



# Community Bankers Association of Illinois *NEWS FROM THE FRONT*

## ***NEWS FROM THE FRONT- 11/14/2019***

The Illinois General Assembly has concluded the 2019 veto session. They are not scheduled to return to Springfield until January 2020 unless the need for a special session should arise. Because this is the first year of a two-year General Assembly, all legislation introduced in 2019 will remain active for consideration in 2020.

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### **Municipal Pension Consolidation**

The Illinois General Assembly approved a measure ([SB 1300](#)) backed by Governor JB Pritzker to consolidate 650 downstate police and fire pension funds into two mega-funds with combined assets valued at over \$14 billion dollars. The Governor believes that consolidation of the funds will lead to higher rates of return and reduced administrative costs. While CBAI applauds the General Assembly for beginning discussions on pension reform we opposed this specific legislation. Our concern is not necessarily the consolidation but how the combined funds are managed. Currently, local pension boards choose their investment managers. Many choose to work with their local community banks because of long standing relationships and the understanding of the positive impact of local investments. Under the new law, the consolidated funds would be centrally administered by state mandated pension boards far removed from local decision making.

This is a potential give-away to Wall Street mega-banks and investment firms, shutting community banks out of the market for \$14 billion dollars in investment opportunities. In meetings with the Governor's Office and testimony before the General Assembly, CBAI urged strengthening of vendor preferences for state pension funds to include community banks along with minority and emerging managers to ensure a level playing field with Wall Street players. We also ask that any actuarial analysis of the costs and benefits of municipal pension consolidation also account for the impact removing \$14 billion in economic investment out of Illinois communities. CBAI appreciates the efforts of the Responsible Registered Investment Advisor Coalition who joined us in actively lobbying against this legislation. [Click here for the Municipal Pension Consolidation fact sheet.](#) [Click here for the No to Pension Consolidation Fact Sheet.](#) We will continue to work with the Governor's Office and the newly created pension boards to advocate for community banker inclusion in the pension investment services procurement process.



## Secretary of State Offers Additional Clarification of Franchise Tax

In the last edition of News From the Front CBAI notified members that the Secretary of State's Office (SoS) has reversed its recent policy of counting stocks physically held out of state as applicable paid in capital when calculating the franchise tax burden of bank holding companies. While that position was clearly relayed to trade association by the SoS Office of Legal Counsel it was apparently unclear to the SoS Office of Business Services who continued to demand bank holding companies adhere to the incorrect guidance.

Thanks to the CBAI members who shared confusing communications with us, we were able to engage the SoS Office of Legal Counsel and Office of Legislative Affairs to provide clarity on the issue. To reassure community bankers, the SoS Office of Legal Counsel issued the following statement which they confirmed will supersede previous communications on the issue;

*I am writing to clarify the policy of the Office of the Secretary of State regarding stock certificates maintained in another state with regard to calculating Illinois franchise tax obligations. It is the position of this office that stock certificates maintained in another state shall be considered property allocated to that state and not to the State of Illinois, subject to verification. Furthermore, no corporation will be required to amend any previously filed franchise tax assessment for the purpose of treating stock certificates that can be verified as having been maintained in another state at the time of the previous filing, as property allocated to the State of Illinois.*

*The Department of Business Services will adhere to its policy of verifying the information contained in the corporation's Annual Reports and other reports, including the corporation's allocation factor. In that vein, corporations will need to prove that the stock certificates were actually transferred to another state, how long they have remained there, the value of said stock certificates, among other factors to be taken into account in order to reduce the amount of property reported to the State of Illinois as property located in the State of Illinois. Uncertificated stock will still be considered to be administered, managed and controlled from the State of Illinois. If necessary, and per Department policy, corporate board resolutions, tax returns, accountant's affidavits and other evidence may be required of the corporation to verify its position.*

*Further, as you know, there is currently an amnesty in effect regarding the penalties and interest on any corporate franchise tax obligations. The amnesty period ends at the close of business on Friday November 15, 2019. All amnesty petitions must be filed or postmarked as of November 15, 2019. Please advise your members that if they have any potential franchise tax liability, it would behoove them to take advantage of the amnesty. Any petitions for amnesty filed after that date will be rejected, per statute.*

Two key takeaways from this statement. First, the longstanding policy that stock certificates physically held out of state will not be counted as in state assets for the purpose of the franchise tax remains in place. Second, the SoS may ask bank holding companies to provide proof that stocks were in fact physically held out of state. Community bankers are encouraged to have documentation in order in case it is requested.

CBAI appreciated the leadership of Secretary of State Jesse White and his top staff members who have worked diligently with CBAI, IBA, the Taxpayers Federation of Illinois and other parties to bring resolution to this issue. CBAI has a strong working relationship with the SoS and we look forward to putting the franchise tax issue behind us so that we can collectively focus on other ongoing projects including implementation of electronic lien and title and ID verification.

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### **Cannabis Banking Legislation**

In light of the legalization of adult use cannabis, cannabis banking has become a hot topic of discussion at the Capitol. Even though adult use will be legal in Illinois beginning January 1, 2020, cannabis is still illegal federally, which leaves many community banks hesitant to engage in any cannabis or cannabis related business banking.

Last week, State Representative Kambium Buckner (D-Chicago) introduced legislation that would create the Cannabis Banking and Credit Union Act. HB 3953 establishes a procedure to license “cannabis limited financial institutions” to provide banking services to cannabis businesses; and sets forth provisions concerning an advisory board, application and licensure, authorizations, deposit insurance, banking services, prohibited practices, and operative conditions.

CBAI is unconvinced this bill solves the problem. There is no “easy fix” to cannabis banking, except legalization of cannabis at the federal level, or at the very least a federal safe harbor law. Financial institutions have no problem voluntarily providing financial services to legal businesses; however, cannabis related businesses are not legal from the federal standpoint, and this bill does nothing to solve that problem.

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### **Paid Sick Leave Legislation**

Legislation requiring employers to provide state mandated paid leave was approved by a House committee this week. [SB 471](#) (Gordon-Booth D-Peoria) previously passed the Senate 35-14-0 in the Spring legislative session. The Healthy Workplace Act would require employers to provide a minimum of five paid sick days per year for the care of an employee’s or their family member’s medical needs. Violations could result in a civil penalty up to \$2,500. CBAI joined many other employer groups in the business community in opposition to the measure. It’s not that community bankers oppose offering sick leave to employees, we believe the programs should be individually tailored by each employer to best serve the model of their business or industry. The legislation did not advance in the House during the fall veto session. Discussions with the sponsor will continue over the break with further consideration expected during the springs 2020 legislative session.

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### **Daylight Savings Time Legislation**

The Illinois Senate approved legislation, 44-2-2, to make daylight savings time the year-round standard in Illinois. This proposal, [SB 533](#), is sponsored by Senator Andy Manar (D-Bunker Hill), who got his idea for the bill from a high school civics class. The legislation now heads to the Illinois House. However, if SB 533 is passed and signed into law, federal legislation to either repeal/amend the Uniform Time Act of 1966 to make daylight savings time the year-round standard nationwide or federal legislation to exempt Illinois from the Uniform Time Act of 1966 would need to pass

Congress. Currently, only Arizona and Hawaii are exempt, and 35 states have recently introduced legislation to eliminate seasonal time change.

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### **CBAI Joins Illinois Department of Agriculture for Industrial Hemp Summit**

The Illinois Department of Agriculture is expecting more than 1,000 farmers, growers and processors of industrial hemp to attend their 2019 Industrial Hemp Summit in Springfield on December 17<sup>th</sup>. CBAI will join a panel discussing the challenges community bankers face when considering offering services to the industry. CBAI, the Illinois Farm Bureau and Department of Ag have made open lines of communication a priority throughout the legalization process. Our goal is to ensure that farmers and bankers are receiving consistent guidance when it comes to industrial hemp. Community bankers who are interested in learning more about industrial hemp from a growers perspective are welcome and encouraged to attend. You can find more information and register at this link. The Department anticipates this event will sell out so register today. [Click here to register.](#)

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### **Notes from Springfield**

**UPDATE 11/15/19:** Shortly after adjourning, Senate President John Cullerton (D-Chicago) announced that he is retiring in January. Cullerton was elected president of the Senate in 2009, and has held a seat in the Illinois General Assembly for 40 years. The plan now is for the Senate to elect a new president the second week of January. Details continue to emerge and we will keep you updated on developments. Long time statehouse Rep. Sara Feigenholtz (D- Chicago) has already expressed interest in replacing Cullerton as State Senator.

State Rep. Luis Arroyo (D, Chicago) resigned from the General Assembly after the House initiated proceeding to remove him from his seat. He was arrested after being caught on an FBI wiretap allegedly trying to bribe a State Senator. His replacement will be chosen by a group of democratic committeemen that includes, believe it or not, former Rep. Louis Arroyo.

Toi Hutchinson has officially stepped down from her seat in the Illinois Senate. She moves to the Governor's administration as Illinois' first Cannabis Czar. In true Springfield fashion, she is being replaced by appointed State Senator Patrick Joyce, the son of former Sen. Jerry Joyce.

State Rep. Lindsay Parkhurst (R-Kankakee) will not seek re-election in 2020. The 79<sup>th</sup> is widely considered to be one of the most competitive swing districts in the state.

Actuarial reports of the five funds that make up the State Pension System showed that unfunded liabilities rose from \$134 billion to \$137 billion in the past year because contributions remain below required actuarial levels.

Illinois Supreme Court Justice Lloyd Karmeier announced his retirement after finishing his term as Chief Justice; Karmeier has served on the court since 2004. His retirement will likely lead to four Supreme Court races in 2020 with Appointed Justice Scott Neville, Justice Bob Thomas, and Justice Tom Kilbride facing re-election.

The Chicago City Council recently passed an employee scheduling mandate on employers, but it is now under a lawsuit by the Building Owners and Managers Association, filed in federal court. The suit says that the ordinance violates Illinois equal protection laws and is preempted by the National Labor Relations Act as it applies to future renegotiations of collective bargaining agreements.

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## **ON THE FEDERAL SIDE:**

### **CBAI Urges the Federal Reserve to Move Forward in Launching its FedNow [real-time payments] Service**

In a recent comment letter CBAI congratulated the Federal Reserve on its decision to develop its FedNow [real-time payments] Service which affirms the important role the Fed has and must continue to play in the nation's payments system, and which supports the nation's community banks, consumers and small business. This historic decision will protect and benefit community banks, as well as our financial system as a whole, the economy and American taxpayers for decades to come. CBAI provided observations and recommendations about many aspects of the Service including the implementation timeframe, interoperability to achieve ubiquity, service access, pricing, rules and standards, and the payments directory.

[Click here to read the article.](#)

[Click here to read CBAI's Comment Letter.](#)

### **CBAI URGES FURTHER REVISIONS TO THE FDIC'S DEPOSIT RATE CAPS**

In a comment letter dated November 4, 2019, CBAI thanked the FDIC for proposed rulemaking to "amend its methodology for calculating the national rate cap[s]" applicable to institutions that are less than well-capitalized. CBAI further stated its appreciation for the Agency's recognition that inappropriately setting the Deposit Rate Caps could "prohibit less than well capitalized banks from competing for deposits and create a liquidity strain."

[Click here to read the article.](#)

[Click here to read CBAI's Comment Letter.](#)

### **U.S. HOUSE PASSES CBAI SUPPORTED LEGISLATION TO PROVIDE BENEFICIAL OWNERSHIP REPORTING RELIEF**

The Community Bankers Association of Illinois (CBAI) and Illinois community bankers support the House passage of H.R. 2513 (Corporate Transparency Act of 2019) which amends the Bank Secrecy Act to provide relief to community banks from Financial Crimes Enforcement Network's (FinCEN) beneficial ownership disclosure mandates. This information is being collected to assist law enforcement in preventing, detecting and punishing terrorism, money laundering, tax evasion and other crimes.

[Click here to read the article.](#)

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**David Loundy Wins FHLB Chicago Board of Directors Election**

CBAI would like to congratulate David Loundy, Chairman & CEO, Devon Bank, Chicago on his recent election to the Federal Home Loan Bank of Chicago's Board of Directors. CBAI proudly endorsed David and we are confident that David will effectively represent community bankers on the Board.



### **CBAI Seeks Proposals for 2020 Legislative Agenda**

CBAI Governmental Relations is seeking your input for ideas and proposals to be included in our 2020 legislative agenda. All ideas are welcomed, as we will consider proposals to change laws, rules and regulations on either the state or federal level. If you or anyone from your bank has come across an issue or two that you think we can address legislatively or otherwise, please let us know. The Legislation and Regulation Committee plan to meet in December to discuss these and other proposals.

### **North Central Illinois Regional Legislative Roundtable and Reception To Be Rescheduled in Spring of 2020**

Due to low legislator attendance, we are rescheduling the North Central Illinois Legislative Roundtable. We apologize for the inconvenience. We plan on rescheduling this event for Spring of 2020. We will send a notice of the new date as soon as it is set.



**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.

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