

# PARTNERSHIPS

Continued from page 1

let you deduct your (partnership salary) from net income,' it's going to tax the heck out of LLPs and LLCs," Diel said. "Probably 99 percent of the small businesses we all start and organize today in Illinois are LLPs and LLCs."

Before 1969, Illinois assessed a personal property tax on corporations, according to Diel. In 1969, the state eliminated the personal property tax and "replaced" it with the income tax. To this day, the tax is still referred to as the replacement tax.

"Non-equity partners with guaranteed salaries or draws weren't subject to this tax before," he said. "Many C corporations elected S corp status back in 1986 when the feds changed tax laws. And over the past five to six years, nearly all small companies incorporating chose to become LLPs or LLCs. This new law won't impact huge (C) corporations. It's going to hurt the little guy," he added.

Jeremy Flynn, deputy director of communications for Sen. President John Cullerton (D-Chicago), says accountants brought the idea of taxing partnerships to

the Senate.

"The issue with the Partnership Replacement Tax for was brought to our attention by tax professionals concerned that some partnerships in Illinois may be 'gaming' the system to negate some or all of their replacement tax liability," Flynn said. "Since passage of this legislation, we've been approached by various interest groups who are concerned that we went too far in trying to address the perceived loophole. We're now in discussions to determine what action would be taken in the upcoming legislative session to address these concerns."

State Rep. Tom Holbrook (D-Belleleville), the only downstate co-sponsor on the original version of SB 1912 - back when it was drafted as a renewable energy bill - says it was difficult to consider voting down the Budget Implementation Act because of the emergency appropriations measures contained within it.

"If there's something in there that needs to be corrected during the veto session, I am open to that," said Holbrook. "But

since its passage, I've not heard directly from any interest groups - including the Illinois Chamber - who have a problem with the partnership tax provision."

Doug Whitley, president of the Illinois Chamber, says it's "bad form" to insert a sizable tax hike into page 156 of a 1,000-page document that is supposed to be a non-controversial, pro-forma piece of legislation.

"Whoever authorized slipping that language in certainly did a disservice to all the members and leaders of the legislature," Whitley said. "Particularly when state senators and representatives are working under that kind of end-of-session deadline, there's no time to review each bill for this type of inclusion. Somebody out there apparently had an ax to grind."

The *Illinois Business Journal* contacted each member of the Illinois Senate Revenue Committee. None of the members said they were aware that the LLP/LLC tax code change had been included in the budget bill.

"Tax increases should be brought to the revenue committees and given a public hearing," Whitley said. "Why should whoever included this language just assume it is good, correct and accurate? We're optimistic that we (the Chamber) can get this provision repealed, but if we can't, it is going to affect every partnership's tax return that will be filed at the conclusion of this year. And it's not going to have any impact on the state's budget woes. It doesn't make sense, and it will be extremely injurious to many of Illinois' small businesses. I think the real issue here is the clandestine way of passing tax law. Every legislator should be offended by this," he added.

Diel says that if the partnership income tax revision sticks, each LLP or LLC should look at its own situation in terms of how to cope.

"They could elect to switch to an S corp, but that's a difficult decision," said Diel. "You have to be careful you don't have the tail wagging the dog. There are still some real advantages to LLCs and LLPs."



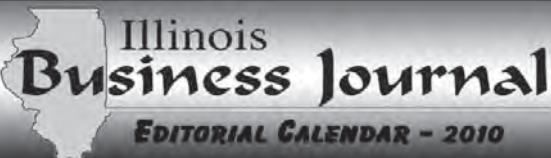
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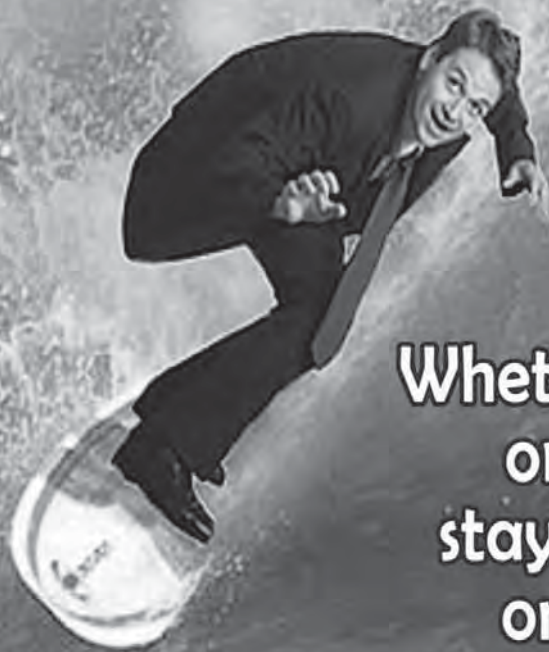
**Illinois Business Journal**  
EDITORIAL CALENDAR - 2010

|   |   |   |
|---|---|---|
| <b>January</b><br>Economic Development                    |   | <b>July</b><br>All Stars                                |
| <b>February</b><br>Engineering / Architecture<br>Planning |   | <b>August</b><br>Engineering / Architecture<br>Planning |
| <b>March</b><br>Real Estate                               | <b>November 09</b><br>Banking / Finance | <b>September</b><br>Real Estate                         |
| <b>April</b><br>Construction                              | <b>December 09</b><br>Law / Workforce   | <b>October</b><br>Construction                          |
| <b>May</b><br>Industry Leaders                            |   | <b>November</b><br>Banking / Finance                    |
| <b>June</b><br>Banking / Finance                          |   | <b>December</b><br>Law and Senior Execs                 |

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# Illinois Government Affairs Report:

## St. Louis Regional Chamber and Growth Association

By **KEVIN RIGGS**  
Director, Illinois Public Affairs  
St. Louis Regional Chamber  
and Growth Association

### ILLINOIS

#### Economic Development

The Star Bonds Legislation, SB 1909, sponsored by Sen. James Clayborne (D-Belleville) and Rep. Thomas Holbrook



Riggs

(D-Belleville), was recently handed an amendatory veto by Gov. Pat Quinn by reducing the amount of state sales tax that could be captured by the development

down to 50 percent - which lessens the state's liability in providing the tax incentive. The legislation passed both chambers unanimously during the regular session and would have provided the 900-acre University Town Center state sales tax revenue for infrastructure needs. The \$1 billion development, which will be located in Glen Carbon, has the potential to generate \$15.5 million in income tax revenue from 10,000 construction jobs during the five-year construction phase. The retail and entertainment projects will provide 3,100 permanent jobs as well as \$16 million in local property tax revenue and is forecasted to be raised with \$1.5 billion injected into the local economy. The legislation will now come back to the General Assembly during the fall veto session (Oct. 14-16 and Oct. 28-30) for approval by a majority vote in both chambers. If the amendatory veto is not

accepted, an override will be pursued which will require a two-thirds majority for passage. Consequently, if the override is unsuccessful, the legislation is therefore terminated.

#### Taxes

To pay for the state's \$29 billion capital construction program, consumers in Illinois will now have to pay higher sales tax on candy, liquor, soft drinks, shampoo's, toothpaste and driver's license fees. Candy, along with shampoo, toothpaste, bottled or canned beverages such as tea, will now be taxed at 6.25 percent. In terms of liquor sales tax, the increase on a six-pack of beer went from 10.4 cents to 13 cents; on a bottle of wine, the tax rose from 15 cents to 28 cents; on a fifth of distilled spirits, the increase went from 90 cents to \$1.71. These increases are estimated to raise

\$150 million annually along with the forecasted \$600 million annually, which will be generated by increase in the cost of driver's licenses and plates and video poker games in bars throughout the state.

During the upcoming fall veto session in October, Quinn will attempt to pass legislation which will increase the price for a pack of cigarettes from .98 cents to \$1.98. This increase will generate an estimated \$365 million each year. The governor wants to use this infusion of revenue to restore funding for the MAP College grant program, which will run out of funds by January 2010 - thus leaving a certain financial strain on Illinois college students. This sales tax increase was not successful passing this spring; it will face another fight in both chambers because any legislation passed during the fall veto session must have three-fifths of the majority vote.

### IBJ Business News

#### Arens elected Missouri rehab association head

Mark Arens, executive vice president and chief of program services for MERS Goodwill, has been elected president of the Missouri Association of Rehabilitation Facilities for a one-year term.

#### QTE licensed to decommission underground tanks

Quality Testing and Engineering Inc. announces that soil scientist Wayne Smith has completed the underground storage tank decommissioning exam and has been licensed by the state

fire marshal's office to decommission underground storage tanks.

#### Former Chemetco site may be eligible for Superfund dollars

A former copper smelter in southwestern Illinois' Madison County may get some federal clean-up help. The U.S. Environmental Protection Agency proposes designating the Chemetco site near Hartford as a Superfund site, meaning it could be eligible for additional study and resources. A 60-day public comment period about the proposed listing began Sept. 24. The 230-acre site was a secondary copper smelter from

1969 to 2001 before operators filed for Chapter 7 bankruptcy protection. More than 500,000 cubic yards of processing sludge and other hazardous materials were left there. Elevated levels of the heavy metals copper, lead and cadmium have been found in sediments in onsite wetlands and a nearby lake.

#### State tollway underestimates \$150 million

The state's fiscal watchdog reports that the Illinois Tollway understated more than \$150 million in revenues, expenses and assets in 2008 because it failed to comply with proper accounting procedures.

Illinois Auditor General William Holland's office says a new audit shows significant deficiencies in internal control over financial reporting at the tollway. The Illinois State Toll Highway Authority corrected the underreported amounts in its final financial statements. In one instance, the audit found that the tollway understated its net assets for 2007 by \$74 million as a result of an accounting error. In another, the audit found that improper bookkeeping caused some revenues and expenses to be underreported by \$81 million. The tollway characterized some of the problems as "clerical errors" and says it has taken steps to address the shortcomings.

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# CONSTRUCTION ROUNDUP

*Here are just some of the projects currently under construction  
(or recently completed) in  
Southern and Southwestern Illinois*

| <u>City/Village</u>     | <u>Project</u>   | <u>Contractor</u>      | <u>Cost</u>     |
|-------------------------|--|------------------------|-----------------|
| <b>Alton</b>            | Alton Community Counseling Center  | Contegra               | \$4.5 million   |
| <b>Athens</b>           | Water Treatment Plant Addition   | Korte & Luitjohan      | \$3.45 million  |
| <b>Belleville</b>       | Belleville East H.S. Renovations   | IMPACT Strategies      | \$15.25 million |
|                         | Eckert's Country Store   | Holland Construction   | \$4.0 million   |
|                         | Power Maintenance & Constructors   | IMPACT Strategies      | \$2.2 million   |
| <b>Breese</b>           | Breese Central H.S.  | Poettker Construction  | \$295,000       |
| <b>Cahokia</b>          | Praxair Distribution   | The Korte Co.          | \$5.94 million  |
|                         | Downtown Airport   | Poettker Construction  | \$3.898 million |
| <b>Carbondale</b>       | SIUC Football Stadium, Arena Renovations                                   | Holland Construction   | \$65.0 million  |
| <b>Caseyville</b>       | Ritchie Bros. Auctioneers Auction Building                                 | Holland Construction   | \$1.7 million   |
| <b>East St. Louis</b>   | The Center - Behavioral Dev./Comprehensive Mental Health                   | The Korte Co.          | \$12.12 million |
| <b>Edwardsville</b>     | Proctor & Gamble   | Contegra               | \$4.8 million   |
|                         | Hospice of Southern IL   | IMPACT Strategies      | \$4.7 million   |
|                         | U.S. Bank Branch   | Holland Construction   | \$84,000        |
| <b>Fairview Heights</b> | Pontiac Jr. High Additions   | IMPACT Strategies      | \$1.7 million   |
|                         | Christ United Methodist Church   | IMPACT Strategies      | \$1.5 million   |
| <b>Highland</b>         | Cooper B-Line Building Addition/Remodel                                    | Korte & Luitjohan      | \$2.57 million  |
|                         | St. Joseph's Hospital Remodel  | Korte & Luitjohan      | \$1.02 million  |
| <b>Jerseyville</b>      | Carrollton Bank  | Contegra               | \$2.8 million   |
|                         | Wm. Nobbe North  | Contegra               | \$2.4 million   |
| <b>Marion</b>           | Veterans Administration Behavioral Medicine Bldg.                          | Holland Construction   | \$5.9 million   |
| <b>Maryville</b>        | Maryville Prof. Office Bldg.   | IMPACT Strategies      | \$4.6 million   |
|                         | Anderson Hospital Women's Pavilion   | The Korte Co.          | \$5.0 million   |
| <b>O'Fallon</b>         | O'Fallon T.H.S. Milburn Campus Auditorium & Main Campus Classroom Addition | Holland Construction   | \$37.5 million  |
|                         | O'Fallon T.H.S. Milburn Campus   | Poettker Construction  | \$3.65 million  |
|                         | Amelia V. Carriel Jr. High   | Holland Construction   | \$26.0 million  |
|                         | Caseyville Township Wastewater Treatment Plant Addition                    | Korte & Luitjohan      | \$20.68 million |
| <b>Salem</b>            | Salem Aquatic Center   | Holland Construction   | \$3.385 million |
| <b>Scott AFB</b>        | Airman's Dormitory   | The Korte Co.          | \$18.3 million  |
| <b>Shiloh</b>           | Armed Forces Reserve Center  | Poettker Construction  | \$8.5 million   |
| <b>Washington Co.</b>   | Prairie State Transmission Line  | L. Keeley Construction | \$18.5 million  |



Southwestern Illinois Commercial Real Estate Transactions

The Illinois Business Journal is proud to publish commercial real estate transactions recently completed by commercial brokers across Southwestern Illinois.

**Belleville**

- ◆ Kenneth & Elizabeth Weiland leased a 270-sq.-ft. office suite at 300 East Main St. to Dinner Driver. BARBERMurphy Group represented both parties.
- The DESCO Group leased 35,000 sq. ft. of land at Belleville Crossing to United States Beef Corp. Grubb & Ellis/Gundaker Commercial Group represented the lessee.

**Centralia**

- ◆ Nancy Alexander leased a 3,483-sq.-ft. convenience store and gas station, 609 E. 15<sup>th</sup> St., to Centralia Food and Gas Inc. Johnson Properties Inc. represented both parties.

**Collinsville**

- ◆ C.C.M Revocable Living Trust sold a 24-unit, 10,800-sq.-ft. apartment building at 215 South Morrison to Loza Living LLC. BARBERMurphy Group represented both parties.
- C.C.M Revocable Living Trust sold a 16-unit, 11,200-sq.-ft. apartment building at 501 South Bell St. to Loza Living LLC. BARBERMurphy Group represented both parties.

**Edwardsville**

- ◆ Piedmont Partners LLC leased a 3,440-sq.-ft. retail space in the Park at Plum Creek at 921 South Arbor Vitae to 800 Degrees Wood Fired Pizza LLC. BARBERMurphy Group represented both parties.
- Vintage Properties leased a 155-sq.-ft. office suite at 201 Hillsboro Ave. to Blake & Allen P.C. BARBERMurphy Group represented both parties.

**Fairview Heights**

- ◆ Masan Properties Inc. leased a 2,556-sq.-ft. office space at 5003 North Illinois St. to Back Doctors Ltd., dba Healthsource. BARBERMurphy Group represented the lessor.
- ◆ Yee and Yiu Chiu sold a commercial property at 10522 Lincoln Trail to Robert Gregory and Stephen Campos. Johnson Properties Inc. represented both parties.
- ◆ Senior Care of America leased 1,000 sq. ft. at the Fairview Heights Medical Building, 10700 Lincoln Trail. Kunkel Commercial Group Inc. represented both parties.
- ◆ A&A Properties leased 1,200 sq. ft. at 5400 North Illinois St., Ste. 102, to Flawless Stylz Salon. Kunkel Commercial Group represented the landlord and tenant.

**Glen Carbon**

- ◆ Missouri Real Estate and Insurance Agency leased 3,399 sq. ft. of retail space, 3000 S. Illinois Rte. 159, to Tamuck Inc., dba Massage Envy. Grubb & Ellis/Gundaker Commercial Group represented the lessor.
- ◆ Richard J. and Mary E. Lucido DDS sold 1,200 sq. ft. of medical office space, 25 Glen Ed Professional Park, to Albert C. J. Luo and Sherry X.M. Huang. Grubb & Ellis/Gundaker Commercial Group represented the seller.

**Highland**

- ◆ Grandview Farm Limited Partnership purchased 36.9 acres from RLP Development Co. Inc. Kunkel Commercial Group. Inc. represented the seller. Grandview Farm Realty LLC represented the buyer.

**Lebanon**

- ◆ Chicago Land Trust, dba Scott Airport Center Partnership, sold Lot 9, Scott Airport Center, to Kathy L. Schneider, dba Turf Gator. Johnson Properties Inc. represented the seller.

**Madison**

- ◆ State Street Investment Inc. leased 23,680 sq. ft. of industrial space at 10 Fox Industrial Park to Apex Automotive Core Supply. BARBERMurphy Group represented both parties.

**Maryville**

- ◆ Retail Place LLC leased 1,692 sq. ft. of retail space at 2921 North Center St. to American General Financial Services of Illinois. BARBERMurphy Group represented both parties.
- Retail Place LLC leased 1,200 sq. ft. of retail space at 2921 North Center St. to Milo's Cigars & More LLC. BARBERMurphy Group represented both parties.
- Retail Place LLC leased 2,400 sq. ft. of retail

- space at 2921 North Center St. to Maryville Family Dental LLC. BARBERMurphy Group represented both parties.
- Retail Place LLC leased 1,200 sq. ft. of retail space at 2921 North Center St. to U.S. Nails. BARBERMurphy Group represented both parties.

**O'Fallon**

- ◆ E.K.D. Properties II LLC sold a 32,000-sq.-ft. commercial building at 590 Hartman Lane to Hartman Lane LLC. Johnson Properties Inc. represented both parties.

**Salem**

- ◆ ATV's & More sold a 58,700-sq.-ft. former (Wal-Mart) retail building, 1307 W. Main St., to TDW Investment Group LLC. Grubb & Ellis/Gundaker Commercial Group represented the seller.

**Swansea**

- ◆ C&S Wolf Creek LLC sold a 18,000-sq.-ft. office building at 13 Wolf Creek to RR58 Land Trust. BARBERMurphy Group represented the buyer.

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