ILLINOIS CPA SOCIETY

a: 524 S. 2nd Street, Suite 504
Springfield, IL 62701-1705
p: 800.572.9870 or 217.789.7914
f: 217.789.7924

www.icpas.org

November 4, 2025

The Honorable Brandon Johnson
Mayor
CITY OF CHICAGO
Chicago City Hall-4th Fl
121 N. LaSalle Street
Chicago, IL 60602

In re: FY26 Proposed City Budget
"Community Safety Fund Surcharge"—Chicago Head Tax

Dear Mayor Johnson:

Today I am writing on behalf of our 21,000 members (5,627 CPAs and 24,034 local professional staff who live or work in Chicago and 235 CPA firms) in opposition to the proposed "Community Safety Fund Surcharge," also known as the corporate head tax. We join with business and community groups in expressing our concern as financial, tax and tax policy professionals with the budget proposal that overly relies upon revenue increases over structural cuts and savings, and the substitution of new taxes to fund programs created during and with limited duration COVID funds.

The basis of our opposition to the proposed head tax is that it violates the tenets of good tax and economic policies outlined below. As a general matter, sound tax policy requires that a tax be neutral and promotes growth. Neutrality is important in that the tax should not impact how consumers make decisions. The tax should not be used to manage the economy or create winners and losers within a group of similarly situated business competitors. A tax should be used to raise revenue, and, in the spirit of economic growth, should not unnecessarily impede or reduce the productive capacity of the economy.

Tax Policy

A head tax on employees violates the tenets of tax policy due to the difficulty of enforceability and runs afoul of the benefit principle.

Enforceability—Enforceability of tax is fundamental to tax policy and tax administration. A tax on employees poses economic and practical challenges to the administration and enforcement of a targeted employee tax. Sourcing of employees will be an administrative burden. Our new post-covid work environment allows employees to be mobile and work virtually. While impacted employers located in Chicago may meet the threshold of employees, the question and enforceability of those employees that are physically located and/or performing work within the city limits will present challenges.

Ultimately, a tax of this nature will likely lead to employers considering certain of their employees as being assigned to an office location outside the city limits.

Assuming the City Council approves an ordinance on a head tax, the city will need to consider the new administrative barriers of enforcing a tax that would operate outside the general structure of taxations. The variety of scenarios of employee thresholds and those entities subject to the tax will cause confusion as employers arrange their workforce to reduce the burdens.

Benefit Principle—The benefit principle of taxation provides that taxes should be levied in proportion to the benefits received from government services. The two underlying features to this principle is direct relationship-the tax payments are directly related to the level of benefits received; and encourages efficiency-allocates resources efficiently by linking payment to usage.

It has been reported that the proceeds from the assessed head tax would be deposited in a "community safety fund" to support youth employment, mental health services and violence prevention. Communications from your office have specified that these services will make Chicago safer; however, it has not been demonstrated or stated other than notionally how this tax assessment will directly benefit those employers who would be taxed. Moreover, linkage has not been established as to how the identified community programs resourced by the head tax are linked to those who are taxed. Ultimately, a neutral observer could opine that the creation of the community fund and the head tax is merely a bait and switch where the new tax will resource programs that were created with short duration COVID Funds.

Economic Policy

A $21 monthly per employee tax on employers who have 100 plus employees will result in an economic distortion for targeted Chicago employers and have economic consequences.

Pass-Through to Consumers—Businesses subject to the head tax will pass the increased cost of doing business in Chicago on to consumers. This economic distortion will result in greater costs for Chicago consumers and less disposable income for consumers, thereby impacting consumer discretionary spending. These downstream effects will result in higher consumer prices, compressed wages in untaxed areas and employment loss.

Disincentive to Hire Locally—A head tax penalizes businesses for creating jobs in Chicago, potentially pushing employers to hire outside the city or relocate altogether.

Competitive Disadvantage—Surrounding municipalities that do not impose such a tax, make Chicago less attractive for new or growing businesses. Artificially swaying the competitive landscape between business in Chicago and away from Chicago is an inexplicable but unavoidable consequence to this contemplated tax.

Administrative Burden—Tracking and remitting a head tax adds to complexity and costs to business operations, especially for businesses with multiple locations.

At a time when according to *Crains Chicago Business* that the Chicago Loop is experiencing a 28% vacancy rate of commercial office space, and Moody's has identified Illinois at a high risk for recession, it would not be well advised to reinstate a corporate head tax which produces significant job loss, among other things, as noted above. The rational for the 2014 head tax repeal should be applied today, now more than ever with the headwinds we are facing.

We understand the city faces many fiscal challenges. Taxing job creation is counterproductive to good economic and tax policy resulting in unintended downstream consequences. We encourage you and the members of the City Council to consider fiscal policies that foster economic growth and support long-term financial sustainability.

Sincerely,

ILLINOIS CPA SOCIETY

Geof Brown, CAE
President and CEO

QUALIFYING NOTE—The difference in numbers represented above of CPAs and professional staff are from Crains Chicago Business of the top 18 firms in Chicago. The numbers on the attached community impact paper are of the top CPA firms in Chicago.