

*Initial Analysis of Recent Tax  
Increases and Spending Caps  
Implemented Under P.A. 96-1496*



Presented by:

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# *WHAT THEY DID:*

## PERSONAL INCOME TAX RATE

3%



5%

**\$6.05 B**

## CORPORATE INCOME TAX RATE

4.8%



7%

**\$770 M**

## DECOUPLE FROM ESTATE TAX REPEAL

**\$240 M**

## SUSPEND NOL CARRYOVER

**\$250 M**

## NET TO GENERAL FUND:

**\$7.31 B  
(FY2012)\***

*\*NOTE, in FY2011 GOMB estimates a total of  
\$2.88 B in new tax revenue*

# CORPORATE TAX RATES

## Who's Gonna Move?

Illinois: 7% until 2015, then 5.25%

### Midwest

Iowa: 6 – 12% (12% @ \$250,000)

Indiana: 8.5%

Wisconsin: 7.9%

Missouri: 6.25%

Kentucky: 4.6%

Michigan: 4.9%

### Big States

Pennsylvania: 9.99%

New Jersey: 9%

California: 8.84%

New York: 7.1%

Florida: 5.5%

# MEANWHILE, PRE-TAX INCREASE

IL State Own-Source Revenue Under Neighboring State Revenue Shares FY2008 Current \$ Billions		
	State Own-Source Revenue as a Percentage of Personal Income	Increase or Decrease in IL GF Revenue if Illinois Had Equal State-Based Tax Burden as a Percentage of State Income
Illinois	7.6%	
Indiana	9.7%	+ \$11.16 B
Iowa	9.7%	+ \$11.16 B
Kentucky	10.7%	+ \$16.48 B
Missouri	7.6%	\$0
Wisconsin	10.1%	+ \$13.29 B

Sources:  
 1) 2008 State Revenue as a Percentage of Personal Income, Federation of Tax Administrators, updated July 19, 2010.  
 2) Increases based on BEA 2008 Illinois Personal Income of \$531.591 B

# MEANWHILE, “POST-TAX INCREASE”

<b>IL State Own-Source Revenue Under Neighboring State Revenue Shares FY 2008 Current \$ Billions After Passage of the 2011 Tax Increase</b>		
	<b>Share Own-Source Revenue as a Percentage of Personal Income</b>	<b>Increase or Decrease in IL GF Revenue Revenue if Illinois Had Equal State-Based Tax Burden as a Percentage of State Income</b>
<b>Illinois*</b>	8.8%	
<b>Indiana</b>	9.8%	\$5.5
<b>Iowa</b>	9.7%	\$5.0
<b>Kentucky</b>	10.7%	\$10.5
<b>Missouri</b>	7.6%	(\$6.7)
<b>Wisconsin</b>	10.1%	\$7.2

Sources:  
 1) 2008 State and Local Revenue as a Percentage of Personal Income, Federation of Tax Administrators, updated July 19, 2010.  
 2) Increases based on BEA 2008 Illinois Personal Income.  
 \* This overstates the actual new tax burden.

# SPENDING: THE BASE YEAR

<b>FY2012</b>	
• General Fund Services	\$24.9 B
• Replace ARRA \$ for education & Medicaid	\$1.4 B
<b>SERVICES SUBTOTAL</b>	<b>\$26.3 B</b>
• Pension Payment	\$4.5 B
• Transfers Out (LGDF, etc.)	\$1.8 B
<b>DEBT SERVICE:</b>	
• Capital Bonds	\$ .548 B
• Pension Obligation Bonds	\$ .560 B
• Repaying Fund Transfers	\$ .500 B
• Pension Notes (2010)	\$ .785 B
• Pension Notes (2011)	\$ .150 B
<b>DEBT SERVICE SUBTOTAL</b>	<b>\$2.543 B</b>
• Lapse Period Payments	\$ .500 B
• Retiree Health Care	\$ .850 B
<b>CAP SPENDING SUBTOTAL</b>	<b>\$36.493 B</b>
Reserve of \$307 M more than consumed by \$426 M needed for payment on debt restructuring, SB003.	

# MINIMUM ESTIMATED LONG TERM SPENDING SHORTFALL FOR SERVICE EXPENDITURES

Fiscal Year	CAP	Incremental Spending Available	Estimated Pension Ramp	Available for All Else	Needed for CPI Growth/GFS	Minimum Spending Shortfall
FY2012	\$36.8 B					
FY2013	\$37.54 B	\$736 M	\$370 M	\$366 M	\$615 M	<b>-\$235 M</b>
FY2014	\$38.29	\$750 M	\$380 M	\$370 M	\$640 M	<b>-\$274 M / -\$509 M</b>
FY2015	\$39.06 B	\$766 M	\$420 M	\$346 M	\$645 M	<b>-\$299 M / -\$808 M or -3%</b>
<b>NOTE, with ECI (-\$1.433 B or -5%)</b>						

# PROBABLE LONG-TERM SPENDING SHORTFALL FOR SERVICE EXPENDITURES

Fiscal Year	CAP	Incremental \$ Available	Pension Pension	Pension Ramp	Available for All Else	FY 2011 GFS Adjusted for ECl and Pop Growth	Increment Needed for ECl and Population Growth GFS	Minimum Spending Shortfall	%	Cummulative Spending Shortfall	% Cumulative
FY2011			4.157			\$26.30					
FY 2012	\$36.82		\$4.49			\$27.19					
FY 2013	\$37.55	\$0.751	\$4.86	\$0.376	\$0.375	\$28.10	\$0.916	(\$0.54)	-1.93%	(\$0.54)	-1.93%
FY 2014	\$38.31	\$0.767	\$5.24	\$0.376	\$0.391	\$29.05	\$0.947	(\$0.56)	-1.91%	(\$1.10)	-3.84%
FY 2015	\$39.07	\$0.767	\$5.615	\$0.376	\$0.391	\$30.03	\$0.979	(\$0.59)	-1.96%	(\$1.69)	-5.80%

# PROJECTED FY2015 GENERAL FUND DEFICIT AFTER FY2011 TAX INCREASE (CURRENT \$ IN BILLIONS)

	2012	2013	2014	2015
<b>Revenues</b>				
State Own Source	\$21.69	\$22.12	\$22.56	\$23.01
Federal <sup>2</sup>	\$5.49	\$5.70	\$5.91	\$6.14
IIT increase	\$6.06	\$6.18	\$6.30	\$2.36
CIT increase	\$0.77	\$0.79	\$0.80	\$0.16
Estate Tax Reinstatement	\$0.18	\$0.24	\$0.24	\$0.24
Suspension of Net Operating Loss Carryover	\$0.25	\$0.25	\$0.25	\$0.25
<b>Total Revenue</b>	<b>\$34.43</b>	<b>\$35.27</b>	<b>\$36.07</b>	<b>\$32.17</b>
<b>Spending</b>				
General Fund Spending on Services*	\$26.30	\$27.09	\$26.66	\$26.66
Statutory LGDF and other Transfers Out	\$1.87	\$1.92	\$1.97	\$1.97
Debt Service	\$2.55	\$2.00	\$2.50	\$2.50
Pension	\$4.49	\$4.86	\$5.24	\$5.62
Uncommitted spending	\$1.61	\$1.68	\$1.94	\$2.33
<b>Total Spending ( Set Equal to Spending Limit)</b>	<b>\$36.82</b>	<b>\$37.55</b>	<b>\$38.31</b>	<b>\$39.07</b>
<b>General Fund Deficits (If Spending Goes to Limit)</b>	<b>-\$2.39</b>	<b>-\$2.28</b>	<b>-\$2.24</b>	<b>-\$6.90</b>
<b>General Fund Deficits Under Current Plan of Cuts</b>	<b>(\$0.78)</b>	<b>(\$0.60)</b>	<b>(\$0.30)</b>	<b>(\$4.58)</b>
*General Fund Public Service Spending in FY 2015 of \$ 26.66 would increase real service cut to <b>-\$3.37 B</b> or <b>-11%</b> .				

# FOR MORE INFORMATION:

**CENTER FOR TAX AND BUDGET ACCOUNTABILITY**

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