



OFFICE OF ILLINOIS STATE TREASURER

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Frerichs Calls for Override of Governor Rauner's Veto of Legislation to Crack Down on Companies that Avoid Paying Taxes

SPRINGFIELD – Illinois Treasurer Michael Frerichs today called for an override of Governor Bruce Rauner's veto of House Bill 3419 that would prohibit companies that engage in schemes to establish ownership outside the United States specifically to avoid state and federal taxes from doing business with state agencies.

These companies are often referred to as expatriated entities or corporate inversions.

“Governor Rauner's veto sends the wrong message to American corporations that engage in off-shore tax avoidance schemes,” Frerichs said. “Companies that use these unfair tactics to shift taxes onto other Illinois citizens and businesses should not be rewarded with lucrative state contracts.”

Frerichs is calling for members of the Illinois General Assembly to override the veto of House Bill 3419. Governor Bruce Rauner vetoed the legislation on Friday, August 18. The legislation was sponsored by Rep. Andrade (D-Chicago) and Sen. Martinez (D-Chicago), passed in both the House and Senate with bi-partisan support. The legislation is supported by organized labor, the Illinois Manufacturers' Association, and the Illinois Retail Merchants Association.

The legislation prohibits the State of Illinois from doing business with or investing in expatriated entities that use complicated corporate inversions to avoid paying state and federal income taxes. The bills also require the Illinois Investment Policy Board to identify expatriated entities to ensure retirement systems can engage in shareholder activism and divest from expatriated entities if shareholder activism is unsuccessful.

Under the legislation, a change to the Illinois Procurement Code would prohibit an expatriated entity from submitting a bid or entering into a contract with a state agency. The legislation uses a definition of expatriated entity from the federal Homeland Security Act of 2002, which was passed with bi-partisan Congressional support and signed into law by President George W. Bush, and federal regulations issued by the Treasury Department under President Barack Obama.

The Illinois Pension Code would add expatriated entities to the list of restricted companies that are provided to each of the retirement systems. It would also require the Illinois Investment

Policy Board to identify all expatriated entities by April 1, 2018 and include these companies in the list of restricted companies distributed to each retirement system.

The federal government has prohibited federal agencies from entering into contracts with expatriated entities since 2003.

About the Illinois Treasurer

The Illinois Treasurer is the state's chief investment officer and Frerichs is a Certified Public Finance Officer. He protects consumers by encouraging savings plans for college or trade school, increasing financial education among all ages, and removing barriers to a secure retirement. The Treasurer oversees a portfolio worth more than \$25 billion. It includes approximately \$13 billion in state funds, \$7 billion in college savings plans and \$5 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$28 to the state for every \$1 spent in operations. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

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