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# The Civic Federation

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## Civic Federation Position Statement on Proposed Illinois Constitutional Amendment for a Graduated Income Tax

This election cycle, Illinoisans have been presented with the option of amending the state constitution to allow for a graduated income tax. As proposed, the amendment represents a disappointing repeat of Illinois fiscal history. The enacted rate structure is far from best economic practice, the significant shift in the state's tax code is not part of a comprehensive plan and the proceeds will provide very little assistance, if any, to struggling local governments and pension funds. **Accordingly, the Civic Federation opposes the proposed Illinois constitutional amendment to allow for a graduated income tax.**

While the Civic Federation is not opposed to the concept of a graduated income tax and understands the state's need for more revenue, the rate structure enacted by the General Assembly is anything but ideal. Low income Illinoisans will continue to bear roughly the same tax rate as their middle and upper-middle class counterparts. As the Federation has long cautioned, the flat rate at the top of the structure is unusual and could cause tax avoidance behavior and increase revenue volatility at a time of economic uncertainty. Additionally, nothing in the package protects any one group of taxpayers from being overburdened now or in the future. A better rate structure would further reduce rates for the lowest income bracket(s), maintain only marginal rates and restrict the highest and lowest rates to within a certain percentage spread. The General Assembly's structure meets none of these standards.

Since the tax rates were enacted 16 months ago, the General Assembly has not delivered on a number of opportunities to streamline and modernize state government. For years, the Federation has publicly encouraged the General Assembly to work toward consolidation of Illinois' 7,000 local governments, modest changes to pension benefits and rationalization of the property tax system, among others. However, significant measures to cut costs or create efficiencies have not been enacted to accompany a significant change in the way Illinoisans will pay taxes. While the Federation has long recognized that cuts alone will not solve Illinois' financial crisis, the lack of comprehensive plan to begin tackling it once-and-for-all is a disappointment.

Finally, the state will not share any but a miniscule portion of the proceeds of the proposed graduated income tax with Illinois' many struggling local governments. An initial plan to share \$237 million of the billions in proceeds was whittled down to \$100 million, the future of which now remains uncertain. Another \$100 million had been set aside for supplemental payments to Illinois' five pension funds, but was not included in the state budget even if the amendment passes and in any event falls far short of a real solution.

While attractive in the abstract, the graduated income tax amendment and its accompanying rate structure are far from a panacea for Illinois' many financial challenges. Further, the Federation remains concerned that with an influx of revenues, lawmakers may consider their work finished and abdicate their responsibility to make the hard decisions that would actually complete the work of the state shoring up its finances. For these reasons, the Civic Federation is unable to support the proposed graduated income tax amendment.



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