charitable Expenditures		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Sales Tax		
Sales to Exempt Organizations ²	\$ 892,791	\$ 930,356
Total	\$ 892,791	\$ 930,356
Tax: Corporate Income Tax		
Enterprise Zone Charitable Contribution Subtraction	\$ 111	\$ 938
Employee Child Care Tax Credit	3,010	360
Affordable Housing Donations	5	270
Dependent Care Assistance Credit	20	50
Total	\$ 3,146	\$ 1,618
Tax: Other		
Government, Charitable, Educational, Religious Entities Exemption	\$ 173	\$ 3,282
Charitable Organization Vehicle Exemption	269	1,966
Exempt Organization Rentals	1,174	1,183
Low Income Family Waiver	763	602
Other	141	137
Total	\$ 2,520	\$ 7,170
Total, Charitable Expenditures	\$ 898,457	\$ 939,144
Other Expenditures		
	Fiscal Year 2003 Annual Impact	Fiscal Year 2004 Annual Impact
Tax: Sales Tax		
Traded-In Property Exemption	\$ 339,147	\$ 343,283
Sales of Motor Vehicles to Non-Residents Exemption	72,040	70,474
Property Acquired by Non-Resident before Relocating in Illinois Exemption	7,331	7,681
Legal Tender, Medallions, and Bullion Exemption	1,635	1,670
Replacement Vehicles Exemption	2,417	0
Total	\$ 422,570	\$ 423,108
Tax: Individual Income Tax		
Other Subtractions	\$ 48,781	\$ 55,004
Total	\$ 48,781	\$ 55,004
Tax: Corporate Income Tax		
Replacement Taxes Paid Credit	\$ 5,986	\$ 6,389
Total	\$ 5,986	\$ 6,389
Tax: Other		
Other	\$ 73,663	\$ 75,659
Total	\$ 73,663	\$ 75,659
Total, Other Expenditures	\$ 551,000	\$ 560,160

² The Department of Revenue estimates that of the \$930 million in sales to exempt organizations, governments account for 69.6%, charities 14.3%, religious 14.3%, and private education 1.8%.

Tax Expenditures Included in This Report

The Comptroller's Office has decided to limit required agency reporting to those tax expenditures that are:

- 1) state levied taxes accruing to the state (this excludes tax expenditures related to locally levied taxes that are collected by the state and tax expenditures for state levied taxes like the personal property replacement taxes and local share of the state sales taxes that are automatically distributed to local governments);
- 2) authorized directly by state law (tax expenditures arising from the adoption of federal income tax provisions as the starting point for state income tax computations need not be reported); and
- 3) in excess of \$1 million in fiscal year 2004 or fiscal year 2005 (however some agencies did report smaller tax expenditures and the receipting agencies were asked to list any tax expenditures for which detailed cost estimates were not provided either because the tax expenditures were less than \$1 million or were not calculable).

Limitations on Using Tax Expenditure Data

Unlike much of the other data released by the Comptroller's Office, the costs of many of the reported tax expenditures are estimates whose accuracy may be affected by the limitations of the data used to construct each estimate. Measurement of a tax expenditure may require assumptions about the tax base that are subjective and might differ if made by another analyst.

The revenue gained from eliminating a tax expenditure can vary from the figures presented in this report as elimination of a tax expenditure may lead taxpayers to change their behavior. For example, the cost savings from a sales tax exemption might be the attraction that causes some shoppers to purchase an item. If the exemption were eliminated, these shoppers might forego purchase of the item, leaving the state with smaller new revenues than would be computed by adding the revenue losses from purchases with the

exemption in place. Further, adding the impacts of the various tax expenditures may overstate the total cost of the tax expenditures, as some transactions may be exempt under multiple tax expenditures.

Transactions that are not taxed because they fall outside of the Illinois tax base are not tax expenditures. For example, the Illinois sales tax is a tax on the transfer of tangible personal property for final use. In most cases, services are only taxed to the extent tangible personal property is transferred as part of the service agreement. Thus a purchase of auto repair services is only taxed on the parts used in the repairs. Not fully taxing service purchases is not a tax expenditure as services lie outside the state tax base.

State Versus Federal Law

In some cases, federal tax law serves as the basis for starting state tax computations. For example, computation of the Illinois personal income tax begins with adjusted gross income (AGI) as determined on federal tax returns. Thus some federal tax expenditures are implicitly extended to Illinois personal income taxpayers.

For this report, such indirect tax expenditures are not considered to be authorized by state law. The Illinois statutes may set AGI as the starting point for Illinois personal income tax computations, but the actual authorization of the tax expenditure is determined by federal law and can be modified by amendment of the federal law. The portion of the tax expenditure statute asking for the "citation of the legal authority for the tax expenditure, the year it was enacted, and the fiscal year in which it first took effect" is interpreted to apply only to state statutes.

However, the state can require specific federal tax expenditures to be added back to the state tax base. An example is the municipal bond interest deductions which are added back to taxable income when computing the Illinois personal income tax base.

Tax expenditures based on the federal Constitution are also excluded from this report. An example would be items exempt from state taxation due to the Commerce Clause of the federal Constitution.

Overlapping Taxes

In some cases transactions or income are exempted from one state tax because they are subject to another state tax. For example, transactions subject to the state sales tax are exempt from the state use tax. Exemptions included in the statutes to prevent double taxation are not considered tax expenditures for purposes of this report. Similarly, credits for taxes paid to other states prevent double taxation and are not tax expenditures.

For More Detailed Information

Agency Tax Expenditure Report submissions are available on the State Comptroller's website: To access the detailed submissions:

Go to the Comptroller's website:

<http://www.ioc.state.il.us/>

- Move the mouse pointer over the Departments button in the upper right hand corner of the page, and then click on the Research and Fiscal Info button.
- Click on the Detailed Tax Expenditure Data button.
- Use the drop down box to select the agency of interest. Then select the appropriate fiscal year, and click on the Select Agency button.
- Reports can be created for all receipts for the agency or a selected group of receipts. If Select Receipts is chosen, use the drop down boxes to choose the first and last of the desired group of receipts.
- Three standardized reports can be created. The Tax Expenditure Detail report contains the detailed agency submissions. The Tax Expenditure by Fund

report provides cost estimates by fund and the Total Tax Expenditure Cost report lists total cost estimates.

- The above reports can be printed as HTML files or with Crystal Reports, either with ActiveX or Java with the Internet Explorer browser.

Instructions for Exporting Crystal Reports to Adobe Acrobat PDF Files

- On the view click on the "Envelope" with a red downward arrow.
- On the "Export Report" dialog box, select "Adobe Acrobat" in the "File Format" drop-down box, and select "All" if you want all of the pages or pages with a range if you only want a sub-set of your report. Next click the "Browse" button and select the folder where you want the report to be saved on your computer. Click "Save" on the "Save As" dialog box and then the "OK" button on the "Export Report" dialog box.
- Click the "Yes" button when the "Report Viewer Export" dialog box is displayed with the message "The report has been exported. Do you wish to open it?"
- You will then be able to page through the report using your Adobe Acrobat or print the report out using the Adobe Acrobat.

If you have any additional questions about the Tax Expenditure Report, please contact Loren Iglarsh at 217/782-7921.