



ILLINOIS CHAMBER

For Immediate Release

Thursday, August 6, 2020

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Independent Analysis: Graduated Income Tax Hike Disproportionately Affects Women & Minorities, Shrinks Illinois Economy by Nearly \$2 Billion, Increases Consumer Costs, Leads to Reduced Household Spending

SPRINGFIELD, IL – An independent analysis conducted by Berkeley Research Group in conjunction with Ariel R. Belasen, Professor at SIUE, shows that passage of the graduated income tax on the November ballot would have devastating consequences to Illinois' economy, consumers and jobs. If passed, the Tax Hike Amendment would shrink Illinois' economy by nearly \$2 billion, increase consumer costs by \$332 million, lead to out-migration that would reduce household spending, and result in disproportionately more job losses in hospitals, restaurants and individual and family services that tend to employ more women and minorities.

The authors of the study were granted complete independence to provide an objective analysis of the effects of the proposed Income Tax Hike Amendment.

"This independent study concludes what many of us already knew: this is the worst possible time for a \$3.4 billion tax hike on Illinois families and businesses," said Illinois Chamber of Commerce President and CEO Todd Maisch. "The pandemic has already crushed small business owners, manufacturers and farmers, and this independent study proves that the Tax Hike Amendment would be the last straw for many more."

"Our report shows that the graduated income tax would be a devastating hit to Illinois' already struggling economy. And, job losses would disproportionately affect women and minorities," said Ariel R. Belasen, Ph.D., Professor at SIUE and independent study co-author.

The key findings of the independent analysis include:

Job losses would disproportionately affect women and minorities

Women and minorities are likely to be disproportionately affected by the job losses because three of the four sectors of the economy that the economic model indicates will be hardest hit by the tax increase. Hospitals, Restaurants, and Individual and Family Services – tend to employ relatively more workers

from these demographic groups.

- According to the Bureau of Labor Statistics (BLS):
 - Hospitals disproportionately employ women (74.9% of jobs in sector vs. 47% of all jobs across all sectors);
 - Restaurants disproportionately employ Hispanic or Latino workers (26.8% vs. 17.6% of all jobs across all sectors); and
 - The Individual and Family Services sector disproportionately employs women (78.3%) and African Americans (20.7% vs. 12.3% of all jobs across all sectors).

Reduction in GDP

Approval of the proposed Constitutional Amendment will cause up to a \$1.8 billion reduction in the income of Illinois residents annually, as measured by the state's gross domestic product (GDP).

Higher corporate taxes will be passed on to consumers

The corporate tax rate will increase from 9.5% to 10.49% (an increase of 10%), the second highest in the country. Studies show that some portion of revenues arising from an increase in the corporate tax rate (\$332 million) would be passed on to suppliers and customers, increasing prices on goods and services, and potentially suppressing worker wages.

Out-migration of thousands of high-income households

Some of the job losses will result from reduced spending on food and services arising from an increase in the rate of out-migration by Illinois residents seeking to escape the relatively heavy tax burden that the state imposes on its residents. Based on the most-recent empirical studies by economists, we estimate that increased out-migration will lead to a reduction in household spending by taxpayers in the affected income brackets of up to 0.8%.

No material income tax relief

The average annual tax relief per filer in the lower income brackets is small, and might be less than a single family meal at a fast food restaurant for many filers.

Authors of the independent study

Bill Hamm, Ph.D., Managing Director, BRG

Dr. Bill Hamm is an economist with high-level experience in both business and government. An expert on banking and public finance, he has been the executive vice-president/chief operating officer of a AAA-rated \$50-billion bank. He has also run a \$1.5-billion loan servicing business unit for an S&P 500 company. Prior to entering the private sector, Dr. Hamm headed the non-partisan Legislative Analyst's Office in California, where he earned a nationwide reputation for objectivity, expertise, and credibility on public policy issues ranging from taxation to healthcare.

Ariel R. Belasen, Ph.D., Professor, SIUE

Dr. Ariel R. Belasen is a professor of economics at Southern Illinois University Edwardsville. For the past decade he has conducted research in public health, economic development, and anti-corruption endeavors as well as on disaster recovery efforts both domestic and abroad. He has experience as a research analyst for both public and private sector clients.

Kevin W. Christensen, Ph.D., Associate Director, BRG

Dr. Kevin W. Christensen regularly uses economics to provide insights and answers to public policy and business questions. On public policy matters he has estimated the economic and tax revenue impact of proposed infrastructure investments, tax changes, and regulatory rules. He has advised clients in the oil and gas, pharmaceutical, biotechnology, medical device, banking, automobile finance, wholesale distribution, transportation, consumer packaged goods (CPG), agriculture, building materials, tourism, and gaming industries.

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Dr. Andreas Groehn combines client data with public statistics and data collected through surveys to answer pressing business questions. He regularly conducts economic impact assessments to assess policies and investment projects. Andreas has advised clients in North America, Europe, Africa, Australia and the Middle East out of Brussels, Frankfurt, London and Washington, DC.

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