



Office of Chicago City Clerk



O2011-4614

Office of the City Clerk

Tracking Sheet

Meeting Date: 6/8/2011

Sponsor(s): Tunney, Thomas (44)
And Others

Type: Ordinance

Title: Amendment of Chapter 3-20-of Municipal Code by modifying
Employer's Expense Tax Provisions

Committee(s) Assignment: Joint Committee on Economic, Capital and Technology
Development and Finance

ORDINANCE

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FINANCE

WHEREAS, the City of Chicago is a home rule unit of government pursuant to Section 6(a), Article VII of the 1970 Illinois Constitution; and

WHEREAS, pursuant to its home rule power, the City of Chicago may exercise any power and perform any function relating to its government and affairs including promoting the creation of jobs in the City; and

WHEREAS, businesses consider a wide variety of factors in making location decisions, including expected amount of tax to be paid; and

WHEREAS, the City's Employers' Expense Tax has long been recognized as an obstacle to job creation in Chicago; and

WHEREAS, the City's projected revenues from the Employers' Expense Tax for 2011 were set at \$19.6 million, which represents less than 1/2 of 1 percent of the total 2011 City budget; and

WHEREAS, the cost of the City's Employer Expense Tax on Chicago-based employers far outweighs any benefit the City derives from these nominal revenues; and

WHEREAS, the Chicago City Council took a very positive step in 1995 to reduce the level of tax required of many businesses and eliminated the tax altogether for businesses with fewer than 50 employees; and

WHEREAS, Chicago realized job growth in the years following the reductions in the City's Employers' Expense tax, particularly among its smaller businesses; and

WHEREAS, this job growth, particularly among smaller employers has slowed substantially in the past few years; now, therefore

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHICAGO:

SECTION 1. Chapter 3-20 of the Municipal Code is hereby amended by deleting the language in brackets and adding the language underlined as follows:

3-20-030 Employers' expense tax.

A. A tax is hereby imposed upon every employer who, in connection with the employer's business, engages, hires, employs, or contracts with 50 or more individuals as commission merchants and full-time employees, or any combination thereof, to perform work or render services in whole or in part within the City of Chicago. [Beginning July 1, 1995, t]The amount of the tax [shall be \$4.00 per month] for each commission merchant and full-time employee to whom commission or employment compensation is paid or to whom such commission or compensation has accrued shall be set forth in accordance with the following schedule:

- 1) Beginning July 1, 1995 the amount of tax shall be \$4.00 per month.
- 2) Beginning January 1, 2012 the amount of tax shall be \$3.00 per month.
- 3) Beginning January 1, 2013 the amount of the tax shall be \$2.00 per month.

4) Beginning January 1, 2014 the amount of the tax shall be \$1.00 per month.

The incidence of this tax shall be upon the employer alone as an employer's expense tax and shall not be transferred directly or indirectly to the commission merchant or full-time employee under any circumstances.

B. Such tax shall be levied only upon the number of those commission merchants or employees whose work or service is performed within the City of Chicago, or if partly within and partly without the City of Chicago, the numbers of those individuals who perform 50 percent or more of their work or service per calendar quarter within the City of Chicago.

C. If it is impractical to apportion such work or service aforesaid either because of the peculiar nature thereof or on account of unusual bases of compensation, or for any other similar reason, then the numbers of such individuals attributable to work performed or services rendered in the City of Chicago shall be determined in accordance with rules and regulations adopted or promulgated by the director of revenue for this purpose, and in furtherance of the purposes of this ordinance. If the director of revenue determines that the percentage of work attributable to the City of Chicago for any one or more employers is a relatively stable percentage, then the director is hereby authorized to establish that percentage as a prima facie percentage of work attributable to the City of Chicago; provided, however, that the director shall condition the establishment of such fixed percentage upon the obligation of the employer to report immediately to the director any significant change in his mode of business which might or will have some effect upon the portion of work performed or service attributable to the City of Chicago.

D. The tax is due for each calendar quarter the employer has 50 or more full-time employees or commission merchants, or combination thereof, at any time during such quarter except that for any month within such quarter the employer's number of full-time employees or commission merchants, or combination thereof, falls below 50 then no tax shall be due for that month.

SECTION 2. Chapter 3-20 of the Municipal Code, known and cited as the Chicago Employers' Expense Tax Ordinance" is hereby repealed in its entirety.

SECTION 3. Section 1 of this ordinance shall be in full force and effect from and after the date of its passage and publication. Section 2 of this ordinance shall be effective January 1, 2015.

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