

Modeling Illinois Corporate Income Tax

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Corporate Income Tax Modeling

- Public Act 96-1496. SB 2505 made several changes to the Illinois Corporate Income Tax
- Temporary tax rate increase from 4.8 percent to 7.0 percent
- Temporary suspension of NOLs
- In addition, federal 100 percent expensing. Illinois was not decoupled

Modeling Approach

- Used econometric model to forecast base line revenue (explanatory variable – lagged domestic corporate profits)
- Extrapolated increase revenue from model results
- Made adjustments to model to account for policy changes other than tax rate increase
- Made further adjustments to account for cash flow issues

Results

- FY 2011 forecast = \$2,285.0 million
- FY 2011 actual = \$2,285.7 million

- FY 2012 forecast = \$2,852.7 million
- FY 2012 actual = \$2,983.0 million

- FY 2013 Q1 forecast = \$540.0 million
- FY 2013 Q1 actual = \$652.7 million

Current Issues

- How can we determine the source of our current underestimation?
- From an econometric stand point, how do we better address the temporary tax increase and associated policy changes
- Given nature of very lagged data, should we move forward with developing a simulation model?

Contact Information

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Thank you