

**Testimony
House Mass Transit Committee
October 9, 2007**

**Presented by Dia Cirillo, Policy Director – Workforce
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Good morning Chairman Hamos, Minority Spokesperson Matthias and members of the House Mass Transit Committee. Thank you for this opportunity to submit testimony on behalf of the Center for Tax and Budget Accountability (CTBA). CTBA has endorsed the current legislation under consideration, SB572. We also have taken an initial look at the revenue options available to the RTA for operations not currently included in that legislation and believe that this issue will be one decided on brawn and not brains.

Given the limitations of the Illinois state and local tax system, there are not many viable options from which to select that can deliver sustainable revenue that will grow with the economy, meet the remaining conditions of the Committee, as well as mitigate the tax burden through credits for middle and low income families.

For these reasons, we strongly support an expansion in the sales tax base to services. This alternative is the only one remaining that has been thoroughly reviewed to meet all the conditions and furnish at least 50% of revenue needed. Our calculations show that this expansion alone will bring in \$144 million to the region without any increase in the rate. The expansion exempts business, health care and housing, but would cover service items, such as dry cleaning, lawn care, car washes, etc. Every 0.25% sales tax rate increase on the expansion would generate close to an additional \$50 million. See Tables 1 and 2 below.

All remaining options that at least are easy to collect and offer somewhat sustainable revenue sources come with significant shortcomings, both due to the Illinois tax limitations and the political climate. These options include:

- Establishing a sales tax on motor fuel at .02% per gallon: According to our estimates this rate could yield close to \$100 million in the region for every two-tenths levied and add only \$.0006 on every gallon of gas at \$3/gallon;
- Applying a 10% tax to paid parking, yielding close to \$36 million;
- Implementing the London model and establish 10% surcharge on ISTHA tolls collected during peak travel would bring in \$46 million;
- An increase in passenger facility changes by \$1 could yield \$23 million; and,
- A 0.1% increase in Corporate Franchise Tax in the region would yield \$145 million.

Certainly, these items could be selected to contribute to an overall package. At CTBA, we hope, however, that you will consider expansion to the sales taxes first. It meets most of the Committee's criteria; it's an expansion, not an increase; and it can be made progressive, reducing the burden on low and middle income families. Can this be said of any other taxes being considered?

Table 1: Revenues from Expanding the Sales Tax to Include Consumer Services (not Business, Health Care or Housing). Every 0.25% sales tax rate increase on the expansion would generate close to an additional \$50 million.

County	Current Sales Tax Rate	Estimated Revenues from Expanding the Sales Tax to Services (With Current Sales Tax Rate) ¹	Estimate Revenues from Expanding the Sales Tax to Services with a 0.25% per County Increased Sales Tax Rate
Cook	1.00%	\$126,344	\$157,931
DuPage	0.25%	\$9,438	\$18,877
Kane	0.25%	\$3,600	\$7,200
Lake	0.25%	\$2,326	\$4,652
McHenry	0.25%	\$829	\$1,658
Will	0.25%	\$1,578	\$3,157
TOTAL		\$144,115	\$193,475

Table 2: Revenues from Increasing the Existing Sales Tax Rate and Expanding the Sales Tax to Services Estimated Revenue from Increasing the Existing Sales Tax Rate by 0.25% is \$248.6 million.

County	Current Sales Tax Rate	2004 Revenues from the Current Sales Tax	Sales Tax Rate w/ 0.25% increase	Estimated Total Revenues with 0.25% Increase in Rate	Estimated Increase in Revenue (with Rate Increase)	Revenues from Expanding Sales Tax to Include Services with 0.25% Increase in Rate	Total Possible Revenues (Increased Rate and Sales Tax Expansion)
Cook	1.00%	\$569,147,000	1.25%	\$711,433,750	\$142,286,750	\$157,931,000	\$300,217,750
DuPage	0.25%	\$42,785,000	0.50%	\$85,600,000	\$42,815,000	\$18,877,000	\$61,692,000
Kane	0.25%	\$13,954,000	0.50%	\$28,000,000	\$14,046,000	\$7,200,000	\$21,246,000
Lake	0.25%	\$26,150,000	0.50%	\$52,045,000	\$25,895,000	\$4,652,000	\$30,547,000
McHenry	0.25%	\$8,160,000	0.50%	\$16,200,000	\$8,040,000	\$1,658,000	\$9,698,000
Will	0.25%	\$15,432,000	0.50%	\$31,000,000	\$15,568,000	\$3,157,000	\$18,725,000
TOTAL		\$675,628,000		\$924,278,750	\$248,650,750	\$193,475,000	\$442,125,750

¹ Calculation based on current and 0.25% increase in sales tax rates compared to the 2002 U.S. Census Bureau Economic Census NAICS consumer service categories for each county.