

Why a Graduated Rate Income Tax Amendment?

The League of Women Voters of Illinois and its local Leagues have joined with numerous organizations in Illinois to put a constitutional amendment on the Nov., 2104 ballot that will allow a graduated rate income tax revenue system in Illinois. Our fiscal policy position states: *The LWVIL supports a diversified revenue system which principally relies on a combination of broad-based taxes and user fees, is equitable, progressive, stable, responsive and simple.*

This is the first of a series of articles explaining why such a change is needed and to stimulate questions from readers. We encourage you to send your questions to issues@lwvil.org.

What is a graduated rate income tax?

Unlike a flat tax, a graduated rate income tax, or fair tax, accounts for a person's ability to pay.

Why is this more fair than our current flat tax system?

The flat tax is regressive, putting an undue burden on middle and low income families to fund the basic necessities of our state. The 'flat income tax' is not flat at all. It permits Illinois' highest income earners to pay an average income tax rate of 2.1% while middle class families pay a 4% rate. Furthermore, when one adds in property taxes, sales taxes, and excise taxes, the overall tax responsibility of the top 1% of income earners is 2-3 times less than the rest of us.

Other than being unfair, why is a flat tax a problem?

Not only is our system unfair but it is inefficient and broken because it is compounding Illinois' structural budget deficit. Simply put, even with budget cuts, the state cannot raise the revenue it needs under its current system to fund its core services- education, public safety, health care, and human services. Even if the budget was slashed to a balanced budget, at some point inflation and population growth will outstrip revenue, causing the deficit to grow. This flaw in our tax structure is the structural deficit.

We have cut school programs, laid off firefighters, cut funding for human services (such as care for our disabled citizens and our seniors), and we are slashing healthcare for low-income seniors and children. Even with these cuts, we will continue to see yearly deficits.

What could a graduated rate income tax do for Illinois?

Establishing a graduated rate income tax in Illinois means we can provide services we need, reduce the state's debt, and grow our economy. Under one model, the graduated rate income tax could raise \$2.4 Billion in new revenue while cutting taxes for up to 94% of Illinois taxpayers.

Are there bills currently up for consideration? Are they well supported?

As of December 2013, there are two bills, House Joint Resolution Constitutional Amendment 33 (HJRCA 33) and a Senate version, SJRCA 40, being considered. The House bill has over half the sponsors (38) it needs to pass (72 votes) with a number of non-sponsoring legislators promising to vote yes. The Senate bill currently has 26 sponsors out of the necessary 50, with more promised yes votes bringing it close to the total needed.

Why is a bill necessary?

Currently the Illinois Constitution states that we must have a flat tax and even gives a formula for personal vs. corporate tax rates. Unless this is amended to allow a graduated rate income tax structure, we must adhere to a flat tax system.

Is this a citizen's initiative?

No. For a revenue change, three-fifths of lawmakers must vote to allow a ballot question in November 2014. They must pass the bill by May, 2014 or before. Illinois voters will then vote to approve the question to enact a fair and graduated tax.

Why would lawmakers approve putting this on the ballot?

The question is 'Why wouldn't they?'. This should be a citizen's right to decide the method under which they prefer to be taxed. While lawmakers may advocate for a whichever system they choose, it should be a citizen's right to educate themselves and make the choice. In addition, several lawmakers have already expressed interest in supporting such an amendment.

Next in the series: A breakdown of Illinois' debt problem.

If you are interested in working on this or having a speaker at your church or other organization, please contact issues@lwvil.org Attention: GRIT speakers bureau (in the subject line)