



NEWS FROM THE FRONT- 3/2/2020

The Illinois General Assembly has completed the first full month of the Spring Legislative Session. At the bill filing deadline there were 5,667 House bills and 3,896 Senate bills introduced for consideration by the 101st General Assembly. The CBAI governmental relations team has reviewed them all and identified over 300 that directly impact the community banking profession. We are actively researching, negotiating and staking our position on these issues.

CBAI 2020 Legislative Agenda Introduced

Community Banking Reg Relief

In an effort to clarify existing law and provide regulatory relief for community banks, CBAI introduced [HB 4897](#), sponsored by the House Financial Institutions Committee Chairwoman, Representative Camille Lilly (D- Oak Park). HB 4897 is still a work in progress, as we continue to meet and discuss the bill with other interested parties such as the Illinois Department of Financial and Professional Regulation, the Illinois Credit Union League, the Illinois Bankers Association, and the Illinois State Bar Association. CBAI will keep you posted as this bill progresses.

Income Tax Credit

CBAI reintroduced a bill from last year, [SB 1803](#) (Bennett, D- Champaign) which amends the Illinois Income Tax Act. The bill creates a credit for financial institutions with less than \$50 billion in assets in an amount equal to the aggregate amount of all fees, penalties, and any other income derived during the taxable year from each commercial loan transaction that is (i) less than \$5 million (ii) originated by the financial institution, (iii) made to a person residing or located in this State, and (iv) made primarily for a business or agricultural project in this State. This is intended to provide a measure of tax parity with Farm Credit and credit unions who are already exempt from state income taxes. The bill was recently posted to the Senate Revenue Committee for consideration.

RUUPA

CBAI is also working with a financial institutions coalition to once again introduce legislation that amends the Revised Uniform Unclaimed Property Act (RUUPA). [HB 4813](#) (Zalewski, D-Chicago) is a redraft of last year's compromised language between our coalition and the Treasurer's office. It passed the Senate unanimously, but the House took issue with the bill reverting back to a presumptive period of abandonment of 5 years for time deposits, claiming that change would impact the budget. HB 4813 seeks to address several concerns the financial institutions group had with the passage of the unclaimed property legislation rewrite such as: clarifying provisions relating to time deposits and when the presumptive period of abandonment begins to run for this type of property, and also clarifies when reporting and delivery of this property must occur; reinstating visitation standards for federally chartered financial institution examinations of unclaimed property under the Act; modernizing the language of the "Consolidated Statement Rule" to ensure applicability to multiple accounts held by the same owner at a single financial institution; and providing technical edits to clarify the confidentiality of records as they relate to financial institutions.

[Click here to register for CBAI's 36th Annual Capital Conference](#)



Governor Proposes FY 2021 Budget

Gov. J. B. Pritzker delivered his second budget address to a joint session of the General Assembly. Pritzker proposes spending \$42 billion in general revenue funds for Fiscal Year 2021. Pritzker used the speech to celebrate his first-year successes including enhancing Illinois' budget stability, passing recreational cannabis; expanding gaming, enacting a new Capital Program; reducing Illinois' bill backlog by almost \$1 billion; and lowering late payment penalties from \$950 million to just over \$100 million. Pritzker reminded legislators that despite the successes of last year, our "choices remain hard; our financial situation challenging."

Governor Pritzker plans to fund next year's budget through new revenues generated from newly legalized adult use cannabis sales, expanded gaming, changing the state's income tax structure from a flat tax to a graduated tax (\$1.4 billion for FY21 and \$3.6 billion annually) and other cost saving measures (\$225 million). Pritzker identified various cost saving measures including optimizing state agency operations, consolidating state agencies and eliminating duplicative or dormant boards and commissions. Because budget makers will not know the outcome of the income tax question until after the November election, the Governor's proposed budget holds roughly \$1.4 billion "in reserve" pending the outcome of the graduated income tax vote. Reserves include \$307 million for elementary, secondary and higher education; \$482 million for healthcare and human services; and \$602 million for state and local governments. If voters approve changing Illinois' income tax, the new rates, which were signed into law last year, will take effect January 1, 2021.

[Read the Budget in Brief](#)

[Read the complete FY21 Budget Book](#)

State Bank of Illinois

State Representative Mary Flowers (D-Chicago) is continuing her quest to create a state owned bank that would compete directly with community banks. The Illinois Department of Financial and Professional Regulation projects [HB 19](#) would cost the state \$13 billion to capitalize and \$10 million to operate the state bank with little hope of recovering costs for 20-30 years. There are currently over 700 depository financial institutions in Illinois including banks and credit unions. It is difficult to justify the desire to have the state enter an already competitive marketplace. North Dakota is the only state with a state owned bank. In their

case it operates as a correspondent bank and economic development agency. CBAI is working with the Illinois Credit Union League, Illinois Bankers Association, Illinois Farm Bureau and Chambers of Commerce to oppose the bill.

[Click here to read our joint fact sheet.](#)

Mandated Reporting Legislation Passes out of Committee

[HB 3393](#) (Stuart, D-Collinsville) amends the Adult Protective Services Act to expand the definition of "mandated reporter" to include investment advisors and insurance adjusters. Mandated reporters under Illinois law are persons who are legally required to report suspected financial exploitation, so this law would include investment advisors and insurance adjusters to that list of people already required to report.

Since many investment advisors work at banks, CBAI has several initial concerns with this legislation. Nearly ten years ago, CBAI compromised with the Illinois Department on Aging to establish mandated financial exploitation training in lieu of adding financial institution employees as mandated reporters. CBAI argues that bank employees should not be mandated reporters, as bank employees' time with customers can be limited. CBAI also argues that the nearly decade long mandated bank training is working well, and that bank employees continue to report incidents of financial exploitation. The bill passed out of the House Human Services Committee, with a commitment from the sponsor to hold the bill while discussions with the opponents continue. CBAI plans to meet with the sponsor to address our concerns.

Electric Vehicle Parking Lots

The House Energy and Environment Committee approved a measure 18-12 along partisan lines to require all new and remodeled non-residential property to include electric vehicle charging stations in 30% of their parking lots. [HB 4284](#) also mandates charging stations for multi-unit residential buildings. CBAI opposes this expensive new mandate that makes little sense in the community banking business model where customers spend a limited time transacting business with the bank and parking spaces have high turnover. It is unlikely that anyone would reasonably expect their bank to serve the function of a filling station. Community bankers should be free to decide how to furnish their parking spaces and what services they offer customers without interference from state mandates.

Vehicle Trade in Tax

[SB 2481](#), an effort to roll back the state's newly enacted cap on the tax exemption for vehicle trade in, was approved unanimously by the Senate Revenue Committee. CBAI has joined in support of this initiative of the Illinois Automobile Dealers to address the tax increase enacted last year. Under the new law only the first \$10,000 of trade in value on a vehicle is exempt from state tax. If you buy a new vehicle and your trade in is worth \$16,000 you now pay a new tax on \$6,000 value of the vehicle you previously paid taxes on at it's initial purchase. This has led to a chilling effect in new vehicle sales impacting community banking customers in the automotive industry.

[Click here for more information and to register for
CBAI's 38th Annual Call on Washington](#)



Credit Union Encroachment

CBAI held a meeting with officials from the State Banking Division of IDFPD following up on a letter from CBAI General Counsel Jerry Cavanaugh calling into question the legality of credit unions buying the assets of banks. The department continues to review the legal argument and is working to draft a formal response. [You can read the letter here](#) . CBAI is also continuing our partnership with ICBA to ramp up awareness at the federal level through the Wake Up campaign. Community bankers are encouraged to share this information and help drive engagement on this important issue impacting our profession.

Action Alert

CBAI calls on all Illinois community bankers to urge Congress to investigate the accelerating trend of tax-exempt credit unions buying taxpaying community banks. These acquisitions are fueled by the growing credit unions' tax subsidy which further erodes an already stressed Illinois income tax base. Credit unions' founding mission is to serve people of modest means and with a common bond. Yet, according to a new report from Federal Financial Analytics, credit unions are increasingly serving middle- and upper-income households, have figured prominently in reports of predatory lending and benefit from less stringent safety and soundness regulations. Credit unions can't have it both ways and there must be consequences for their actions. [Be heard here](#).

Please share this Action Alert with your board members and senior management. We need a strong response from Illinois community bankers. Thank you for responding!

Please Join us for a Webinar Hosted by ICBA

CBAI supports the ICBA's campaign calling on policymakers and the public to "Wake Up" to the risky practices, costly tax subsidies, and irresponsibly lax oversight of the nation's credit unions. ["Wake Up" and Take Action!](#)

The ICBA is hosting a webinar on Tuesday, March 3, 2020, at 1p.m. (Central Time) led by policy and advocacy experts who will show how community bankers can fight back against credit union abuse. CBAI members are invited to register for this free webinar to help ensure a bright future for our industry. [Please click here to register](#).

Dan Graham Appointed to Illinois Bank ON Commission

Last year CBAI joined with Comptroller Susana Mendoza in support of an initiative to create a Illinois Bank On program to help match unbanked and underbanked populations with the non-predatory financial services offered by community banks. Governor Pritzker signed the legislation into law in the lobby of Devon Bank, a founding CBAI member. The Illinois Bank On Commission will hold it's first meeting later this month in Springfield. We are pleased that Dan Graham, President of Flora Bank and Trust and CBAI Regional Vice Chairman has been appointed to represent the community banking profession on the Commission.

USDA Offers Additional Guidance on Industrial Hemp

The United States Department of Agriculture has announced delays in certain enforcement actions in the industrial hemp program. Illinois currently operates under interim rules developed by the Illinois Department of Agriculture but will be converting to the federal rule. This new guidance gives a clearer picture into laboratory testing and procedures for destroying a crop that comes in “hot” meaning it tests above the 0.3% THC level. [Click here to read the guidance.](#)

Notes From Washington D.C.

CBAI’s SVP Federal Governmental Relations, David Schroeder, is in Washington D.C. this week for his quarterly visit. Schroeder will update the Illinois Congressional Delegation on important issues for Illinois community banks. Schroeder will also meet with the Office of the Controller of the Currency regarding CECL and with senior legislative and regulatory staff of the Independent Community Bankers of America (ICBA).

Topping the discussion agenda for Schroeder’s Hill meetings is credit union abuse - particularly the acquisition of tax paying community banks by tax-exempt credit unions. Several other issues that will be discussed include: a cannabis banking safe harbor, the modernization of the CRA, the CFPB’s small business data collection, and closing the industrial loan company loophole.

Notes from Springfield

Former State Representative Jerry Costello II has been appointed to serve as the Director of the Illinois Department of Agriculture.

House Republican Leader Jim Durkin and first-term Democrat Representative Anne Stava-Murray both challenged the qualifications of Representative Eva Dina Delgado who was appointed to replace former Representative Luis Arroyo.

The Illinois Department of Commerce and Economic Opportunity has started offering low interest loans to social equity applicants applying for adult use recreational cannabis licenses. DCEO, the State’s primary economic development agency, reached out to CBAI for preliminary advice and guidance when developing their loan program. The agencies primary economic development tools are consulting and tax credits. Direct lending is uncharted territory for the agency.

At the request of our partners in the agricultural industry including the Farm Bureau, Corn Growers Association and Illinois Grain and Feed Association CBAI has joined an effort to oppose a costly mandate on the ethanol production industry in Illinois. The coalition is asking that ethanol plants be removed from the scope of [SB 1407](#) .

During January, adult-use cannabis sales generated \$7.33 million in cannabis tax revenue. An additional \$3.15 million was generated in retail sales tax revenue. Governor Pritzker's FY 21 budget estimated the state would collect \$28 million in cannabis tax revenue during the remainder of the fiscal year which ends June 30, 2020.

For Chicago Community Bankers; Chicago Employee Scheduling Rules

The City of Chicago is promulgating rules regarding its employee scheduling mandate. A few points of clarity on implementation:

- Calendar week is any consecutive seven-day period, not necessarily beginning on a Sunday;

- Definition of unitary business group clarifies how different store locations are applicable under the rule;
- Clarification on the initial estimate of work schedule for new employees (first 90 days of employment);
- Work schedules must be re-posted or re-transmitted if changes are made.
- Employers are allowed to change a posted shift by 15 minutes;
- Provides details on the required posting notice (printed on 11x17 paper; notice in first paycheck on 8.5x11 paper; notice provided yearly on July 1 and in English and any other language spoken by employees);
- Provides detailed list of records which employers must provide and maintain.

[Click here to read the Chicago ordinance.](#)

CBAI Members Have Access to the Capitol Fax Newsletter for Free

Would you like daily comprehensive coverage of the latest rumors and developments in Springfield? CBAI has you covered. As a benefit of your CBAI membership you have free access to the Capitol Fax Newsletter, an insider's guide to the latest political developments. Access to daily updates are available in the Members Only section of cbai.com. If you need help accessing the Members Only section please contact Stacy Workman at stacyw@cbai.com and she will get you set up.



CBAI's Governmental Relations Team

For more information, or if you have any questions or comments, please contact [Jerry Peck](#) or [Megan Peck](#) at 800/736-2224.