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**Center for Tax and Budget Accountability Releases New Report: A Graduated Rate
Income Tax Would Help Reduce After-Tax Income Inequality in Illinois**

CHICAGO – Today, the Center for Tax and Budget Accountability (CTBA) released a report, *How a Graduated Rate Income Tax Would Help Reduce After-Tax Income Inequality in Illinois*, which shows that the implementation of a graduated rate income tax can reduce the regressivity of Illinois' state and local tax system while lessening after-tax income inequality. which imposes lower tax rates on lower levels of income and higher rates on higher levels of income,

The report notes that even as average income growth for the bottom 99 percent of households in Illinois has remained relatively stagnant for almost four decades, growing by an average of just 0.25 percent per year after inflation, the cost of many basic household necessities has increased. Between 2004 and 2017, median household income grew by 6.4 percent, while the average cost of consumer goods and services grew by 29.7 percent. As a result, most low- to middle-income families have a reduced capacity to save or maintain their standard of living.

Current state and local tax policy in Illinois actually worsens this income inequality. In 2016, the poorest 20 percent of families paid 14.4 percent of their income in state and local taxes, while the top one percent paid just 7.4 percent, making Illinois' tax system one of the most regressive in the country. Before accounting for state and local taxes, families in the top one percent of income in Illinois make about 137 times more than families in the bottom 20 percent. After accounting for state and local taxes, however, the top one percent in Illinois have net after-tax incomes that are 149 times greater than the bottom 20 percent.

Given Illinois' current fiscal woes – the state is running an \$8.4 billion accumulated deficit in its General Fund – it cannot continue to fund the current level of public services it provides into the future without a tax increase. Due to the regressive nature of Illinois' overall state and local tax system, it makes sense to have much of the new tax revenue generated in as fair a manner as possible, taking into account the significant growth in income inequality occurring in the private sector. Because the income tax is the only tax that can be designed to match ability to pay, Governor Pritzker's call for the creation of a graduated rate income tax to raise \$3.4 billion in new revenue from the wealthiest three percent of taxpayers, while cutting the income tax burden for everyone else, is both fiscally sound and a rational approach to making Illinois' overall tax system fairer.

The full report can be found online at CTBA's website: <https://ctbaonline.org/reports/how-graduated-rate-income-tax-would-help-reduce-after-tax-income-inequality-illinois>