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CME Rivals Lobby Illinois Lawmakers To Reject Tax Break Plan

<<http://online.wsj.com/article/BT-CO-20111116-715308.html#>>

- ICE, NYSE, Nasdaq lobbyist argues tax deal based on "arbitrary" figure
- Lobbyist sees legislature "picking winners and losers" among competitors
- Illinois legislature aims for final tax bill vote on Nov. 29

By Howard Packowitz

Of DOW JONES NEWSWIRES

CHICAGO -(Dow Jones)- A trio of competitors to derivatives exchange CME Group Inc. (CME) joined forces Wednesday to persuade Illinois lawmakers to block proposed tax breaks intended to prevent CME from leaving Illinois.

Other exchanges would be hamstrung by the bill that would tax CME and options exchange CBOE Holdings Inc. (CBOE) for 27.54% of all electronic transactions, said David Kupiec, a lobbyist who testified before the Illinois House Revenue and Finance Committee.

Kupiec represented Atlanta-based IntercontinentalExchange Inc. (ICE) and New York-headquartered NYSE Euronext (NYX), and Nasdaq OMX Group Inc. (NDAQ).

Currently, the Chicago-based exchanges pay taxes on all electronic trades, which account for about 85% of all business at CME.

The legislature is "picking winners and losers" among competing businesses

if the measure is adopted, said Kupiec.

Kupiec described the 27.54% tax apportionment as an arbitrary figure. State officials said the tax figure came from U.S. census data estimating how much of the exchanges' electronic trades are based in Illinois. Exchanges should be given the chance to opt out of the new taxing method, Kupiec contended.

CME and CBOE representatives declined comment on the latest developments.

The Chicago exchanges are seeking tax relief after the legislature in January raised the corporate tax to 7%, from 4.8%. The tax increase costs CME an extra \$50 million per year, according to CME Chairman Terry Duffy.

Duffy said during a committee hearing earlier this month that it's "not acceptable" that CME pays 6% of all corporate taxes in Illinois.

CME's board of directors is considering "very, very lucrative" offers from other states to shift the bulk of its operations away from Illinois, which has been its headquarters for 163 years.

Duffy warned the committee that CME would move to another state its Globex electronic control center, now based in Aurora, Ill., and its clearinghouse. Only trading floors at the Chicago Board of Trade would remain, which account for less than 5% of CME's business, said Duffy.

The tax legislation has expanded significantly to garner bipartisan support, but it might be a good idea to scale it back, suggested Democratic House Majority Leader Barbara Flynn Currie, who is also on the revenue and finance committee.

The bill provides incentives to keep Sears Holdings Corp. (SHLD) in Illinois. Other provisions include a multi-year extension of research and development tax credits for all Illinois businesses and earned income tax credits for Illinois workers at a time when the cash-strapped state government is trying to fill gaping budget holes.

The package might be "too heavy a lift" for state taxpayers, Currie

acknowledged.

The committee scheduled additional hearings Friday and again on Nov. 28. The full Illinois House and Senate would vote on the plan the following day.

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