

SMALL BUSINESS JOB CREATION TAX CREDIT

HB 4485

Small businesses drive the Illinois economy, and sustaining their growth is crucial. Programs supporting these employers can ensure robust job growth.

The Small Business Job Creation Tax Credit, established in 2010 in response to the 2008 recession, aimed to encourage small business owners to generate employment opportunities. Applicable to businesses with fewer than 50 employees and those participating in Governor Quinn’s “Put Illinois to Work” program, the credit provided \$2,500 per new job. However, the credit lapsed in July 2016 and has not been renewed.

Requirements to qualify for the tax credit:

- Business has no more than 50 full-time employees
- Increase net employees and maintain that increase over a 12-month period, starting from the date of hire
- The new job created must pay a basic wage for at least 35 hours per week

The Small Business Job Creation Tax Credit Act, at \$2,500 per net gain employee, proves more financially beneficial for Illinois and taxpayers than many other credits. For instance, a small firm hiring at \$40,000 generates an estimated \$1,800 in income taxes in the first year alone, reducing the state's initial loss to just \$700. With the average tenure of an employee being 4.2 years*, the state stands to collect \$7,796 in income tax over the long term from a modest \$2,500 investment. This projection excludes potential increases in other taxes due to disposable income.

Salary Projections	Estimated State Taxes Collected Effective Flat Tax Rate 4.95% (single filer)	Est. Income Tax Collected on Avg. Employee Tenure (4.2 yrs)	Amount in years to recoup tax credit
\$30,000	\$1,361	\$5,717	1.84
\$40,000	\$1,856	\$7,796	1.35
\$50,000	\$2,351	\$9,875	1.06
\$60,000	\$2,846	\$11,954	0.88

By reinstating the Illinois Small Business Job Creation Act, Illinois can create up to 20,000 new jobs for our residents over the next 5 years. The SBAC supports efforts to bring back this important program for the small business community.

If you have any questions, please contact the SBAC at emma@sbacil.org.

*US Department of Labor Statistics, September 26, 2024, <https://www.bls.gov/news.release/pdf/tenure.pdf>