



League of Women Voters© Illinois

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Legislation (HJRCA 33/SJRCA 40) is pending in Springfield for a constitutional amendment on a fair tax allowing for higher rates on higher incomes and lower rates on lower incomes. The League of Women Voters Illinois (LWVIL) supports this plan, rather than the flat tax now imposed in Illinois.

LWVIL believes this amendment will bring fairness to Illinois' tax code, helping Illinois' families. It will help Illinois protect key priorities such as education, public safety, health care, and human services. These vital services have been significantly shortchanged in recent years because of Illinois' systemic budget problems; the result of an out-of-date tax code which overburdens middle income families.

The legislation embodies another important principle: citizen participation.

If adopted by the General Assembly, this referendum would ask Illinois voters if they want to amend the 1970 Illinois Constitution, which currently states that the personal income tax must be non-graduated (flat).

The LWVIL knows it is time for long-term budget solutions to help rebuild Illinois' economy and provide sustained support to programs and services that people need. Adoption of a graduated income tax achieves a necessary step in reaching these goals.

Mary Kubasak

President, League of Women Voters, Illinois

Frequently Asked Questions about Tax Reform:

1. Why should we trust other legislators with more of our money?

While Illinois, like many other states, does have some waste, fraud, and abuse, the state is very efficient in the way it manages and spends its income tax revenue. Waste in Illinois mainly describes the huge amounts Illinois spends paying interest on its debts. Illinois spends more than 90% of its discretionary General Fund budget on the four core services of education, healthcare, human services and public safety. Therefore, increasing the state's tax revenue will be incredibly beneficial to the residents of Illinois.

Center for Tax and Budget Accountability Analysis

2. If we raise the flat tax enough, won't it cover Illinois' needs? How much would we have to raise a flat tax for it to do so?

Raising the flat tax would raise additional revenue for Illinois but it would not be the fair way to tax. Raising the flat tax would only create more income inequality in the state since it is not based on an individual's ability to pay. Middle income taxpayers would still pay a larger percentage of their income in taxes than upper income earners.

Center for Tax and Budget Accountability Analysis

3. Isn't a flat tax fairer?

A flat tax is in fact not fairer. When all taxes are combined (including sales tax, property, etc.) middle income earners are paying relatively much more of their salaries in taxes than upper income earners. Since it does not correspond to an individual's ability to pay, a flat tax puts more burden on low and middle income families.

Institute on Taxation and Economic Policy

4. Won't more taxes drive business out of Illinois and won't wealthy people either leave the state or buy property in low tax states as tax shelters to avoid paying more?

Some people may leave or create tax shelters. However, extensive research on tax avoidance indicates that higher income taxes do not play a large part in an individual's decision to leave a state. In fact, income tax isn't even a factor for a great majority of families who move. Other factors such as family, climate, job relocation, and housing play more of a role. As for business, corporate taxes play a very small part in their overall decision. When it comes to building robust, resilient and prosperous economies, more fundamental factors than taxes--like human capital, entrepreneurship, availability of transportation, condition of the infrastructure, and innovation--come into play.

Young and Varner (2011)

5. What happened to all the money that the 66% income tax increase took in? Wasn't that supposed to fix Illinois' fiscal problems?

While Illinois still runs a deficit, had we stayed at a 3% income tax rate our deficit would be at least triple what it is now. While services did see cuts, it would have been far worse without the increase. However, the tax increase will begin to sunset at the end of 2014, with corresponding drops in revenue. It is predicted that Illinois will lose \$4 Billion in revenue in 2015 if there is no change in the tax structure.

Center for Tax and Budget Accountability Analysis

6. Isn't Illinois a high tax state?

In fact, Illinois is not a high tax state. In the Midwest, with the temporary tax increase, Illinois' income tax rate is still second lowest. With the sunset of the temporary increase in 2015, Illinois will once again have the lowest tax rates in the Midwest. Even with total tax burden (all taxes, including sales, property, and excise), Illinois remains one of the lowest tax burden states in the nation. What Illinois IS, is a regressive tax state that puts a greater tax burden on its middle income families.

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