

**Outline of potential uses of, and revenue generated by, increasing the state personal income tax by 1% and 2%**

<b>I. Recognized Needs</b>	<b>II. Income Tax Revenue</b>	<b>III. Potential Uses</b>
<p>1. Education:</p> <p>(a) Fully funding EFAB Foundation Level: \$2.1 B</p> <p>(b) Increase Special Education Teacher reimbursement rate from \$8,000 per teach to \$19,000: \$390 M</p>	<p>1. Increasing the personal income tax rate by 1%, from 3% to 4%:</p> <p>(a) Gross Revenue: \$2.83 B</p> <p>(b) Local governments: share, via the Local Government Distributive Fund: \$283 M</p> <p>(c) Net to the state after funding the Local Government Distributive Fund: \$2.547 B</p> <p>(Note: if the state elects not to share the increase with local governments, the state will realize the full \$2.83 B)</p> <p>(Further Note: all sums have been reduced to account for the Refund Fund)</p>	<p>1. For a 1% increase in personal income tax, the state could fund:</p> <p>(a) one-half of the EFAB Foundation level \$1.05 B</p> <p>(b) one-half of the special education increase \$1.195 B</p> <p>(c) one-half of the desired property tax relief, and \$1.35 B</p> <p>(d) approximately one-quarter of the increased pension ramp obligation <u>\$1.440 B</u></p> <p style="text-align: right;">\$3.035 B</p> <p>*Assuming local governments are NOT allowed to share in the revenue from the tax increase</p>
<p>2. Property Tax Relief:</p> <p>(a) Replacing 25% of property taxes that funds education statewide: \$2.7 B</p>	<p>2. If the Corporate Income Tax rate is raised by a corresponding amount, using the constitutional limit of 8/5 of the personal rate, the corporate rate increases from 4.8% to 6.4%:</p> <p>(a) Gross Revenue: \$475 M</p> <p>(b) Local Governments Share: \$47.5 M</p> <p>(c) Net to the State: \$427.5 M</p>	
<p>3. Pension Costs:</p> <p>(a) This year, Illinois is scheduled to contribute \$2.57B to the five pension systems, which is \$1.153B more than last year, so the minimum is: \$1.153 B</p> <p>(b) Total of Recognized Needs \$6.343 B</p>	<p>3. Total Revenue from 1% personal income tax increase and corresponding corporate income tax increase:</p> <p>(a) Gross Revenue (no local government share): \$3.035 B</p> <p>(b) Net (with local government share): \$2.974 B</p>	

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<b>II. Income Tax Revenue, cont'd.</b>	<b>III. Potential Uses, cont'd.</b>
<p>4. Increasing the personal income tax rate by 2%, from 3% to 5%:</p> <p>(a) Gross Revenue: \$5.66 B</p> <p>(b) Local government's share, via the Local Distributive Fund: \$566 M</p> <p>(c) Net to State (after Local Government Distributive Fund): \$5.094 B</p>	<p>2. For a 2% increase in personal income tax, the state could fund:</p> <p>(a) the EFAB Foundation level \$2.1 B</p> <p>(b) the special education increase \$390 B</p> <p>(c) the desired property tax relief, and \$2.7 B</p> <p>(d) the increased pension ramp obligation <u>\$1.153 B</u></p> <p style="text-align: right;">\$6.343 B</p> <p>*Assuming local governments are NOT allowed to share in the revenue from the tax increase</p>
<p>5. If the Corporate Income Tax rate is raised by a corresponding amount, using the constitutional limit of 8/5 of the personal rate, the corporate rate increases from 4.8% to 8%:</p> <p>(a) Gross Revenue: \$950 M</p> <p>(b) Local Governments Share: \$95 M</p> <p>(c) Net to the State: \$855 M</p>	<p>(Note: if the Local Government Distributive Fund is NOT funded, there is a balance remaining of \$267 M)</p> <p>(Further Note: that in either case, the income tax increases (1% or 2%) will not cover the pension ramp, or eliminate the state's \$3.1 B deficit without another revenue source)</p>
<p>6. Total Revenue from 2% personal income tax increase and corresponding corporate income tax increase:</p> <p>(a) Gross Revenue (no local government shares): \$6.61 B</p> <p>(b) Net (with local government share): \$5.949 B</p>	