



TAXPAYERS'
FEDERATION
— OF ILLINOIS —

Policy Statement

Illinois' Tax Sunsets

In 1994, Illinois adopted what has commonly been referred to as the “automatic sunset laws.” Under these laws, any sales or income tax exemption, deduction, or tax credit enacted after the effective date of the provisions without a reasonable sunset date, and not otherwise exempted, automatically expires after five years. All exemptions, deductions, or credits in existence prior to the sunset laws continue to exist unless separately repealed or modified.

Sometimes the General Assembly extends expiring exemptions, deductions, or credits without much controversy. Other times, the General Assembly is unable to address an expiring provision in a timely matter. For example, the research and development income tax credit expired January 1, 2016. The credit had sunset for 18 months before it was reinstated on July 6, 2017. For those 18 months, taxpayers were unsure about the credit's future and unable to plan with any certainty when making decisions regarding research and development. This was especially frustrating since extension of the credit seemed to have wide bipartisan support.

Predictability and stability are two tenets of sound tax policy; however, it is necessary for Illinois to review its tax structure from time to time. Illinois should examine and act on expiring provisions well before they are set to expire in order to provide certainty to taxpayers. In addition, sunset dates are not appropriate in all circumstances; well-established provisions, particularly those designed to prevent tax pyramiding or accomplish similar tax policy goals, should not be in jeopardy of expiring.

February 2018

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