



Illinois ranks 45th overall for mature operations and 24th overall for newly established operations. Specifically:

- Illinois ranks ninth for the newly established distribution center. This firm has a total effective tax rate (TETR) of 25.2 percent, which is 30 percent below the national average. The state's generous property tax abatement compensates for the high burden the firm faces for income, sales, and unemployment (UI) taxes.
- The state also has tax costs below the national average (ranks 13th) for new capital-intensive manufacturing. Again, the state's property tax abatement compensates for one of the highest income tax burdens in the nation for this type of operation in addition to an above-average UI and sales tax burden.
- For mature operations, Illinois' highest tax cost is 48th for R&D operations, which have a TETR of 19 percent, or 48 percent above the national average. Although the state sources service income to where the benefits are delivered, it does have a throwback rule which effectively exposes 100 percent of this firm's income to in-state taxes.
- The state also has burdens well above average for mature corporate office headquarters (43rd), mature call centers (41st) and mature retail operations (40th). The state's high income and sales tax burdens are largely responsible for the corporate headquarters having a TETR 27 percent above the national average and the retail operation having a TETR nearly 18 percent above the national average. The combined state and local sales tax rate of 8.88 percent is the fourth-highest rate in the country for these operations.
- Illinois consistently offers one of the more generous withholding tax credits for most types of firms.

Illinois

Corporate income tax

Main tax rate	9.500%
Applies to income over	–
Specific adjustments:	
- s.199 deduction allowed	
- Throw-out rule applies to services receipts	

Apportionment	Property	Payroll	Sales
Standard factors	–	–	100.0%
Optional alternative	n/a	n/a	n/a
Throwback applies to tangible property sales			Yes
Interstate services income apportionment			Benefits

Sales and property tax

Metro areas examined		Sales tax	Property tax			
		Main rate ^a	Land	Buildings	Equipment	Inventory
Tier 1	Chicago	8.880%	2.392%	2.392%	–	–
Tier 2	Springfield	8.000%	2.319%	2.319%	–	–
a. Manufacturing machinery is exempt from sales tax						

Other taxes

Unemployment insurance		State	Gross receipts tax			Local	
Rate	Max. pay	capital tax	Mfg.	Services	Retail	income tax	
3.80%	\$12,740	0.100%	Tier 1	n/a	n/a	n/a	n/a
			Tier 2	n/a	n/a	n/a	n/a

Incentives for newly established operations

Type	Incentive value	MC	ML	CC	DC	CO	RD	RT
Investment	1% of eligible capital investment	✓	✓					
Job creation	n/a							
Withholdings	3% of new payroll as an income tax credit x 10 years	✓	✓	✓	✓	✓	✓	
R&D	n/a (expired)							
Property tax	60% abatement x 10 years	✓	✓		✓			

MC= Capital-Intensive Manufacturing Operation, ML= Labor-Intensive Manufacturing Operation, CC= Call Center, DC= Distribution Center, CO= Corporate Headquarters, RD= Research and Development (R&D) Facility, RT= Retail Store

Results

	Newly established operations								Mature operations									
	Tier 2 operations				Tier 1 operations				AVG	Tier 2 operations				Tier 1 operations				AVG
	MC	ML	CC	DC	CO	RD	RT	MC		ML	CC	DC	CO	RD	RT			
TETR	7.0%	11.2%	27.7%	25.2%	16.0%	16.9%	34.9%		15.0%	15.8%	26.1%	35.4%	19.9%	19.0%	19.9%			
Index	61.3	95.6	111.2	69.8	99.2	114.7	107.3	94.2	117.8	135.4	124.2	115.5	126.8	147.6	117.6	126.4		
Rank	13	23	27	9	25	29	31	24	36	45	41	37	43	48	40	45		

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