

## Testimony

### Public Hearing on Proposed Rules about Local Sales Tax Sourcing March 21, 2014

I am Mayor Barrett Pedersen and I am here today to testify on behalf of my community Franklin Park Illinois. Franklin Park is located in the western suburbs of Cook County and has a population of over 18,000 residents and 40,000 employees working at the 2800+ firms in the village.

The purpose of my testimony is to strongly urge that the Illinois Department of Revenue promulgate new sales tax sourcing regulations that put an end to the establishment of remote sales offices to avoid paying taxes in the community in which they do business. It seems incredible to me that there would be any justification for permitting satellite sales offices whose sole purpose is to avoid paying taxes.

For several years now the RTA has been making the case that the transit community and local government were being deprived of significant revenue because of these tax diverting agreements. The RTA and a host of local governments have pursued the issue in court and should be applauded for persisting in trying to halt this practice.

Closer to home it was recently revealed in a Chicago Tribune article that the Hill Mechanical Logistics LLC had opened a satellite office in Kankakee Illinois in 2005 where it sourced purchase orders. During the eight years of that agreement it is estimated that Franklin Park has lost about 1.3 million in sales tax. During that time Franklin Park provided the company with everything from fire protection to street maintenance without collecting any sales tax to help pay for those services. The Hill group has since terminated their agreement with Kankakee.

Logic and now the Illinois Supreme Court have made it clear that the community where the bulk of activity takes place is where the sales taxes should be paid. What is now required is a set of regulations that follow up on that important decision and provide local government and the business community with a clear guideline to follow Illinois law.

The proposed regulations before us today provide clear guidance on following Illinois law. There should be no ability to interpret these rules in a manner that permits a company to avoid paying taxes where the selling activity takes place.

Companies like The Hill Group are a huge asset to our village and the rewriting of the regulations as proposed, with the modifications suggested by the RTA, would be good news for the village of Franklin Park.