On January 13, 2011, the Governor signed SB 2505 into law. The individual income tax rate was raised to 5% from 3% and the corporate income tax rate to 7% from 4.8% until January 2015. The higher income tax rate was retroactive to January 1, 2011 and was projected to bring in about $6.5 billion in new revenues the first year. It was a beginning at repairing the state’s structural deficit. However, the income tax increase was the only part of a three pronged plan to improve the state’s fiscal position which passed. The other proposals were to broaden the sales to include services and to borrow money to pay $7 billion in overdue bills, but those proposals were rejected. So Illinois still has a revenue problem.

A year later, the state still has $7 billion in unpaid bills and it has made cuts in spending for education, healthcare, social services and public safety. The state is also struggling to find money to fund its pension systems and pay back the money it borrowed to make prior pension payments and pay for government operations. The national and state economies have not recovered from the “Great Recession” which keeps revenues depressed. At the same time, the General Assembly is facing pressure from corporations to obtain tax relief or they will leave the state.

Some good news came out of the veto session. The Earned Income Tax Credit (EITC) was increased. The EITC allows the state to refund some of the taxes withheld from the paychecks of the working poor, which makes the income tax less regressive. During the veto session, LWVIL sent letters to the legislative leaders advocating that the EITC be increased and that the state’s bills be paid before tax cuts were given to corporations.
What does the future hold? The state's fiscal problems will continue. There will be less money for education and Illinois will fall farther behind in meeting the Education Funding Advisory Board's recommended support level for school districts. Health and Human Services will face huge cuts. And of course, the clamor for reductions in the corporate income tax and the personal income tax will continue. And the state still has to figure out what to do about pensions. The cost of the state’s total pension payment, with debt service, will be over $7.4 billion in FY2013, or about 25% of the state budget, according to Rich Miller of Capitol Fax. And all of the members of the General Assembly have to run on new maps in 2012 so they won’t do anything before the November election.