Illinois: Economic Wealth and Taxes

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Is Illinois Government a Big Spender?

Illinois has the 12th highest GDP, per capita, of the 50 states. Meanwhile, its General Fund expenditures, per capita, rank 28th among the states, while those expenditures, as a share of the state's GDP, rank 36th. In terms of the number of state employees per 1,000 residents, excepting those in education, the state ranks 49th.* By these numbers, Illinois spends less on state services than most states of similar wealth (GDP per capita).

How Illinois Taxes Individuals

For those in the top 1 percent of income, Illinois is a low tax state, as it ranks 40th as far as how heavily such taxpayers are taxed. Those in the 95th to 98th percentile of income have it almost as good, as Illinois ranks 33rd as how heavily it taxes taxpayers with those incomes. By comparison, for those in the bottom 20% of income, Illinois ranks as the 4th highest tax state, while for those in the 2nd lowest 20% of income, Illinois is the 8th highest tax state.

Corporate Tax Loopholes That Should Be Ended

1. Decoupling from two Federal Tax Policies that allow corporations to claim tax credits for a broad range of "production activities" and to deduct the expense of new machinery and equipment from tax payments in the first year rather than over the life of the equipment. Many states have decoupled from these tax policies. If Illinois "decouples" we could generate **over $400 million per year**.

2. Eliminating the Vendor Discount, the state permits retailers to keep 1.75% of the sales tax we pay. This made sense when retailers had to employ people to make these calculations and remit payment to the state by hand, but in the era of computers it makes no sense. Ending the Vendor Discount would bring in **$115 million per year**.

3. Closing a tax exemption on foreign dividends would generate, conservatively, **$220 million per year**.

4. Until the mid-1990s, Illinois taxed corporate income via a three-pronged approach that took into consideration three factors: in-state sales, property located within the state, and payroll percentage going to in-state employees. In 1996, the state dropped the latter two factors. The goal was to stimulate growth, particularly in manufacturing. That means some of the biggest corporations in Illinois are paying only nominal portion of the of the state's 5.25 corporate income tax rate. Were Illinois to move away from the single factor method and back to a tiered approach, if would recapture some of that income or profit not accountable when measured solely by in-state sales. **This would bring-in between $150 and $216 million per year**.

5. Ending an incentive for the production of E10 (10 percent ethanol, 90 percent gasoline), would bring in **$120 million a year** back into state coffers.

6. Corporate-Based Tax 'Increment' Financing 'Districts'– TIF districts were created to allow businesses in blighted, undeveloped areas to keep ALL of their state taxes. Illinois currently has 1100 TIF districts. The problem is that Illinois has granted companies such as Sears, Boeing, Navistar, Motorola, Caterpillar and Mitsubishi TIFs to build new corporate headquarters in areas that are not blighted or undeveloped. **Such TIFS have cost Illinois $1.2 billion per year.**

**Information on Illinois government spending from the Center for Tax and Budget Accountability 2014 Issue Brief "How Does Illinois spending on public services compare to other states?"*