

FAIR TAX FOR ILLINOIS

MARCH 7, 2019



ILLINOIS' DIRE FISCAL CONDITION

Illinois is in precarious fiscal condition, and the state's financial challenges are having a destabilizing effect on our economy, businesses, jobs and the future of working families.

- Multi-billion dollar structural deficit
- \$15 billion in debt associated with unpaid bills
- Late Payment Interest Penalties exceed \$1.25 billion from impasse
- Public safety, schools and social services were hollowed out
- Tens of millions in spending for court orders and consent decrees

BASIC OPTIONS FOR ADDRESSING FISCAL CHALLENGES

Option 1: Across the Board Cuts

Illinois would cut its discretionary spending by 15 percent. Discretionary spending includes:

- K-12 education
- Universities and community colleges
- State Police
- Social service agencies

Option 2: Flat Tax Increase

Illinois would raise the flat tax rate from 4.95 percent to 5.95 percent – meaning that every family in the state would pay higher taxes.

For example, a single mom making \$61,000 would pay an additional \$521 in taxes.

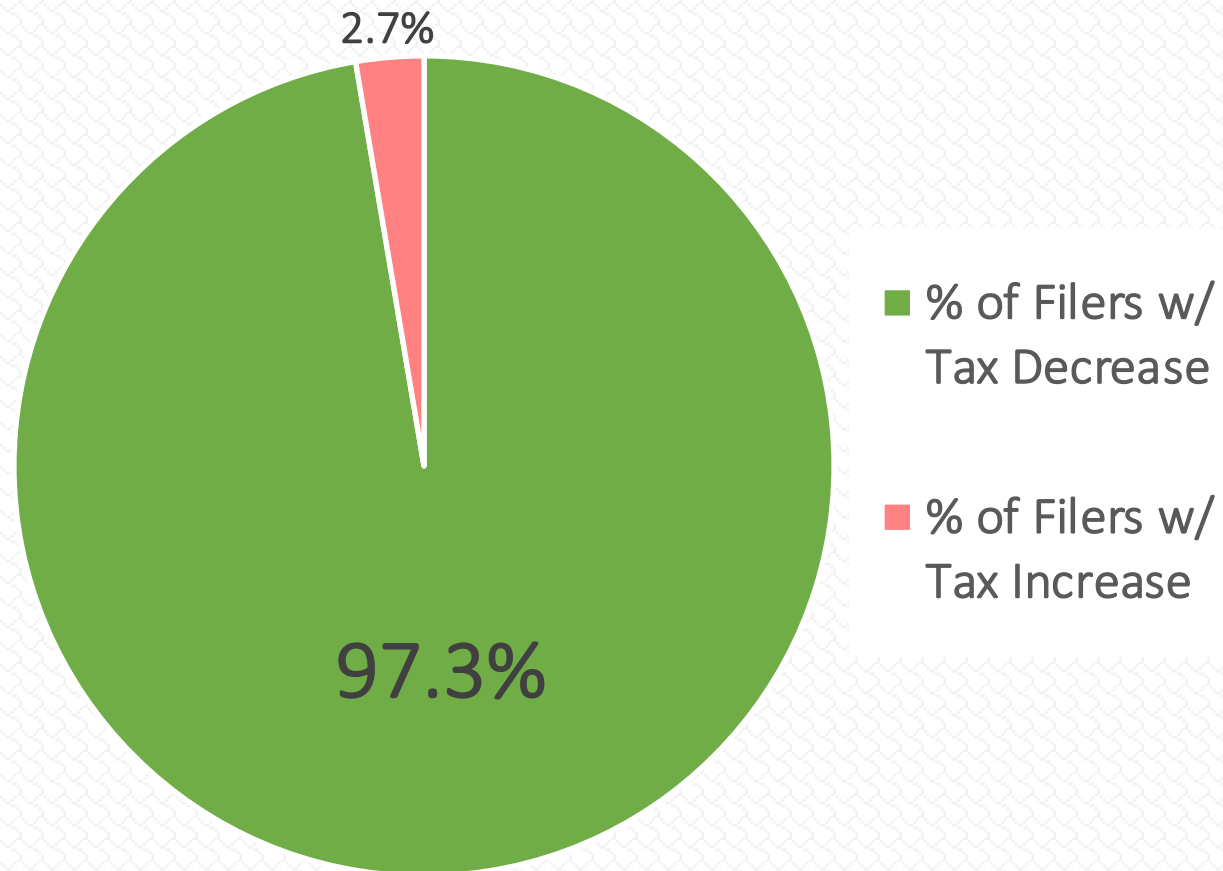
Option 3: Fair Income Tax

Illinois would change its system so the wealthy pay more, like in 33 other states. 97 percent of taxpayers would have a lower tax bill, while those making more than \$250,000 would pay more and generate \$3.4 billion in additional revenue.

The same single mom would pay \$271 less, a difference of \$792 compared to Option 2.

FAIR INCOME TAX PROVIDES TAX RELIEF FOR **97 PERCENT** OF TAXPAYERS

Statewide Impact of Fair Tax







FAIR INCOME TAX ELEMENTS

- Filers at or below \$250,000 – 97% of taxpayers – will have lower tax bill
 - See examples on next page
- 20% increase in current Property Tax Credit
 - From approx. \$500 million (@ 5.0%) to \$600 million (@ 6.0%)
- Top rate of 7.95% for net income over \$1.0 million
 - Once income reaches \$1.0 million, *entire* income is taxed at 7.95% rate
 - Corporate Income Tax rate to match top Fair Income Tax rate (7.95%)
- \$100 per child Child Tax Credit for:
 - Single filers under \$80K (phase-out starting @ \$40K)
 - Joint filers under \$100K (phase-out starting @ \$60K)

FAIR INCOME TAX EXAMPLES – MID & LOW INCOME



97 percent of taxpayers get tax relief.

| | | | |
|---|---|--|--|
|  <p>HOUSEHOLD WITH TWO CHILDREN RENTERS</p> | <p>\$17,160 HOUSEHOLD INCOME</p> <p>– PROPERTY TAX PAID</p> <p>\$20 INCOME TAX RELIEF</p> <p>– PROPERTY TAX CREDIT</p> <p>\$200 CHILD TAX CREDIT</p> <p>\$220 TOTAL TAX RELIEF UNDER FAIR TAX</p> |  <p>HOUSEHOLD WITH ONE CHILD HOMEOWNERS</p> | <p>\$125,000 HOUSEHOLD INCOME</p> <p>\$5,000 PROPERTY TAX PAID</p> <p>\$65 INCOME TAX RELIEF</p> <p>\$50 PROPERTY TAX CREDIT</p> <p>– CHILD TAX CREDIT</p> <p>\$115 TOTAL TAX RELIEF UNDER FAIR TAX</p> |
|  <p>HOUSEHOLD WITH TWO CHILDREN HOMEOWNERS</p> | <p>\$61,000 HOUSEHOLD INCOME</p> <p>\$3,500 PROPERTY TAX PAID</p> <p>\$41 INCOME TAX RELIEF</p> <p>\$35 PROPERTY TAX CREDIT</p> <p>\$195 CHILD TAX CREDIT</p> <p>\$271 TOTAL TAX RELIEF UNDER FAIR TAX</p> |  <p>HOUSEHOLD WITH NO CHILDREN HOMEOWNERS</p> | <p>\$250,000 HOUSEHOLD INCOME</p> <p>\$8,000 PROPERTY TAX PAID</p> <p>\$65 INCOME TAX RELIEF</p> <p>\$80 PROPERTY TAX CREDIT</p> <p>– CHILD TAX CREDIT</p> <p>\$145 TOTAL TAX RELIEF UNDER FAIR TAX</p> |

Assumptions: Illinois base income is prior to state exemptions and deductions. Income tax relief is the savings after changing the rate structure. Property tax credit is a 20 percent increase on top of the existing property tax credit. Child tax credit fades out as family income increases so lower-income people get the most benefit, with a total phase out at \$80,000 for single parents and \$100,000 for married couples.

FAIR INCOME TAX EXAMPLES – HIGH INCOME

The wealthy pay their fair share.

| | | | | | |
|--|------------------|---|---|--------------------|---|
|  <p>HOUSEHOLD WITH TWO CHILDREN HOMEOWNERS</p> | \$500,000 | HOUSEHOLD INCOME |  <p>HOUSEHOLD WITH ONE CHILD HOMEOWNERS</p> | \$5,000,000 | HOUSEHOLD INCOME |
| | \$16,000 | PROPERTY TAX PAID | | \$25,000 | PROPERTY TAX PAID |
| | \$6,686 | INCOME TAX INCREASE | | \$150,000 | INCOME TAX INCREASE |
| | \$160 | PROPERTY TAX CREDIT | | – | PROPERTY TAX CREDIT |
| | – | CHILD TAX CREDIT | | – | CHILD TAX CREDIT |
| | \$6,526 | FAIR TAX INCREASE ON WEALTHY | | \$150,000 | FAIR TAX INCREASE ON WEALTHY |

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FAIR INCOME TAX RATES

| Single & Joint Filers | | |
|-----------------------|-------------------------|-------------------|
| Marginal Rates | Net Income Level | % of IL Taxpayers |
| 4.75% | \$0 - \$10,000 | 27.2% |
| 4.90% | \$10,001 - \$100,000 | 58.9% |
| 4.95% | \$100,001 - \$250,000 | 11.1% |
| 7.75% | \$250,001 - \$500,000 | 1.9% |
| 7.85% | \$500,001 - \$1,000,000 | 0.6% |
| 7.95% | Over \$1,000,000 | 0.3% |

| <i>In addition...</i> | |
|--------------------------------------|---|
| 97% of earners get tax relief | ✓ |
| 20% Increase in Property Tax Credits | ✓ |
| \$100 Per Child Tax Credit | ✓ |

