

AN ALERT FROM THE BDO STATE AND LOCAL TAX PRACTICE

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► SUBJECT

CITY OF CHICAGO PROPOSED TAX DISCLOSURE REQUIREMENTS FOR VENDORS

► SUMMARY

On November 20, 2013, City of Chicago Alderman William Burns introduced proposed ordinance #02013-9148.¹ Section 2-154-016 would require certain businesses doing business, seeking to do business, or seeking city action with the City of Chicago to disclose a variety of state and local tax information, which would eventually be made public.

► DETAILS

For each taxable year ending on or after December 31, 2014, the following corporations (if applying for city action, receiving financial assistance from the City of Chicago, or entering into a contract with the City of Chicago) would be required to file a statement with the City of Chicago Department of Procurement Services:

1. Publicly traded corporations, including a corporation traded on foreign stock exchanges; or
2. Corporations with respect to which 50% or more of the voting stock is owned, directly by a public corporation.

A corporate tax disclosure statement would be required to be submitted at the time of application for city action and then annually for each year the corporation has a contract or receives financial assistance from the City of

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¹ The text of the proposed ordinance may be found at <https://chicago.legistar.com/LegislationDetail.aspx?ID=1522989&GUID=4CE9D550-0C73-419D-8A6A-03274355EE5D&Options=Advanced&Searchhttps://chicago.legistar.com/LegislationDetail.aspx?ID=1522989&GUID=4CE9D550-0C73-419D-8A6A-03274355EE5D&Options=Advanced&Search>.

Chicago in an electronic format no more than 30 days following the filing of the corporation's tax return required under the Illinois Income Tax Act.

Required disclosures would include, but would not be limited to:

- Name of corporation;
- Ownership information;
- Corporate principal executive office address;
- Information from most recent tax return filed under the Illinois Income Tax Act or, in the case of a corporation that is not required to file a tax return under the Illinois Income Tax Act, the information that would be required to be reported on or used in preparing the tax return if the corporation had been required to file such return;
- Total receipts or gross income;
- Taxable income;
- Base income;
- Corporation's total state income tax liability before tax credits;
- Tax credits claimed by the corporation;
- Personal Property Replacement Tax paid; and
- Corporate Income Tax paid.

A corporation doing business in Illinois that is not required to file a tax return under the Illinois Income Tax Act may elect, in lieu of the standard disclosures, to file a statement with the Department of Procurement Services containing the following information:

- Name of corporation;
- Ownership information;
- Corporate principal executive office address;
- An explanation of why the corporation is not required to file a corporate income tax return in Illinois; and
- Designation of whether the corporation's total gross receipts from sales to purchasers in Illinois during the taxable year were:
 - Less than \$10,000,000;
 - \$10,000,000 or more but less than \$50,000,000;
 - \$50,000,000 or more but less than \$100,000,000;
 - \$100,000,000 or more but less than \$250,000,000; or
 - \$250,000,000 or more.

Corporate disclosure statements required under this ordinance would be made available to the public. The Department of Procurement Services would be required to make all information contained in those statements available to the public on an ongoing basis in the form of a searchable database accessible through the Internet.

► OBSERVATIONS

The proposal mirrors legislation pending in the Illinois House of Representatives (HB3627)² requiring certain publicly-traded corporations either located or doing business in Illinois to disclose certain tax information by filing a tax disclosure statement electronically with the Illinois Secretary of State. A similar measure, SB282, was approved by the Illinois Senate in November 2012 but died in the House Revenue and Finance Committee. The current bill sits in the House Rules Committee and no vote on the bill is currently scheduled.

² This text of the proposed legislation may be found at www.ilga.gov/legislation/BillStatus.asp?DocNum=3627&GAID=12&DocTypeID=HB&LegId=76270&SessionID=85&GA=98.

Numerous businesses and organizations are opposed to the proposed City of Chicago bill, including the Illinois CPA Society, the Chicagoland Chamber of Commerce, and the Taxpayers' Federation of Illinois. Businesses and organizations are working to ensure that members of the City Council understand that disclosure requirements of this nature undermine taxpayer confidentiality and tax compliance, and do not result in increased tax revenues.

Taxpayers affected by the potential city ordinance or house bill should review the proposed legislation. BDO will continue to monitor this proposed legislation at both the state and city level, and will provide additional guidance when it becomes available.

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Material discussed in this tax alert is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.