

2019 ISACo Spring Legislative Session Report

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By: Joe McCoy, Executive Director

The General Assembly concluded the 2019 spring legislative session with a flurry of activity that required two extended session days beyond the scheduled May 31 adjournment date.

The Illinois State Association of Counties (ISACo) reviewed over 7,000 pieces of legislation and took a position on more than 100 bills during our first spring session. The number of bills on which ISACo takes a position will likely increase in future years.

This report provides a general overview of the more consequential legislation approved during the first year of the 101st General Assembly.

SFY2020 State Budget Enacted into Law (P.A. 101-0007/P.A. 101-0009/P.A. 101-0010)

On a bipartisan basis, the General Assembly approved and the Governor signed into law a \$40 billion budget for State Fiscal Year (SFY) 2020. Governor Pritzker signed the budget bills into law on June 5, 2019. The budget package included three different bills (Senate Bill 689 – [linked here](#), Senate Bill 262 – [linked here](#) and Senate Bill 1814 – [linked here](#)). Pertinent provisions to counties are as follows:

- State-shared income tax revenue distributed to municipalities and counties via the Local Government Distributive Fund (LGDF) is being held at the SFY2019 budget level.
- Local government “pass through” funds [Motor Fuel Tax (MFT), Use Tax, Video/Casino Gaming, Statewide Emergency 9-1-1 funds, etc.] are fully funded within the SFY2020 budget, with increases in some cases (MFT).
- The budget includes approximately \$350 million in total diversions from Corporate Personal Property Replacement Tax (CPPRT) revenues that would otherwise be distributed to local governments. CPPRT diversions have been increasing annually for several years. The SFY2019 state budget diverted approximately \$300 million from CPPRT.

The SFY2020 budget becomes effective with the beginning of the new state fiscal year on July 1, 2019.



Capital Infrastructure Plan Approved

(P.A. 101-0029/P.A. 101-0030/P.A. 101-0031/P.A. 101-0032)

The General Assembly approved and the Governor signed into law a \$45.6 billion capital infrastructure package consisting of four bills (House Bill 62 – [linked here](#), House Bill 142 – [linked here](#), Senate Bill 690 – [linked here](#) and Senate Bill 1939 – [linked here](#)) that provide funding and authorization for transportation and vertical construction projects. This is the first significant Illinois capital infrastructure plan in nine years.

Transportation Infrastructure

The package provides for investments in Illinois' roads, bridges and transit. This includes money for local projects. Among other provisions, the package increases the MFT to 38 cents per gallon (currently 19 cents). This provision, effective on and after July 1, 2019, would increase the MFT by the Consumer Price Index (CPI-U) beginning each subsequent July 1.

The package also includes an increase to local MFT taxing authority for DuPage, Kane and McHenry counties and adds Lake and Will counties to those counties permitted to impose a local MFT. These counties would be permitted to impose an MFT tax not to exceed 8 cents per gallon by action of the county board.

Vertical Infrastructure Projects

The package includes revenue for vertical infrastructure. It includes authorization for six more casinos (Chicago, Waukegan, southern Cook County, Rockford, Danville and near Marion), legalized sports betting, higher taxes on video gaming and an expansion of video gaming, a tax hike on cigarettes and vaping and a new tax on parking garages. The revenue generated will fund projects such as universities, state buildings, prisons, etc.

The capital infrastructure bills became effective on June 28, 2019, with the exception of P.A. 101-0029, which became effective on July 1, 2019.

Legislation Authorizing the Collection of Online Sales Taxes Approved by General Assembly

(P.A. 101-0009/P.A. 101-0031)

The General Assembly approved two bills (Senate Bill 689 – [linked here](#) and Senate Bill 690 – [linked here](#)) with provisions intended to generate additional sales tax revenue for the state and local governments. The provision, put forward by the Illinois Retail Merchants Association (IRMA) with the support and partnership of ISACo, is known as the “Leveling the Playing Field for Illinois Retail Law.”

This provision allowing for online sales tax collections from out-of-state retailers will generate additional revenues for the state and local governments from the Use Tax beginning on January 1, 2020. Raising additional revenues for the state and local governments by requiring collection of locally-imposed Retail Occupation Taxes (ROT) will begin on July 1, 2020.



ISACo published a *Policy Brief* ([linked here](#)) for additional information about this new online sales tax collection law.

General Assembly Approves Income Tax Constitutional Amendment

The General Assembly approved a constitutional amendment (SJRCA1 – [linked here](#)) that will place a question on the November 2020 ballot asking voters if the Illinois Constitution should be amended to allow for graduated income tax rates. The Governor is not required to approve a proposed constitutional amendment. Proposed amendments automatically go before the voters following passage by the General Assembly.

If voters approve the proposed constitutional amendment, Illinois' flat tax requirement will be abolished and graduated income tax rates can be implemented within the Illinois Revenue Code.

Graduated Income Tax Rate Legislation Signed by Governor (P.A. 101-0008)

The General Assembly approved, and Governor Pritzker enacted into law, Senate Bill 687 ([linked here](#)) The bill establishes the following graduated income tax rates should voters amend the Illinois Constitution to allow the rates to take effect:

Joint Filers

4.75% \$0-10,000
4.85% \$10,001-100,000
4.95% \$100,001-250,000
7.75% \$250,001-500,000
7.85% \$500,001-1,000,000
7.99% \$1,000,000+ (includes all income)

Individual Filers

4.75% \$0-10,000
4.85% \$10,001-100,000
4.95% \$100,001-250,000
7.75% \$250,001-350,000
7.85% \$350,001-750,000
7.99% \$750,000+ (includes all income)

Corporate Filers

7% increased to 7.99%

The legislation is estimated to **raise approximately \$3.5 billion in new revenue annually.**



The House sponsor of the bill, Representative Zalewski (D-Riverside), indicated during floor debate that the new rates would generate an additional \$100 million annually to counties and municipalities through distributions from the Local Government Distributive Fund (LGDF). LGDF revenue is distributed on a per capita basis.

The income tax rates within Senate Bill 687 are contingent on voters amending the Illinois Constitution to allow for graduated rates.

Cannabis Legalization Approved by the General Assembly (P.A. 101-0027)

The General Assembly approved and the Governor signed into law legislation (House Bill 1438 – [linked here](#)) to legalize the sale and use of recreational cannabis. The law allows residents age 21 and older to legally possess 30 grams of cannabis, 5 grams of cannabis concentrate or 500 milligrams of THC contained in a cannabis-infused product. Non-residents can possess 15 grams of cannabis. Of most interest to counties are provisions concerning taxation and regulation.

Local Taxation

On and after January 1, 2020:

- Counties are authorized to impose up to a 0.75% tax for recreational cannabis sales that occur within municipalities and up to a 3.75% tax on sales within unincorporated areas. (*The county taxing authority for sales within municipalities may be increased to up to 3% should the Governor enact SB 2023 into law)-
- Cook County will be permitted to impose up to a 3% tax on recreational cannabis sales that occur within municipalities and 3.75% for sales occurring within unincorporated areas.

*An ISACo-supported amendment was filed to Senate Bill 2023 ([linked here](#)) that would allow ALL counties to impose up to a 3% sales tax on recreational cannabis sold within municipalities. The bill was approved by both chambers. ISACo sent a letter to the Governor ([linked here](#)) urging that he sign SB 2023 into law. Should the Governor sign Senate Bill 2023 into law, all counties would be permitted to impose a sales tax of up to 3% within municipalities along with the permitted tax of up to 3.75% for sales in unincorporated areas.

In addition to these local sales taxes, counties will continue to receive their traditional share of the 6.25% state sales tax as applied to recreational cannabis sales.

Local Regulation

Local governments not desiring to allow for the sale of recreational cannabis within their jurisdictions may adopt “opt out” ordinances.



The law authorizes local governments to enact reasonable zoning ordinances to regulate cannabis establishments.

Other key provisions....

Revenue and Spending

Proponents estimate that sales from recreational cannabis will generate \$57 million in the SFY2020 state budget and \$140 million next year. One estimate suggests the revenue raised will eventually reach \$500 million a year.

Of the state tax revenue generated, 35% will go to the state General Fund, 25% for community reinvestment, 20% for mental health and substance abuse treatment, 10% for the state's unpaid bills, 8% for law enforcement training grants and 2% for public drug education.

Expungement

The law establishes a process for the expungement of convictions associated with the production or possession of no more than 30 grams of cannabis as long as the convictions did not involve a violent crime. The expungement process will involve the Governor, state police and local state's attorneys. State's attorneys and individuals will be permitted to request that a court vacate convictions involving up to 500 grams of cannabis.

Homegrow

Unlike a previous version of the bill, the homegrow provision is limited to individuals permitted to use cannabis for medicinal purposes. The law allows an eligible person to grow no more than five plants.

Employment

Employers are permitted to maintain a "zero tolerance" policy for cannabis in the workplace.

The new law became effective on June 25, 2019, but cannabis will not be legal in Illinois until January 1, 2020.

ISACo published a *Policy Brief* ([linked here](#)) for additional information about the new recreational cannabis law.

Minimum Wage Increase Enacted into Law (P.A. 101-0001)

Following passage by the General Assembly, Governor J.B. Pritzker signed a bill into law (Senate Bill 1 – [linked here](#)) that will incrementally increase the state minimum wage to \$15 per hour by 2025. The current minimum wage rate is \$8.25 per hour. The rate increase schedule is as follows:



January 1, 2020 - \$9.25 per hour
July 10, 2020 – \$10 per hour
January 1, 2021 - \$11 per hour
January 1, 2022 - \$12 per hour
January 1, 2023 - \$13 per hour
January 1, 2024 - \$14 per hour
January 1, 2025 - \$15 per hour

Workplace Sexual Harassment and Discrimination Legislation Signed into Law (P.A. 101-0221)

The new law (Senate Bill 75 – [linked here](#)) includes multiple provisions intended to address sexual harassment and discrimination in the workplace. The bill affects employers, including local governments, by requiring an independent review of allegations of sexual harassment made against local officials, imposing limitations on the use of contractual provisions that would inhibit sexual harassment reporting and making sexual harassment against contractual employees illegal. The new law takes effect January 1, 2020, with the exceptions of the Hotel and Casino Employee Safety Act taking effect July 1, 2020, and changes to the Illinois Governmental Ethics Act taking effect immediately.

2019 Fall Veto Session

Legislative activity will resume during the fall Veto Session (October 28-30 and November 12-14). ISACo will continue to ensure that counties have a strong presence at the Statehouse during the six-day Veto Session.

