

*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”

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

FY2012	
• General Fund Services	\$24.9 B
• Replace ARRA \$ for education & Medicaid	\$1.4 B
SERVICES SUBTOTAL	\$26.3 B
• Pension Payment	\$4.5 B
• Transfers Out (LGDF, etc.)	\$1.8 B
DEBT SERVICE:	
• Capital Bonds	\$.548 B
• Pension Obligation Bonds	\$.560 B
• Repaying Fund Transfers	\$.500 B
• Pension Notes (2010)	\$.785 B
• Pension Notes (2011)	\$.150 B
DEBT SERVICE SUBTOTAL	\$2.543 B
• Lapse Period Payments	\$.500 B
• Retiree Health Care	\$.850 B
CAP SPENDING SUBTOTAL	\$36.493 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	-\$235 M
FY2014	\$38.29	\$750 M	\$380 M	\$370 M	\$640 M	-\$274 M / -\$509 M
FY2015	\$39.06 B	\$766 M	\$420 M	\$346 M	\$645 M	-\$299 M / -\$808 M or -3%
NOTE, with ECI (-\$1.433 B or -5%)						

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 ECI and Pop Growth	Increment Needed for ECI 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
Revenues				
State Own Source	\$21.69	\$22.12	\$22.56	\$23.01
Federal ²	\$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
Total Revenue	\$34.43	\$35.27	\$36.07	\$32.17
Spending				
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
Total Spending (Set Equal to Spending Limit)	\$36.82	\$37.55	\$38.31	\$39.07
General Fund Deficits (If Spending Goes to Limit)	-\$2.39	-\$2.28	-\$2.24	-\$6.90
General Fund Deficits Under Current Plan of Cuts	(\$0.78)	(\$0.60)	(\$0.30)	(\$4.58)
*General Fund Public Service Spending in FY 2015 of \$ 26.66 would increase real service cut to -\$3.37 B or -11% .				

FOR MORE INFORMATION:

CENTER FOR TAX AND BUDGET ACCOUNTABILITY

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