

TAX FACTS



Taxpayers' Federation of Illinois

69 • 3 ■ May/June 2016

75 Years and Counting: A Brief History of the Taxpayers' Federation of Illinois

The Taxpayers' Federation of Illinois was issued its State Charter on November 1, 1940, to act as a government watchdog and 'efficiency expert' in matters of public finance. When the organizational structure was finally in place in the spring of 1941, the staff focused the greater portion of its time and effort on local government problems and expenditures. The emphasis shifted to the state level in 1946 and intensified in 1971 after the new Illinois Constitution established annual sessions of the General Assembly. As the Illinois tax code and the reach of government expanded through the twentieth century, the Taxpayers' Federation evolved into the state's most respected and effective advocate for taxpayers and businesses.

The corporate by-laws set out the TFI mission: "the purpose of the Federation is to advocate and foster sound fiscal policies and efficient and economical operation of government programs by the State of Illinois and its units of local government and to represent the interests of Illinois taxpayers in developing a reasonable and responsible system of taxation to support

INSIDE THIS ISSUE

Notes from the inside2

CONTACT US:

430 East Vine Street, Suite A
Springfield, IL 62703
V. 217.522.6818
F. 217.522.6823
www.iltaxwatch.org
tfi@iltaxwath.org

NOTES FROM THE INSIDE. . .

By Carol S. Portman

This issue we take a break from our usual research and analysis. Throughout 2016, the Taxpayers' Federation of Illinois is celebrating our 75th anniversary, so we thought it would be appropriate to include Tax Facts in the celebration. I hope you find "75 Years and Counting" interesting, and perhaps a bit inspiring. Throughout TFI's history, our presidents and staff have built upon the strong foundation laid by their predecessors. This article embodies that tradition; it is the work product of several TFI presidents, each of whom has added and updated the text over time.

The history of TFI is the history of taxation in Illinois. This summary hints at that close connection, and our files and archives are full of examples of TFI's involvement and leadership in our State's major tax developments.

Of course, our work is not complete. Illinois' tax system is far from perfect, and we know there are changes ahead. TFI will continue to remain in the middle of things, representing the interests of all Illinois taxpayers and advocating for sound tax and fiscal policy.

those policies and programs. In working to further these purposes, the Federation will work with government officials in a strictly non-partisan manner, and the Federation shall not endorse candidates for nomination or election to public or party office, nor shall the Federation participate in, or intervene in, any political campaign on behalf of or in opposition to any candidate or political party."

A watchdog that bites



Maurice Scott, who served more than two decades at the helm of the Taxpayers' Federation of Illinois recalled some years ago an anecdote that might best summarize the mission of the organization.

Scott was originally a legal researcher for former TFI executive secretary **George Mahin** in the 1940s and 50s. Mahin had acquired a pet bulldog, which later served as the mascot of the Federation.

"'Erbie, as the bulldog was named, had one call to fame," Scott remembered. "In 1952, when the tax assessor came to Mahin's home, 'Erbie bit him. The assessor sued Mahin and the controversy was settled out of court."

While that story paints a more literal picture of the role of the Taxpayers' Federation, the image of a feisty watchdog nipping at the heels of the tax assessor is a vivid analogy of the history of one of the most respected public policy advocacy groups in Illinois.

2016 marks the 75th year of operation for the Taxpayers' Federation of Illinois. Its history is filled with major public policy achievements that span from its origin before World War II through today. And although its specific goals have often shifted with the times, TFI's reputation as a leading voice for responsible government and fair and equitable tax policy has not.

Philanthropist starts, sustains TFI

The Federation began operating in 1941, due in large part to the efforts of its first chairman, **Thomas E. Donnelley**, of R.R. Donnelley & Sons Co. Donnelley gathered together a group of likeminded taxpayers who perceived the need for a statewide, nonpartisan association to work for efficiency and economy in state and local Government.



Scott later recalled those early days. "A man by the name of Thomas Donnelley, head of the Donnelley printing firm, was very much instrumental in this idea. In fact, he gave a lot of his private money out of his own pocket for the first few budgets."

The Federation hit the ground running during its first few years under the day-to-day direction of executive secretary **Thomas E. Fiske**. When Fiske left in 1946 to become general counsel of Standard Oil Company, George Mahin took the reins. It was under Mahin, and his second-in-command, a young lawyer named Maurice Scott, that the Federation flourished.

"It came at a fortunate time because the General Assembly under Governor Dwight Green had just passed what we called the Butler Bills," Scott recalled. Those bills were in response to a State Supreme Court decision requiring level assessments for all classes of property. But the Butler Bills, and the legislative solution to the decision, were likewise ruled unconstitutional, requiring yet another attempt to craft a property tax system in Illinois.

In the spring of 1947, Scott went to work and drafted 108 separate pieces of legislation that would, in large part, craft the property tax system that still exists today.

"There was a young legislator from Granite City by the name of Orville Hodge in the House," Scott remembered. "He was a member of the Board of Review of Madison County before he came to the legislature, and he had a knowledge of property taxes. He wanted to sponsor those bills in the House."

Hodge and Scott prevailed, and by the end of the session, all 108 bills had been sent to the Governor. "The first time I met Governor Green was at the mansion and he asked me about these bills in a general way," Scott said. "I was shaking in my boots. I had never met a governor face to face. He wouldn't sign one of those bills without an opinion from me."

Green signed all of the bills (The Hodge-Downey Act) and Scott would later go on to successfully defend their constitutionality before the Supreme Court 14 years later.

A Leader Through Con Con & Beyond

In just barely a year in the practice of law and as attorney for the Taxpayers' Federation, Maurice Scott had drafted over 100 pieces of legislation that rewrote the state's property tax laws and had provided legal advice to the Governor of Illinois. It was then that his reputation as one of state's brightest minds on fiscal policy was born—a reputation that flourished through his career until his retirement in 1977.

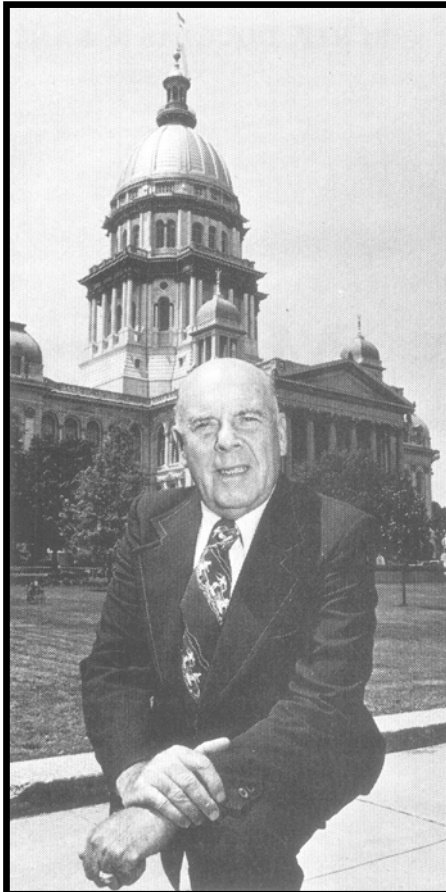
Former Governor Jim Edgar recalled Scott's influence on the legislative process. "I remember some thirty years ago when I was a young intern, my boss, Senator Russell Arrington, told me the first person I should meet with was Maury Scott. I learned a valuable lesson then. I went back to Maury Scott many, many times after."

Scott was named chief executive of the Taxpayers' Federation in 1956. Under his leadership, the focus of the Federation continued to shift from the local government level to the state arena. Much of that was due to the new Illinois Constitution adopted in 1970. And Scott played a pivotal role in its drafting.

"We were the Taxpayers' Federation of Illinois," he would say later. "Under my regime and under my directorship I also took the Federation in the direction of promoting lots of proposals to make government better.

So here was a chance to put some of my ideas before a convention."

Scott became an elected delegate to the Constitutional Convention and arose as a leader in drafting the new revenue article that would abolish personal property taxes and officially sanction the state income tax. He also played a leading role in dealing with a situation that still vexes us today.



Cook County had a de facto system of classification for property tax assessments in place for years. "So I had the feeling that if we're going to make a de facto classification legal—and I thought it should be done because chaos would reign in the county of Cook if we didn't—I wanted to see what the levels of assessment were," Scott recalled. "Well, naturally the highest class would be corporations, and, as a consequence, I found they were assessed twice as high as the lowest class, which happened to be

individual homeowners.

"So I said let's allow Cook County to classify, but let's put a provision in the Constitution that the highest class cannot be at a level more than two times the level of the lowest class. Let's make the de facto de jure. I won out with a little compromise because Article IX now says the highest class cannot be more than two and a half times the lowest class. So that was a compromise; the boys from Cook County wanted to make it

three, so I said why don't we just compromise and make it two and a half times. And so that's why the provision is in there."

Scott would go on to champion many successful causes, including a meaningful tax sale law that has helped alleviate property tax delinquencies, repeal of public aid secrecy laws, implementation of the Schaefer Commission to improve state government, and a personnel code for state workers.

When he retired in 1977 at the age of 63, Scott turned the reins of the Taxpayers' Federation of Illinois over to a 27-year-old employee named Doug Whitley.

Young Man Takes Mantle



Douglas L. Whitley would lead the organization for 14 years until his appointment by then-Governor Jim Edgar to head the Illinois Department of Revenue. He continued to promote an active agenda for the Federation at the Statehouse, overseeing a number of notable accomplishments. He also took the steps to create the Illinois Tax Foundation, a sister organization of the Federation, now called the Illinois Fiscal Policy Council, it still acts as its chief policy research arm.

In 1979 after just two years on the job, Whitley was thrown from the proverbial frying pan into the fire. A Supreme Court ruling accelerated the Taxpayers' Federation's active pursuit of an adequate replacement for the corporate

personal property tax. When a political and legislative dilemma began to build during the summer of 1979 that threatened the enactment of the replacement legislation, it was the Federation's compromise proposal which then-Governor James Thompson chose for inclusion of his amendatory veto of House Bill 2659. It was later approved by the General Assembly.

The compromise pushed by Whitley was praised by newspapers across the state for breaking a major logjam and putting into place the final pieces of a new tax structure that still exists today.

The 1980s saw a tremendous volume of legislative activity that the Federation either generated or greatly influenced. Whitley chaired Gov. Thompson's Revenue Review Committee that studied sales taxation in Illinois and successfully guided legislation to reform the state's sales tax laws. He also spearheaded the review and realignment of the state sales tax increment finance law, drafted legislation to exempt corporate personal property from redefinition as real property and helped rewrite the corporate franchise tax law to provide a statute of limitations and simplify reporting.

During the same period, the Federation drafted the law prohibiting the inclusion of municipal utility taxes from state tax calculations, championed the exclusion of Subpart F income from corporate income taxation, supported a provision to doubleweight the sales factor under Illinois income tax apportionment, and initiated the successful campaign to create an income tax refund account.

A Research Renaissance Man



James D. Nowlan came on board to lead the Federation in 1991. Nowlan, a former legislator and lieutenant governor candidate, had a long history of public service, having served as cabinet member

heading up three different state agencies. His background in academics led him to focus on the Federation's research role, initiating studies of Medicaid, the state's programs for children, local government fiscal management, and a number of pieces on the Illinois budget process. But his groundbreaking work came in the arena of public school funding.

For years, Nowlan had incubated an idea to tie school performance (i.e., test scores) with income levels of students. A study he co-authored for the Federation analyzed every school district in the state and ranked like districts in terms of poverty levels and relative wealth. That study and its 1996 update set a standard to school performance evaluation that has been folded into most other Illinois models and those of other states. It went on to win the Distinguished Research Award from the Governmental Research Association.

Property Tax Reform & Other Big Business

Nowlan's emphasis on school funding positioned the Federation as a leading voice on education



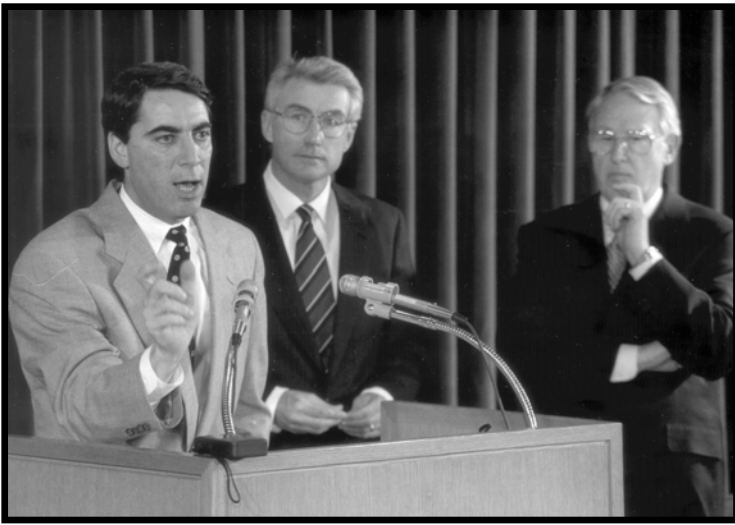
finance when its board named **Timothy S. Bramlet** as president to succeed him in January 1994 as TFI's sixth chief executive. Education funding became a dominant issue under Gov. Jim

Edgar in the 1990s and on into Gov. George Ryan's term of office.

In 1995, Edgar appointed Bramlet to a blue ribbon commission on education funding reform. Known as the 'Ikenberry Commission' for its chairman, University of Illinois President Stanley Ikenberry, Bramlet played a key role in helping the group fashion the nuts and bolts of revising the state's tax code to meet modern-day demands. After a year of deliberations, the Ikenberry Commission released its findings. It recommended a \$4,225 'foundation level' of funding per pupil, guaranteed by the state, to assist school districts with lower property tax wealth. It further suggested a 'tax swap' that would raise state income taxes to pay for property tax relief throughout the state.

The contentious debate within the General Assembly waged on for more than a year. In the end, lawmakers adopted the Ikenberry Commission's foundation level formula, but efforts to enact tax reform were left on the table.

A year later, Edgar called on Bramlet to chair another commission charged with looking into



problems with the property tax system and to explore ways that Illinois could lessen the property tax burden on its citizens. Released in December 1998, the commission's final report provided an exhaustive review of Illinois' tax structure and offered a blueprint for future reform.

One of the hurdles to statewide reform of taxation lies within Cook County's unique system of property taxation. In 1996, the Federation played a leading role in enacting legislation that made major reforms to that system. The new law established a three member board of review and, for the first time, enabled Cook County property owners to appeal assessments to the statewide Property Tax Appeal Board. The legislation also lowered the burden of proof for property owners who took their appeals to the circuit court.

Following that achievement, the Federation was invited by Cook County Assessor James Houlihan to co-chair the Tax Policy Forum, a group which further tackled reforms to the tax system there. The forum's recommendations resulted in a series of changes for the benefit of taxpayers and

continues now to advocate additional improvements.

One of the Federation's major achievements in the late 1990s was enactment of a 'single sales factor' for the corporate income tax. The new formula removes higher tax burdens for companies that locate or expand in Illinois and hire more employees. Bramlet played a key role in garnering support from the legislature and the governor for the measure, along with a companion provision that doubled the personal exemption for individual taxpayers.

Anniversary Marks Changes



The appointment of **J. Thomas Johnson** as president came in April 2006, the Federation's 65th year. Johnson, a former director of the Illinois Department of Revenue, and most recently a tax partner at KPMG LLP, and before that at Grant Thornton LLP, brought a wealth of knowledge as well as experience to the organization.

As he re-entered the fiscal policy arena he found the state facing one of its most significant fiscal challenges in several decades—the inability to continue to invest in current services because of its growing debt service associated with its unfunded pension benefits. He worked closely with other civic groups including the Civic Committee of the Commercial Club of Chicago to educate the public about this growing problem and the impact it has on the State's ability to compete for investment and job creation.

He was integrally involved in addressing property tax issues associated with rapidly increasing residential property values and the efforts to replace part of the overall property tax burden attributable to funding schools. In 2008 he was tapped by Speaker Madigan to serve on the Property Tax Reform and Relief Task Force created by the General Assembly. It issued its comprehensive report in 2009.

During his tenure Governor Blagojevich proposed a gross receipts tax to address the ongoing budget deficits. Johnson led the successful opposition to this new tax which would make production of goods and services in Illinois more costly than other states.

Governor Quinn, shortly after he became Governor, asked Johnson to chair the Taxpayers' Action Board, an effort to identify cost savings throughout state government. The report of the Board was used in subsequent budget submissions to address, in part, Illinois' growing fiscal challenges.

He deemed one of his last accomplishments of his tenure, the creation of an Independent Tax Tribunal, to be one of his most significant long lasting contributions to State and Local Tax administration in Illinois.

Smooth Transition



In September of 2012, Tom Johnson announced his intention to step back from the helm of the Federation. Long-time TFI Board member and former chair, **Carol S. Portman**, had been selected by the Board as his replacement, and for the remainder of that year, the two worked together to further TFI's mission and to ensure an orderly transition. Effective January 1, 2013, Portman became the Federation's 8th senior executive, and Johnson assumed the role of part-time President Emeritus.

Before joining TFI, Ms. Portman was Assistant General Counsel – Tax at Sears Holdings Corporation, specializing in state and local tax matters. Her corporate tax experience also included in-house counsel positions at Ameritech Corporation and Waste Management Corporation. She began her career at the Chicago law firm, McDermott, Will & Emery.

Ms. Portman brought to TFI not only a strong understanding of Illinois' taxes, but a broad base of tax knowledge gained from her exposure to taxes around the country, and their impact on individuals and a variety of industries. Ms.

Illinois Tax Facts

Illinois Tax Facts is published by the Taxpayers' Federation of Illinois, a nonpartisan, nonprofit organization founded in 1940 to promote efficiency and economy in government. Reprint permission is granted for articles with credit given to source. Annual membership in the Taxpayers' Federation includes Tax Facts and other publications. For additional information write: Taxpayers' Federation of Illinois, 430 East Vine St., Suite A, Springfield, IL 62703, call 217.522.6818, e-mail at tfi@iltaxwatch.org or visit our website at www.iltaxwatch.org. A membership contribution is not deductible as a charitable contribution for federal income tax purposes, but may be deductible as an ordinary business expense. A portion of your membership contribution to TFI, however, is not deductible as a necessary business expense because of the organization's lobbying activity. The non-deductible portion is 25%. TFI is exempt from federal income tax under Section 501 (c)(4) of the Internal Revenue Code.

Carol S. Portman	President
Maurice Scholten	Legislative Director
Kellie R. Cookson	Office Manager
Tracy Scaduto	Office Assistant

Portman was also familiar with the Taxpayers' Federation of Illinois, its mission, and its members: she served as its chair, as treasurer, and was on the TFI Board of Trustees for 12 years.

A native of Sullivan Illinois, Ms. Portman's first exposure to Illinois government and fiscal policy came at an early age—her father, Charles W. Shuman, was a delegate to the 1970 Illinois Constitutional Convention. (Mr. Shuman's seat on the convention floor was just two away from then-TFI President Maurice Scott.) Her grandfather, the late Charles B. Shuman, was president of the Illinois Farm Bureau and the America Farm Bureau Federation.

Ms. Portman's current tasks are to concentrate on TFI's responses to the state's fiscal challenges; work with the Federation's established tax committees to develop policy positions and legislative initiatives; focus on educating the media, political leaders and the public on the consequences of alternative "solutions" to the state's fiscal challenges; and, provide additional means for the Foundation to be more aggressive in its research role.

The Mission Hasn't Changed

The organization's path, like the staff and board members that have guided it, has been diverse and ever-changing. But the dedication of the individuals who have worked for the Federation over the years has been remarkably consistent. They have earned the organization its reputation for fairness and accuracy on tax matters and effectiveness in lobbying on behalf of the state's taxpayers.

The Federation's legacy as a tax watchdog, guarding individual taxpayers and Illinois businesses with equal vigilance, is assured. Just as certain, however, are many more challenges which await the action and involvement of the Taxpayers' Federation of Illinois. Economic conditions and the costs of providing government services will continue to pry at the pocketbooks of Illinois' consumers. We have not lost sight of the goals established in the 1940s: we offer a nonpartisan information resource to lawmakers and the general public alike, and we advocate for economy and efficiency in state and local government.

CHIEF OPERATING OFFICERS OF THE TAXPAYERS' FEDERATION

Thomas E. Fiske, 1940-1946
George E. Mahin, 1946-1956
Maurice W. Scott, 1956-1977
Douglas L. Whitley, 1977-1991
James D. Nowlan, 1991-1994
Timothy S. Bramlet, 1994-2005
J. Thomas Johnson, 2006-2012
Carol S. Portman, 2013-Present

Four Decades of TFI Staff



1960: L to R. Tom Sullivan, Jack McKee, Gordon Longhta and Maurice Scott



1977: L to R. Gordon Longhta and George Camille at Maurice Scott's retirement party



1980: L to R. Ron Gjerde, Brent Bohlen, Cynde Kinner, Ed McCreight and Joyce Arnold at the TFI Tax Clinic



1996: L to R. Kellie Cookson, Steve Sandstrom, Joan Parker, Tim Bramlet, Linda Brookhart and Kraig Lounsberry on the Capitol Steps

CHAIRMEN OF THE TAXPAYERS' FEDERATION OF ILLINOIS

Thomas E. Donnelley, 1940-1947
Chairman and President, R.R. Donnelley & Sons Co.

Donald P. Welles, 1947-1954
Senior Vice President,
Harris Trust & Savings Bank of Chicago

E. W. Emery, 1954-1961
President, Chicago Rawhide Manufacturing Co.

G. Murray Campbell, 1957-1960
Vice President, The Baltimore & Ohio Railroad Co.

Charles C. Jarchow, 1961-1973
Board of Directors, American Steel Foundries

William H. Lowe, 1973-1982
Vice President and Treasurer, Inland Steel Co.

William C. Terpstra, 1982-1984
Vice President & Chief Financial Officer,
MidCon Corp.

Roger Joslin, 1984-1986
Vice President & Treasurer, State Farm Insurance Co.

Thomas P. Hester, 1986-1988
Vice President & General Counsel,
Illinois Bell Telephone Co.

John J. Lannon, 1988-1990
Senior Vice President & Chief Financial Officer,
NICOR, Inc.

Gerald K. Walter, 1990-1992
Vice President-Finance, Amsted Industries

Donald E. Coover, 1992-1994
Director of Taxes, AMAX Coal Industries

J. Robert Barr, 1994-1996
Partner, Sidley & Austin

Jack L. Simmons, 1996-1998
Vice President-Taxes, R.R. Donnelley & Sons Co.

Thomas K. Jarrett, 1998-2002
Director of Taxes, Deere & Company

James R. Crook, 2002-2007
Manager - State and Local Taxes, Caterpillar Inc.

Carol S. Portman, 2007-2009
Assistant General Counsel - Sears Holdings

Patrick Shanahan, 2009-2011
Vice President, Taxes - Tribune Media Company

Harry Bond, 2011-2013
President CFO - Monical Pizza Corporation

Scott J. Heyman, 2013 - 2015
Partner - Sidley Austin LLP

Jo Ellen Stock, 2015 - Present
Senior Director, State Tax - Union Pacific Railroad

Taxpayers' Federation of Illinois

430 East Vine Street, Suite A
Springfield, IL 62703
V. 217.522.6818
F. 217.522.6823

Return Service Requested

NONPROFIT
ORGANIZATION
U.S. POSTAGE
PAID
Springfield, IL
Permit No. 890



TAXPAYERS'
FEDERATION
— OF ILLINOIS —
